FINANCIAL REPORT

Year Ended June 30, 2015

BALL STATE UNIVERSITY

Front Cover: Shafer Tower and Surrounding Campus

To

The President and Board of Trustees

Ball State University

This financial report presents

the financial position of

Ball State University at June 30, 2015

and the results of activities for

the year then ended.

Bernard M. Hannon
Vice President for Business Affairs
and Treasurer

Ball State University's Report Date…..…………………..………..……………………October 23, 2015
Accepted by the Ball State University Board of Trustees……………………….......December 18, 2015

This financial report has been prepared

By the Office of University Controller

Ball State University, Muncie, Indiana 47306

Ball State University provides equal opportunity to all students and applicants for admission in its education programs, activities, and facilities without regard to race, religion, color, sex (except where sex is a bona fide qualification), sexual orientation, gender identity/gender expression, physical or mental disability, national origin, ancestry, or age.

Ball State University provides equal opportunity to all employees and applicants for employment in its recruitment, hiring, retention, promotion, tenure, transfer, layoff, return from layoff, training, and other employment decisions and in its compensation and benefits programs without regard to race, religion, color, sex (except where sex is a bona fide occupational qualification), sexual orientation, gender identity/gender expression, physical or mental disability, national origin, ancestry, age, or citizenship (for U. S. citizens and protected lawfully-admitted aliens).

The University also takes affirmative action to employ and advance minorities, women, qualified disabled persons, and qualified disabled veterans and veterans of the Vietnam era. Information concerning the University's affirmative action programs can be obtained from the Office of University Compliance, Ball State University, Muncie, IN 47306.

Each line administrator is responsible for ensuring that educational and employment decisions are made and implemented in accordance with the University's equal opportunity and affirmative action policy. All persons involved in the decision-making process, including members of faculty and other employee committees, shall act in a nondiscriminatory manner. The Office of University Compliance is responsible for developing, coordinating, and implementing policies and procedures for institutional compliance with all applicable federal and state equal opportunity laws and regulations and for preparing and monitoring compliance with required affirmative action programs.

Complaints regarding unlawful discrimination should be filed within 45 calendar days following the alleged act or incident giving rise to the complaint in the Office of University Compliance in accordance with the *Ball State University Equal Opportunity and Affirmative Action Complaint Investigation Procedure and Appeal Process.* A copy of this document may be obtained by contacting the Office of University Compliance.

The President will review the University's equal opportunity and affirmative action policy and programs at least once each year, measure progress against the objectives stated in the affirmative action programs, and report findings and conclusions to the Board of Trustees.

Ball State University

2014-2015

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF BALL STATE UNIVERSITY, MUNCIE, INDIANA

Report on the Financial Statements

We have audited the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows of the business-type activities and the aggregate discretely presented component unit of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ball State University Foundation (Foundation), a component unit of the University as discussed in Note A, which represents 100 percent of the assets, net assets, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University, as of June 30, 2015 and 2014, and the respective changes in financial position, where applicable, and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal year 2015, the University adopted new accounting guidance GASB Statement 68 *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Post-Employment Benefits Retiree Health and Life Insurance Plans, Schedule of Ball State University's Proportionate Share of the Net Pension Liability Public Employees' Retirement Fund (PERF), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' Retirement Fund 1996 Account (TRF 1996), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996), Schedule of University Contributions Public Employees' Retirement Fund (PERF), Schedule of University Contributions Teachers' Retirement Fund 1996 Account (TRF 1996), and Schedule of University Contributions Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Introductory Section, Report of the Treasurer, and Supplemental Information sections are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Introductory Section, Report of the Treasurer, and Supplemental Information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University's internal control over financial reporting and compliance.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 23, 2015

Ball State University
Management's Discussion and Analysis
June 30, 2015

The University

Ball State University, located in Muncie, Indiana, was founded in 1918 as the Indiana State Normal School, Eastern Division. The Ball brothers, a prominent Muncie industrial family, had acquired the land and buildings of a private normal school and

donated the property to the State of Indiana. In 1929, the Indiana General Assembly separated the Muncie campus from Indiana State Normal School, naming the Muncie campus Ball State Teachers College. In 1965, the General Assembly renamed the institution Ball State University, in recognition of its significant growth in enrollment and physical facilities, the variety and quality of its educational programs and services, and in anticipation of the much broader role it would be expected to assume in the future. The University is governed by a nine-member Board of Trustees, which includes a full-time student and two members nominated by the Ball State University Alumni Association. All members of the Board are appointed by the Governor of Indiana to four-year terms, except for the student member, who is appointed to a two-year term.

Ball State University's seven academic colleges offer seven associate-level programs, 178 undergraduate degree programs, 99 masters-level programs, 16 doctoral-level programs and two specialists programs. The University is fully accredited by the Higher Learning Commission. Various schools, departments and programs are also accredited by numerous other professional agencies, licensing boards, and state agencies. The University operates Indiana's only K-12 laboratory school, as well as the Indiana Academy for Science, Mathematics and Humanities, the state's only residential high school for gifted and talented students.

Enrollment for Fall 2014 totaled 18,255 full-time equivalent students from a total headcount of 20,655. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 16,493 full-time equivalent students from a total headcount of 17,005. On-campus students come from 42 states, the District of Columbia, about 43 countries, and every county in Indiana. The University provides on-campus housing in residence halls and apartments for approximately 7,200 students. As of the beginning of the 2014-15 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 2,994 full-time and 446 part-time personnel. The campus facilities include approximately 120 buildings totaling approximately seven million gross square feet on over 1,000 acres.

The following discussion provides an overview of the financial position of Ball State University (the "University") for the fiscal years ended June 30, 2015 and 2014, along with comparative financial information for the fiscal year ended June 30, 2013. This discussion and analysis is presented to provide a greater understanding of the University's financial position and operating activities, and should be read in conjunction with the financial statements and notes to the financial statements.

Using this Report

This financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows, prepared in accordance with *Statement No. 35 of the Governmental Accounting Standards Board, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, an Amendment of GASB Statement No. 34,* as well as subsequent applicable statements from the GASB. These financial statements focus on the financial condition, results of operations, and cash flows of the University as a whole. Important features of these statements, which are mandated by the Governmental Accounting Standards Board, include:

- Revenues that are charges for services and goods, including tuition and fees and non-capital grants, are recorded as operating revenues. This means that state appropriations, which are used primarily for operations, are required to be shown as non-operating revenue.

- Scholarship allowances are required to be recorded in three different places: as a reduction to tuition and fees, as a reduction to room and board and as an operating expense. The user must total the three amounts in order to ascertain the total scholarship aid received by students from the University. Not included in these amounts are scholarship aid received directly by students, as well as loan and work-study aid.
- Federal and State Scholarships and Grants received by the University, the proceeds of which are reported as a reduction of operating income, are reported as non-operating revenue.
- Capital assets include construction in progress and infrastructure, as well as completed capital projects and capital acquisitions.

This financial report also includes, in addition to the basic financial statements referred to above, management's discussion and analysis, the report of independent auditors, notes to the financial statements and supplemental information. Included also, in accordance with GASB Statement No. 39, separately presented, are the financial statements and significant notes to the financial statements for the Ball State University Foundation. The Ball State University Foundation is a separate, not-for-profit corporation which solicits, collects and invests donations for the sole benefit of Ball State University. The Foundation's financial statements are presented in accordance with the reporting principles of the Financial Accounting Standards Board and therefore are not comparable to those of the University**.**

IHS Global Insight, in its April 2015 report to the Indiana General Assembly, predicted that the U.S. economic expansion will continue as consumer spending will increase in response to lower energy prices and robust gains in employment, real income, and net worth. Easing of credit standards and improvements in labor markets will contribute to gains in homebuilding. IHS further predicts that unemployment will level off at around 5.2 percent for the next two years and that interest rates will rise as monetary accommodations are gradually withdrawn. Indiana's near-term economic growth will continue to be favorable, but long-term slow population growth is a potential drag on the local economy.

Current Economic Climate

The National Association of State Budget Officers (NASBO) reported in the spring of 2015 that "[s]tate budgets continue to grow at a moderate pace after several years of slow recovery in the national economy following the Great Recession. According to executive budget proposals, general fund spending is projected to grow 3.1 percent in fiscal 2016."

The majority of states, including Indiana, increased state spending in fiscal year 2014-2015 and general fund spending is expected to increase an additional 3.1 percent in fiscal year 2015-2016. However, NASBO also points out that "progress is slow for a number of states and structural issues remain." State tax revenues are still experiencing limited growth as employment continues to grow only very slowly, wages remain relatively stagnant across the country, and labor force participation is low. Therefore, state spending is likely to be cautious as governor's balance modest revenue growth with a desire for structural balance.

Students at Frog Baby Fountain

Nationwide, general fund expenditures increased by 4.6 percent in fiscal year 2014-2015. State government spending in fiscal year 2014-2015 still remains below fiscal year 2007-2008 pre-recession peak, when accounting for inflation. Higher education will also continue to compete for modest expenditure increases with other areas of state funding, also experiencing pent up demand. In particular, K-12 education and Medicaid are likely to be the biggest increases in state spending in fiscal year 2015-2016.

Mid-year budget cuts have, fortunately, subsided from the immediate post-recession years. Mid-year budget cuts were enacted by 11 states in fiscal year 2014-2015, including Indiana. However, Indiana did eventually return the budget cuts to higher education at fiscal year-end. Sixteen states actually enacted mid-year budget increases. General fund revenues are expected to increase by 3.0 percent in fiscal year 2015-2016. This is nearly twice the growth of 1.6 percent seen in fiscal year 2015-2015. Governors in 16 states proposed net tax and fee increases and 12 states proposed decreases in fiscal year 2015-2016.

Student Team History Project

In its most recent report advising the Indiana General Assembly on the 2015-17 biennium revenue forecast, IHS Economics predicted that the U.S. economic expansion will continue. IHS believes that consumer spending will accelerate in response to lower energy prices and robust gains in employment, and attendant increases in income and net worth. The homebuilding recovery will gain momentum and labor markets will improve as credit standards ease. However, the strong U.S. Dollar, reductions in energy investments (IHS predicts that oil prices will reach a cyclical low and then recover as supply growth slows), and anticipated interest rate hikes will be restraints on growth. For Indiana, IHS forecasts modest decreases in unemployment and modest increases in real personal income. Near-term economic growth in expected to be favorable, led by manufacturing. Long-term slow population growth may be a potential drag on the Indiana economy.

Financial Highlights

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2015, as compared to the previous year before the implementation of *GASB 68, Accounting and Financial Reporting for Pensions,* and *GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.* The effect of these two statements required the University to record the net pension liability associated with the defined benefit pension plans administered by the Indiana Public Retirement System (INPRS). The net effect of the change for the year ended June 30, 2015 was a reclassification of $25.6 million from unrestricted net position to a noncurrent pension liability. The financial statements were not retroactively restated for the change. Note H in the notes to the Financial Statements provides additional information regarding the accounting and financial reporting of these pensions.

Due to the implementation of these new GASB standards, the total net position of the University decreased by $12.6 million as compared to fiscal year 2013-2014. Unrestricted net position decreased by $23.7 million due primarily to the effect of new pension standards. Other significant changes in net position include a decrease in restricted net position for construction of $19.7 million and a related increase to net investment in capital assets of $31.9 million.

Media Lab Projects with Digital Corps

The current ratio for the University, which is calculated by dividing current assets by current liabilities, increased slightly from 4.08 to 1 at June 30, 2014, to 4.11 to 1 at June 30, 2015. This ratio measures the University's ability to meet short term obligations with short term assets. One of the most basic determinants of clear financial health is the availability of expendable net position to cover debt should it become necessary to settle those debt obligations. The viability ratio measures the University's ability to fund these long-term obligations. At June 30, 2015, the University's viability ratio was 1.36 to 1, down slightly from the June 30, 2014 viability ratio of 1.45 to 1. A ratio above 1 to 1 indicates that the University is able to respond to adverse conditions as well as attract capital from external resources and fund new objectives.

Appropriations, Gifts and Grants

The 2015-17 biennial budget resulted in a net $4.5 million increase in state appropriations, comprised of a $4.2 million increase in combined operating and Entrepreneurial University line item appropriations and a $268,116 increase in repair and rehabilitation funding. Ball State also received an increase of $1.9 million in fee replacement appropriations to pay state authorized debt service. The University continues to focus its financial resources on those mission critical programs outlined in the University's refreshed Strategic Plan.

The University's Office of Sponsored Projects Administration garnered over $11.2 million in grant awards, contracts awarded to University Centers and Institutes, and funding to the Ball State University Foundation. Notable proposals funded in fiscal year 2014-2015 include a significant grant from the U.S. Department of Defense to the School of Kinesiology; multiple research grants from the National Science Foundation and National Institutes of Health; support from the Ball Brothers Foundation for various community initiatives; and support from the State of Indiana for projects from the Department of Natural Resources, the Department of Health, and Department of Education, among others. Grant awards may include cash received in advance, letters of credit, and cost reimbursable projects.

Ball State Symphony Orchestra (BSSO)

During fiscal year 2014-2015, Ball State University Foundation collected private gifts totaling $12.5 million. Additionally, the University has obtained several major multi-year commitments in support of its capital campaign, strategic plan, and other initiatives. These gifts will be reflected in future fiscal year reports when received.

Other Postemployment Benefits

The University offers two Other Post-Employment Benefit (OPEB) plans to qualified retirees. The retiree health care plan and the retiree life insurance plan. Both plans have well-funded non-revocable trusts associated with them that were established to help fund the liability and ensure plan sustainability.

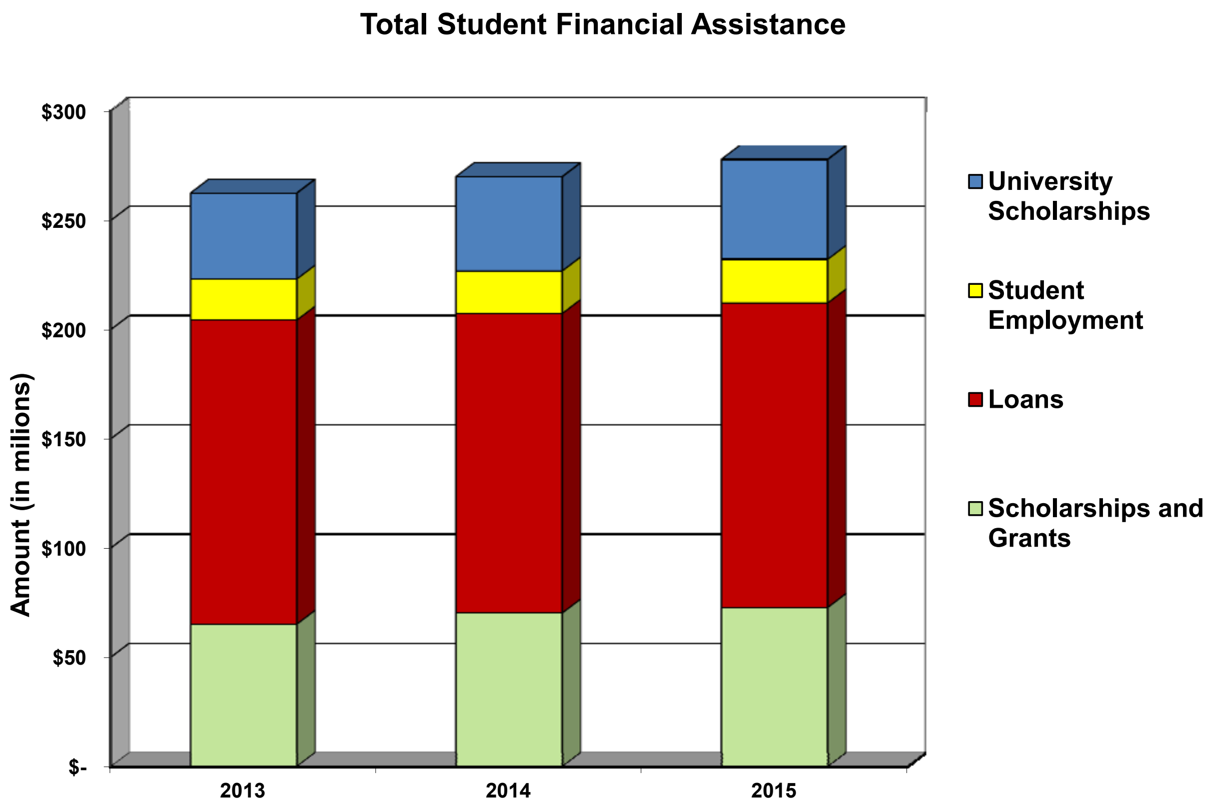
In accordance with GASB Statement 45, an actuarial study is performed every two years. In the most recently completed actuarial study, dated July 1, 2013, Ball State University's actuarial accrued liability for retiree health care was estimated to be $203.5 million with associated assets of $181.8 million. As of June 30, 2015, the Voluntary Employee Beneficiary Association (VEBA) Trust (fund established to assist in financing this liability) had a market value of $226.5 million. At June 30, 2014, the market value of the VEBA Trust was $218.2 million.

Ball State University is not unique in providing health care as a benefit for its retirees. One of Ball State University's financial strengths is that it has been engaged since the late 1980's in the systematic funding of this liability to its current status. As of June 30, 2014, the VEBA Trust was 101.0 percent actuarially funded. According to a study done by Mercer, of companies within the S&P 500 that offered an OPEB plan, their funded ratio was only 23.0 percent as of August 31, 2014.

In addition to retiree health care, Ball State also provides life insurance coverage to its retirees. The July 1, 2013, actuarial study estimated the liability for this benefit at $21.6 million. As of June 30, 2015, the OPEB 115 Trust (formerly Life Insurance Continuance Fund (LICF)) established to assist in financing this liability had a market value of $23.9 million compared to $23.4 million as of June 30, 2014. The OPEB 115 Trust was 105.4 percent funded on June 30, 2014. It is expected that the funding level will vary with general economic conditions over time. The University has a systematic plan in place to fund the benefit in accordance with the GASB Statement No. 45 rules, and is currently showing a prepaid expense amount, as opposed to a liability, of $9.8 million, which indicates that the funding is slightly ahead of plan.

Scholarships and Financial Aid

The rising cost of higher education in the United States has received widespread attention. To help alleviate the costs of attending Ball State University, many students are provided assistance in covering the cost of their tuition and fees through college and University provided financial assistance. This assistance can be based on financial need or merit. Additional types of financial assistance include federal and state financial assistance, federally guaranteed student loans, federal and state college work study, institutional aid providing room and board expenses, graduate assistants' and doctoral assistants' tuition remissions, other external scholarships and University student wages. These and other types of aid are available to improve affordability and access for Ball State students. The University's total student financial assistance provided in fiscal year 2014-2015, as the graph indicates, was approximately $277.8 million compared to $269.9 million in the prior year.



Grants, scholarships and remitted fees, which is financial assistance excluding loans and student employment, increased by 4.5 percent in fiscal year 2014-2015. Financial aid from institutional sources increased 6.0 percent. Including loans and student employment, all forms of financial assistance increased by three percent from the prior year.

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report in summary fashion the financial position of the University as a whole and on its activities, focusing on the University's net position. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting. The only exceptions are gifts and grants and interest on student loans, which are generally recorded only when received. The following is a summary of the major components of net position at June 30, 2015.

Net Position
As of June 30, 2015, 2014, and 2013

	2015	2014	2013
Assets:			
Current Assets	$ 184,617,839	$ 191,275,076	$ 222,257,842
Noncurrent Assets:			
Capital Assets, Net of Depreciation	644,270,731	630,215,193	594,652,356
Other	160,007,778	173,498,596	119,762,715
Deferred Outflows of Resources	7,589,809	-	-
Total Assets and Deferred Outflows of Resources	$ 996,486,157	$ 994,988,865	$ 936,672,913
Liabilities:			
Current Liabilities	$ 44,873,801	$ 46,924,772	$ 40,062,238
Noncurrent Liabilities	231,495,147	222,059,906	178,680,870
Deferred Inflows of Resources	6,759,333	-	-
Total Liabilities and Deferred Inflows of Resources	$ 283,128,281	$ 268,984,678	$ 218,743,108
Net Position:			
Net Investment in Capital Assets	$ 452,275,434	$ 420,355,193	$ 425,877,356
Restricted	20,239,087	41,061,296	21,763,360
Unrestricted	240,843,355	264,587,698	270,289,089
Total Net Position	$ 713,357,876	$ 726,004,187	$ 717,929,805
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 996,486,157	$ 994,988,865	$ 936,672,913

Current and Noncurrent Assets

Current assets decreased $6.7 million from the previous year primarily due to a decrease in Accounts Receivable, Net, and Unbilled Costs in the amount of $7.8 million and a decrease in Deposits with Bond Trustee of $2.1 million. These decreases were offset in part by increases to Cash and Cash Equivalents and Short Term Investments totaling $1.5 million and an increase to Prepaid Retiree Benefits of $1 million. The remaining current asset line items showed minimal variance to the prior fiscal year.

Noncurrent assets primarily consist of Other Long Term Investments and Capital Assets, net of depreciation. Noncurrent assets showed a slight increase at June 30, 2015, over the previous year. However, there was a decrease in Other Long Term Investments of $12.6 million that was offset by an increase of $14.0 million in Capital Assets, net of depreciation. The decrease in long term investments was primarily due to a rebalancing of the portfolio to a more current and liquid strategy to allow the University to meet fiscal obligations while maintaining adequate cash flow. The increase in Capital Assets, net of depreciation shows the University's continued commitment to enhance and improve the campus facilities which in turn, improves the campus life experience for the students. The Capital Asset section of the Management's Discussion and Analysis provides greater detail of the projects and renovations during the fiscal year ended June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources and Deferred Inflows of Resources represent consumption or receipt of resources applicable to a future reporting period. The amounts recorded result from the implementation of GASB Statements 68 and 71. The balances reported on these line items represent changes of the net pension liability (total pension liability less the fiduciary net position). Most changes to net pension liability are to be included in pension expense in the period of the change. However, certain changes are required to be expensed over current and future periods. Changes of economic and demographic assumptions or of other inputs and differences between expected and actual experience are required to be recorded as Deferred Outflows of Resources or Deferred Inflows of Resources as appropriate. Another major component of Deferred Outflows of Resources is the contributions that were made to the plans between the measurement date and the end of the fiscal year. These contributions amounted to $7.0 million at June 30, 2015. The measurement date of our defined benefit pension plans that are administered by INPRS is June 30, 2014.

Current and Noncurrent Liabilities

Current liabilities consist primarily of trade accounts and interest payable, accrued compensation and related benefits, deposits, unearned revenue and the current portion of bonds that are payable within one year or less. Accounts payable and accrued liabilities may fluctuate from year to year based on timing of University initiatives and programmatic costs. For fiscal year 2014-2015, the University's current liabilities showed only a $2.1 million decrease which directly reflects a decrease in the current portion of bonds payable of $1.7 million. All other components of the current liabilities showed insignificant changes.

Noncurrent liabilities are predominantly comprised of bonds payable, pension liability, liability for compensated absences and the Perkins loan program. Total noncurrent liabilities increased by $9.4 million or 4.2 percent. Bonds payable (long-term liabilities) decreased $16.9 million over the previous fiscal year. Due to the new GASB Statements 68 and 71, a line item was added to noncurrent liabilities for pension liability. In prior years, the liability was only required to be disclosed in the notes to the financial statements. The balance was not required to be disclosed within the statements themselves. Effective June 30, 2015, the University portion of the cost sharing multi-employer defined benefit plans administered by INPRS are now fully disclosed on both the financial statements and the notes to the financial statements. The effect of the GASB Standards was an increase of $26.4 million to pension liability.

Debt Administration

The University employs various sources such as philanthropy, internal cash reserves, cash appropriations from the State, and bond proceeds to fund new construction and large renovation projects on campus. As of June 30, 2015, the University had $192.0 million of capital-related bond indebtedness outstanding, compared to $209.9 million outstanding the prior year end. The decrease in indebtedness is due to regularly scheduled debt payments as well as early redemption of the University's parking system bonds. No additional debt was issued during the fiscal year. All of the University's bonds are fixed-rate, tax-exempt issuances that are secured by student fees or auxiliary revenues, depending on the original purpose of the bond.
Ball State University's rating of AA- by Standard & Poor's and Aa3 by Moody's was reaffirmed in Fall 2013. Both S&P and Moody's noted the University's consistently strong operating performance, conservative budgeting practices, strong liquidity levels and moderate debt burden as positive indicators of future financial performance. More details regarding the University's bonds payable are presented in the Notes to Financial Statements.

Capital Assets

As of June 30, 2015, the University had $452.3 million invested in capital assets, net of accumulated depreciation of $371.2 million and related debt of $192.0 million. Depreciation charges totaled $28.3 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost.

Johnson A Residence Hall

The conversion of the University's district heating and cooling system to a geothermal-based system is progressing on schedule. This project has garnered unprecedented positive attention from around the world as Ball State has worked to implement the largest full-scale district geothermal system in the country. Construction expenditures for the system during fiscal year 2014-2015 totaled $12.0 million.

Common Area of Johnson A Residence Hall

Work was completed on the renovation of Botsford/Swinford Residence Hall in the Johnson Complex in Spring 2015. The newly renovated building will welcome students back in Fall 2015 with new mechanical, electrical, and plumbing systems, a prominent new entry, and the addition of approximately 140 new beds. Approximately $8.5 million was spent on the project in fiscal year 2014-2015.

Upon completion of the Botsford/Swinford renovation, the neighboring Schmidt/Wilson Residence Hall, also part of the Johnson Complex, was taken offline for renovation. Work on Schmidt/Wilson will also include a complete replacement of the building's mechanical, electrical, and plumbing systems as well as a new building envelope, passenger elevators serving all floors, and living-learning amenities dedicated to the Theatre, Dance, and Design departments. Approximately $2.1 million was spent on the design and demolition phases during fiscal year 2014-2015.

Applied Technology Building

The renovation of the Applied Technology Building, the third major component of the University's Central Campus Academic Renovation and Utilities Improvement project, is currently underway. During fiscal year 2014-2015, over $7.5 million was expended towards the renovation.

The new Charles W. Brown Planetarium opened to the public in November 2014. The planetarium has 148 seats and a 52-foot diameter dome, making it the largest in the state and one of the top ten University planetariums in the country. Approximately $1.4 million was expended in fiscal year 2014-2015.

Charles W Brown Planetarium

The University announced the successful conclusion of its Cardinal Commitment: Developing Champions capital campaign during fiscal year 2014-2015. The campaign will allow the University to invest in new and upgraded amenities that will provide student-athletes the facilities they need to compete at the highest level. One such project is improvements to the softball and baseball complex. In fiscal year 2014-2015, nearly $2.5 million was spent on improvements to these facilities, including new artificial turf fields, dugouts, and support buildings. Further discussion of the Cardinal Commitment projects is found elsewhere in this report.

Current operating funds were utilized to purchase $6.4 million in capital equipment, some of which replaced mostly fully-depreciated equipment dispositions originally costing $3.2 million.

Net Position

Of the University's net position of $713.4 million at June 30, 2015, approximately $452.3 million is comprised of net investment in capital assets. Additionally, the University had other net positions totaling $261.1 million as of June 30, 2015, of which $20.3 million is restricted net position. The $20.3 million restricted net position is comprised of: $0.9 million in nonexpendable endowment restricted for student scholarships, $2.4 million restricted for debt service, $2.5 million restricted for student loans, $10.7 million restricted for construction, and $3.8 million restricted for external grants. Restricted net position decreased by $20.8 million, primarily due to spending of funds restricted for construction projects related to the Johnson A Residence Hall Renovation, Central Campus Academic Renovation and geothermal conversion.

Aside from capital assets and restricted net position, the remaining $240.8 million of net position is in unrestricted net position. Unrestricted net position is not subject to externally imposed restrictions. However, portions of the unrestricted net position are internally restricted for specific authorized purposes at the end of each fiscal year. The specific purposes for which these assets are internally restricted include the stewardship and renewal of capital assets, campus development and infrastructure, technological advancements, self-insurance reserves, prepaid expense for retiree benefits as calculated in accordance with GASB Statement No. 45, unforeseen contingencies, and other purposes. These internally restricted amounts are further discussed in the following sections. Additionally, the pension liability adjustment required by GASB Statements No. 68 and 71 is recorded as a reduction to unrestricted net position and discussed above in Financial Highlights as well as within the Notes to Financial Statements. Unrestricted net position decreased by $23.7 million over the prior fiscal year.

Stewardship and Renewal of Capital Assets

The campus facilities of Ball State University include nearly 120 buildings totaling approximately seven million gross square feet with a current replacement value of approximately $2.3 billion, based on an analysis of existing facilities and current construction cost indices. The average building at Ball State University is 45 years old. The University also owns over 1,000 acres of land, approximately 731 of which are developed. Connecting these buildings are nearly 20 miles of steam, condensate and chilled water piping, nearly 26 miles of sewers, over 14 miles of water piping, over 50 miles of electrical power distribution wiring and over 5,338 miles of communication cable. Much of this infrastructure is located in the over half a million cubic feet of utility tunnels on campus. In addition, the thousands of boreholes drilled to date for the geothermal conversion project include over 730 miles of loop piping. The campus also has 1,489 outside lighting poles, over 34 miles of sidewalks and service roads, and 68 acres of surface parking lots. All of these assets have their own unique life cycles for maintenance and renewal, and the Facilities Planning & Management staff of the University is responsible for ensuring that the assets are kept in excellent condition.

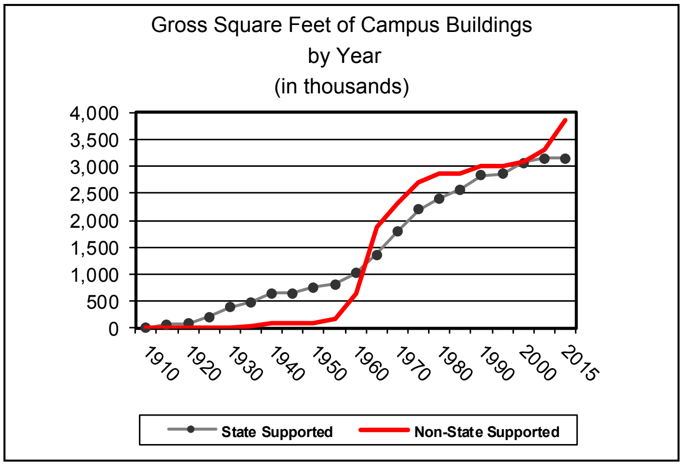
North District Energy Station

The University is committed to maintaining its campus facilities and infrastructure systems in good condition through comprehensive planning for facilities upkeep. Although the physical age of many of the campus buildings is in excess of 40-60 years, long-range planning has allowed for funding to keep these facilities in the best condition possible and keep deferred maintenance needs at a minimum.

The financing of construction and ongoing renewal of University property is dependent on the type and use of the facility involved. The following two sections discuss how these costs are handled for state supported and non-state supported buildings.

State Supported Academic and Administrative Buildings

As shown in the accompanying graph, approximately 45.0 percent of the campus square footage is dedicated to academic and administrative uses such as classrooms, laboratories, offices, libraries, and support spaces. These facilities which serve a primarily academic or administrative purpose are generally funded through bond financing, state appropriations allocated on a biennial basis by the Indiana General Assembly, or philanthropic support. The upkeep of these buildings is intended to be funded by the State of Indiana However, state funding for repair and rehabilitation of these spaces has been reduced over the last several biennia, leading to increased deferred maintenance needs. When necessary, deferred maintenance needs are addressed with internal funds and occasionally through large scale renovation projects such as the Central Campus Academic Renovation and Utilities Improvement Project which was discussed earlier. The University has set aside approximately $1.6 million of internal funds for maintenance and equipping of targeted academic buildings where state R&R appropriations are not readily available.



Non-State Supported Buildings

The remaining 55.0 percent of campus square footage consists of buildings which are built and maintained without state funds. These "non-state supported" facilities include dining and residence halls, parking facilities, the student center, performance venues, athletic facilities, and conference venues. Non-state supported buildings play a critical role in achieving the University's mission of fostering educational, cultural, and social development in the student body and the community. The non-state supported buildings on campus are estimated to have a current replacement value of approximately $0.9 billion. Based on an annually reviewed planning schedule, approximately $165.0 million, in current dollars, is planned or underway for investment in renewal projects on these facilities between now and 2022. As of the end of fiscal year 2014-2015, $98.5 million has been allocated from auxiliary operations revenues and student fees for the stewardship and renewal of these facilities. The following tables list major non-state supported projects currently underway or in the planning process for the next few years.

Major Construction Projects in Progress
Non-State Supported Buildings
($1.0 million or greater)

	Budget (in millions)
Schmidt/Wilson Renovation	$ 40.1
Ballpark Complex Improvements	5.0
Football Team Complex	3.5
Total Major Projects in Progress	$ 48.6

Major Construction Projects in Planning
Non-State Supported Buildings
($1.0 million or greater)

	Budget (in millions)
Court Sports Practice Facility	$ 7.0
Golf Indoor Practice Facility	1.4
Emens Auditorium Lobby Expansion	5.0
Total Major Projects in Planning	$ 13.4

The University receives no state funding for the repair and rehabilitation of these facilities. For many years, the University has followed a very strategic and pragmatic plan for maintaining these facilities. Studies of best practices suggest that between two percent and four percent of plant replacement costs, on average, should be set aside each year in order to adequately fund repairs and renewal and to adapt facilities to changing code requirements and evolving contemporary needs. Accordingly, the University contributes approximately three percent of current replacement value for housing, dining, and other non-state supported buildings in order to adequately fund this stewardship responsibility. For parking facilities, which are comprised of multi-level structures and paved and gravel lots, an annual target of two percent of current replacement value has been established.

The success of this pragmatic approach is validated by the evolution of the University's residence hall and dining facilities system. Over the past several years, the facilities in the residence hall and dining system have been systematically renovated or replaced as they reach the end of their useful lives. These improvements have been financed utilizing residence and dining revenues accumulated over many years, together with debt to be serviced utilizing future residence and dining revenues. The result has been an offering of on-campus residence and dining facilities with the type of accommodations that students attending college today expect at room and board rates that are competitive with other housing and dining options available to students.

Of the $98.5 million set aside for the stewardship and renewal of non-state supported facilities, approximately $59.4 million is specifically for repair and rehabilitation of residence and dining hall facilities. The University has been undertaking a planned and thoughtful approach to renovating and replacing residence halls over the last several years. Since, 2007, two new residence halls have been constructed and the fourth renovation is currently underway. The offering of on-campus housing and amenities has been well-received by students, as evidenced by the 93.4 percent occupancy rate for Fall 2014. Future residence hall plans include the possible renovation of Elliott Hall as well as future construction of residence hall space to replace the aging LaFollette Complex.

Dining options are also periodically upgraded to provide students with the most choices at a reasonable price. The fourteen convenient campus dining locations offer everything from custom-made salads or paninis, Italian or Asian cuisine, wraps or pizza, fresh deli sandwiches, or home-style fare to national brands such as Papa John's ®, Quizno's ®, Starbucks ®, Taco Bell ®, Chick-fil-A ®, and Jamba Juice ®.

The current replacement value for the residence hall and dining facilities is $703.2 million. Over the next seven years, the University plans to use more than $128.4 million from the Residence Hall and Dining Repair and Replacement account, in current dollars, for scheduled major projects as well as ongoing capital repair and replacement projects. These uses include several major projects, like the continued renovation of the Johnson Halls Complex and construction of future residence halls to replace the aging and deteriorating LaFollette Complex.

The University's parking facilities consist of three parking garages with approximately 1,500 spaces and 68 acres of surface parking with an additional 7,700 spaces. These facilities have a current replacement value of $61.7 million and are also not supported by state funding. To ensure the preservation of these facilities, a long-term plan has been developed to provide for necessary periodic maintenance and major renovations. The Parking Facilities Renewal account currently contains $3.1 million, funded primarily from parking revenues, including permits, daily fees, and citations. The renewal account is used to maintain the parking garages, repair asphalt lots, and convert gravel lots to paved lots. The University plans to spend more than $5.7 million, in current dollars, over the next seven years for major and ongoing renewal of these facilities.

In addition to residence halls, dining locations, and parking facilities discussed above, the University's non-state supported facilities also include the L.A. Pittenger Student Center, conference centers, Emens Auditorium and recreational and athletic facilities. The current replacement value for these buildings is $212.2 million. A renewal plan for each of these buildings is updated annually. Approximately $36.0 million has been set aside to fund the renewal of these facilities. This fund has been provided by student fees allocated for the support of these facilities. Over the next seven years, approximately $30.8 million in current dollars will be used from this account for regular ongoing capital renewal projects.

As part of its recent comprehensive campus master planning process, the University solicited broad and active input from current students, alumni, faculty and staff, and the community. The result is a strategic roadmap that will guide the development and use of facilities over the next several decades. Since the original academic core was laid out in 1922, the campus has strategically and prudently expanded into areas adjacent to the original campus. The tracts of land required for this expansion have been acquired over many years without State funding. The University has found that developing and acquiring property in a methodical and organized manner substantially ahead of a specific need is the most desirable and cost effective approach. The University has allocated $9.4 million for further development of the campus, including expansion of campus and the extension of infrastructure to new areas.

Technological Advancement and Other Capital Projects

Technology is a critical element in higher education, and Ball State University has been nationally recognized for its commitment to offering the latest in computing equipment through Information Technology. An annual allocation to fund renewal of equipment ensures that the University stays abreast of current technologies. The account for computer equipment renewal has a balance of $12.4 million for cyclical updates of this equipment as well as for automating other campus systems. One such project currently being funded by this account is an upgrade of aging hardware systems and implementation of the latest technology in tracking, monitoring, and maintaining a secure environment for transfer of data transmissions locally and globally.

Virtual Reality Simulations in the IDIA Lab

With the core components of the University's ERP system fully implemented, work continues to adapt and augment the various modules to best support the goals and mission of the University's Strategic Plan. Approximately $9.9 million has been set aside for the costs related to these endeavors and the ongoing maintenance and operating costs of the system.

Approximately $7.6 million has been set aside for capital projects that are underway or recently authorized. These projects include the eventual replacement of the campus telephone system and furnishings and equipment for academic buildings.

Insurance and Other Exposures

Through self-insurance, Ball State University is able to better contain costs and avoid purchasing higher cost insurance coverage from outside carriers. A requirement of self-insurance, however, is the establishment of sufficient reserves to cover claims incurred by the University and its constituents. As of June 30, 2015, self-insurance reserves total $14.6 million, of which $12.7 million pertains to the self-insured health care plan for employees, retirees, and their families. Of the $12.7 million reserve for health claims, $5.4 million represents claims that were incurred but not yet paid as of year-end, while $7.3 million is available for higher than anticipated claims in any given year. These amounts are established at the end of each year in consultation with the University's outside actuaries. The remaining $1.9 million in insurance reserves includes $0.3 million for the employee and retiree life insurance plan and $1.6 million to cover higher than expected expenditures in unemployment and workers' compensation, as well as the high deductibles for property and casualty insurance. In addition to the insurance reserves, the requirements of GASB Statement No. 45 resulted in the recognition of $9.8 million in prepaid retiree health care expense, an increase of $1.0 million over the prior year.

Criminal Justice Student Group Project

The University's student fee bonds are secured by pledges and first liens on student fees. The debt service on a portion of these bonds is reimbursed by a Fee Replacement Appropriation made by the Indiana General Assembly. There is no guarantee that this appropriation will be renewed in any subsequent year, as the current General Assembly cannot legally bind future General Assemblies. In order to facilitate the timely payment of the debt service on the bonds and the receipt of fee replacement appropriations, the University has established a reserve account that has a current balance of $16.9 million.

The University has allocated $5.9 million or 1.7 percent of the fiscal year 2014-2015 general fund budget, to a contingency reserve. This reserve is intended to help offset the costs related to a significant, unforeseen event, such as a major pandemic, a major weather-related event, other adverse acts of nature, or other claims.

Other Allocations

The University understands the financial obligation of pursuing a higher education and works closely with students who must take advantage of financial aid. The University has designated $0.4 million for emergency loans to assist students whose financial aid packages have not been finalized.

The University has also designated funds to be used for various academic initiatives. As part of a matching grant agreement, approximately $2.8 million will be used primarily for on-going programs at the Marilyn K. Glick Center for Glass. In addition, $5.4 million has been designated to assist with strategic plan initiatives.

At the end of the fiscal year, several operating accounts maintain residual balances that will be carried forward to the next fiscal year to be used for their intended purposes. At June 30, 2015, these balances totaled $63.1 million. The balances also include fees collected but not yet expensed for specific purposes, including workshops, academic and athletic camps, and conferences.

GASB Statement No. 31 requires the University to adjust the carrying value of its investments to their market value as of the end of each fiscal year, even though the University seldom disposes of any investment instrument prior to its maturity. As of June 30, 2015, the University recorded a positive market adjustment, $0.4 million of which was applied to the balances in unrestricted net position.

Change in Net Position

The following is a summary of the revenues and expenses resulting in the changes in net position for the year ended June 30, 2015. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

Change in Net Position
Year Ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Operating Revenues	$ 262,196,219	$ 250,325,765	$ 251,330,630
Operating Expenses	465,096,945	444,560,887	421,135,527
Net Operating Income/(Loss)	$ (202,900,726)	$ (194,235,122)	$ (169,804,897)
Net Non-Operating Revenues	204,497,975	193,985,205	186,658,684
Other Revenue – Capital Appropriations and Gifts	14,790,813	18,347,004	3,658,732
Increase in Net Position Before Extraordinary Item	$ 16,388,062	$ 18,097,087	$ 20,512,519
Loss from Extraordinary Item	-	(10,022,705)	-
Increase in Net Position After Extraordinary Item	$ 16,388,062	$ 8,074,382	$ 20,512,519
Net Position - Beginning of Year	726,004,187	717,929,805	697,417,286
Change in Accounting Policy	(29,034,373)	-	-
Net Position - End of Year	$ 713,357,876	$ 726,004,187	$ 717,929,805

Operating Revenues

Operating revenues increase net position and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining and athletics. In addition, federal, state and private grants are considered operating if they are not for financial aid or capital purposes.

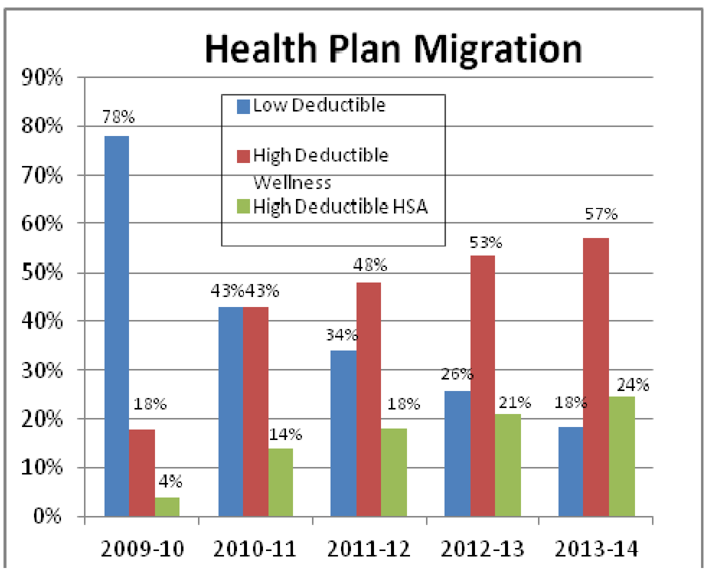
Gross student tuition and fees for fiscal year 2014-2015 increased 1.9 percent while scholarship allowances decreased by 14.6 percent resulting in a net revenue increase of $15.3 million. The large decrease in scholarship allowances resulted from a re-analysis of the calculations that determine if financial aid fits the definition of scholarship allowances or student aid. There is a correlating increase in student aid. The small increase in tuition and fees result from a modest rate increase and slight enrollment decrease. Auxiliary enterprise revenue for residential life which includes housing and dining decreased $2.0 million. The re-tooling of the scholarship allowance calculation also caused a $3.8 million increase in the amount of scholarship allowance applied to residential life. Other auxiliary enterprises includes: revenue from parking, athletic events, and cultural events which produced a decrease of $1.6 million.

For fiscal year 2014-15, grants and contracts revenue decreased by $2.3 million from the prior year to total $11.5 million. The combined balances for sales and services of educational departments and other operating revenue resulted in a $2.5 million increase.

Operating Expenses

Operating expenses reduce net position and consist of all the costs necessary to perform and conduct the programs and primary purposes of the University. Included in this total are student aid payments of $15.9 million, which are in addition to $64.4 million and $9.8 million in scholarships and auxiliary fee allowances netted against tuition and fees revenue and room and board revenues, respectively. Overall, operating expenses increased $20.5 million (4.6 percent) over last year. Personnel services increased 3.5 percent or $7.8 million due largely from a 3.0 percent salary increase as well as adding new positions. Benefits decreased by $3.2 million (4.0 percent) over the previous year even after the inclusion of $7.2 million for pension benefits relating to the Teachers Retirement Pre-1996 plan that were paid by the State of Indiana on the University's behalf. The offset consisted of even larger savings that were experienced in the self-funded healthcare plan when compared to fiscal year 2013-2014. The University switched third party administrators for claims processing on April 1, 2014. The fiscal year 2014-15 was the first complete year of realized savings from discounts with providers. Fiscal year 2013-2014 also experienced catastrophic health care claims in excess of premiums that were not present in the most recent fiscal year. The University purchased stop loss insurance during the 2014-2015 fiscal year to help reduce the fluctuation and effect of large claims.

Fiscal year 2014-2015 recorded a reduction of 3.1 percent or $2.7 million decrease in other supplies and expense. The other supplies and expense balance includes: basic office supplies, insurance, certain contracts, postage, certain rental costs, software, minor equipment, travel and other expenses. Depreciation expense increased by $3.7 million or 15.1 percent over the prior fiscal year which correlates to the increase reported in Capital Assets. There were increases for repairs and maintenance of $3.8 million due to an increase in improving and repairing our facilities to maximize utility potential and safety. Utilities posted a decrease of 2.7 percent due primarily to the geothermal energy efficiencies.



The largest area of uncertainty in budgeting operating expenses comes from managing the self-insurance health care plan. As more initiatives of the Patient Protection and Affordable Care Act come into effect, we try to anticipate the effects on health care expenses. The University is diligent in working to control costs and still provide competitive benefit rich plans. Employees receive an incentive to migrate to consumer driven heath care plans. The University has been able to reduce premiums paid by both employee and the University, while at the same time reducing medical claims in the consumer driven health care plans. Since fiscal year 2006-2007, premiums have actually seen a reduction in two of the three health care plans offered by the University.

The University is committed to providing health enhancement wellness programs to employees to not only improve their level of health but also to improve their quality of life by expanding its health enhancement program activities, including offering free health risk assessments and screenings to employees and their spouses, incentives for participation in wellness activities, free tobacco cessation programs, and continuing to work with employees on managing their chronic health conditions. The University also continues to monitor and make appropriate changes to the various health plans to encourage good consumer behavior, such as use of generic drugs and preventative care to control costs, without adversely affecting medical care. Due to these cost savings measures, a contribution to the VEBA Trust was not necessary in fiscal year 2014-2015.

Non-Operating Revenues and Expenses

Non-operating revenues increase net position, and non-operating expenses reduce net position. Non-operating revenues and expenses are generated from transactions that are primarily non-exchange in nature, consisting mainly of state appropriations, federal and state scholarships and grants, private gifts, interest expense and investment income (interest and dividend income and realized and unrealized gains and losses).

For fiscal year 2014-2015, state operating appropriations distributed to the University increased by $1.8 million from $141.5 million to $143.4 million. Revenues from private gifts decreased 8.0 percent to $6.7 million.

Federal and State Scholarships and Grants increased by 1.8 percent during the fiscal year 2014-2015 to $48.0 million from $47.2 million in the previous year. State Pension Contributions was a new line item this year and is related to the contributions the State of Indiana pays on behalf of the University to INPRS for the Teachers Retirement Plan Pre-1996 Account. The amount of these contributions for fiscal year 2014-2015 was $7.2 million. Other Non-Operating Income consists primarily of head count funds (formerly ADM receipts) for the Indiana Academy for Science, Mathematics and Humanities and for the Burris Laboratory School, plus a Medicare Retiree Drug Subsidy the total of which increased $0.8 million. Investment income may fluctuate from day to day as the amounts reported are tied to market fluctuations and unrealized losses at any given time. At June 30, 2015, investment income increased slightly to $2.8 million from $2.4 million.

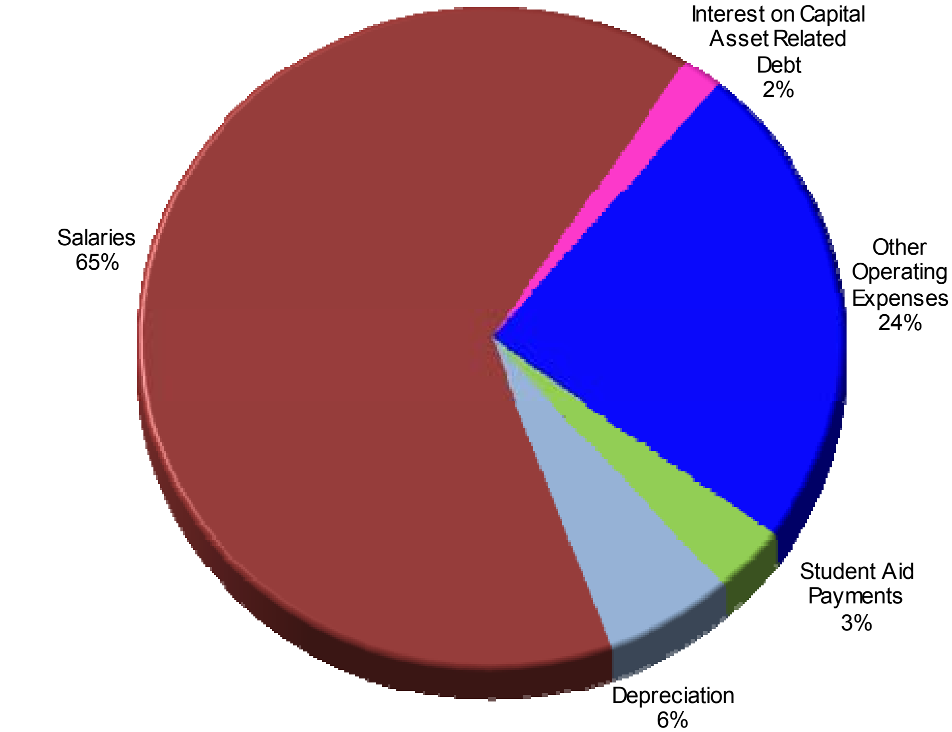
Other Revenues

Renewal and Replacement Appropriations (millions of dollars)					
2010	**2011**	**2012**	**2013**	**2014**	**2015**
$1.6	**$2.5**	**$4.3**	**$0.0**	**$14.2**	**$13.8**

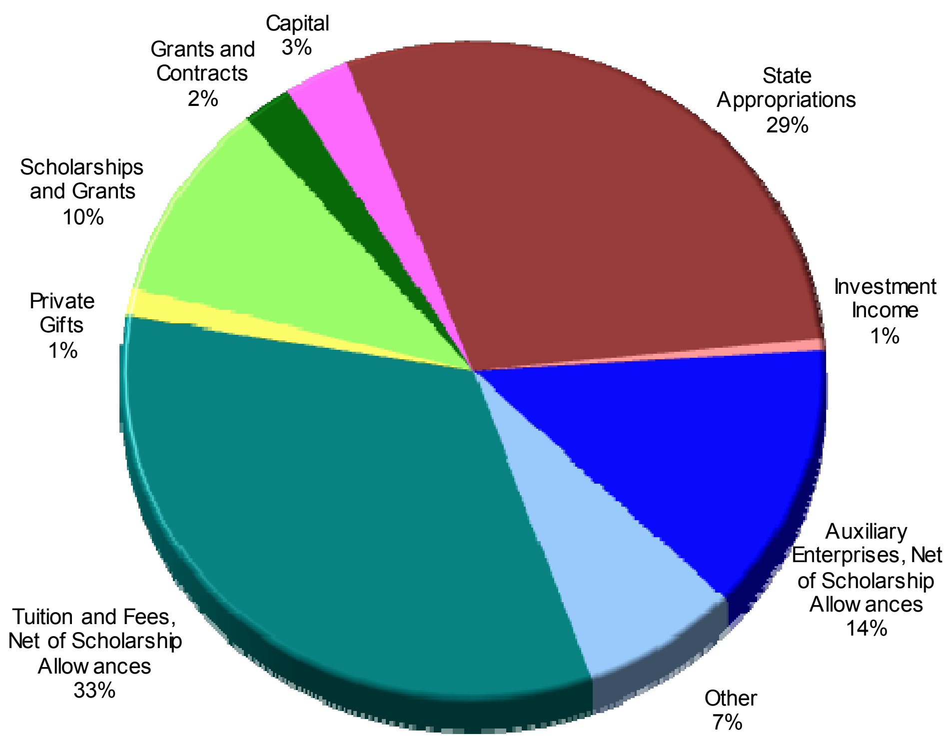
Other revenues increase net position and consist of capital appropriations, gifts and grants, as well as items that are typically non-recurring, extraordinary, or unusual to the University.

As discussed in the Net Position section, the State of Indiana's biennial appropriations to the University typically include an appropriation of capital renewal and replacement funds for state-supported buildings. The funding amount is based on a formula that takes into account the age, condition, and use of the campus facilities. In recent years, the state has not allocated full funding for capital renewal and replacement appropriations due to the financial condition of the state. Renewal and replacement appropriations received between 2010 and 2012 were from federal stimulus funds, which were fully expended as of the end of fiscal year 2011-12. Renewal and replacement appropriations received in fiscal year 2014-2015 include $2.4 million in appropriations for general repair and rehabilitation and $11.4 million in draws against the $30.0 million appropriation for the University's geothermal conversion project. Capital gifts from the Ball State University Foundation totaled $1.0 million for various capital projects.

Total Expenses by Source



Total Revenues by Source



Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the University during the period. Unlike the Statement of Revenues, Expenses and Changes in Net Position, which reports revenues when they are earned and expenses when they are incurred, regardless of when cash is received or disbursed, the Statement of Cash Flows reports actual cash received and disbursed. The focus of the Statement of Cash Flows is on the increase or decrease in cash and cash equivalents. The Statement of Cash Flows helps the user assess the University's ability to generate future net cash flows, meet obligations as they come due, and assess the University's needs for external financing.

Cash Flows
Year Ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Cash and Equivalents Provided By/(Used In):			
Operating Activities	$ (178,932,730)	$ (162,669,962)	$ (150,939,796)
Non-Capital Financing Activities	220,292,407	188,239,256	202,627,926
Capital and Related Financing Activities	(55,061,541)	(8,282,170)	(45,153,046)
Investing Activities	(4,459,027)	(39,448,352)	(2,670,476)
Net Increase in Cash and Equivalents	$ (18,160,891)	$ (22,161,228)	$ 3,864,608
Cash and Equivalents – Beginning of Year	122,619,910	144,781,138	140,916,530
Cash and Equivalents – End of Year	$ 104,459,019	$ 122,619,910	$ 144,781,138

The major components of cash flows provided from operating activities are tuition and fees, net of scholarship allowances and auxiliary enterprise activities (housing and dining fees). Tuition and fees, net of scholarship allowances increased $16.5 million that was offset by an increase in payments for scholarships and fellowships of $10.5 million. This shift resulted from a change in the calculation of scholarship allowances. Auxiliary enterprise activities showed a slight decrease of $2.1 million than in the prior year due to a decrease in utilization. The major components of cash flows used in operating activities are payments for employees (including benefits) and payments to suppliers and service providers. Compared to the prior year, more cash was expended for personnel services and benefits for a combined total of $7.7 million or 2.5 percent increase over the previous year. The payments for supplies increased $16.8 million for cash flow purposes.

Cash flows provided from non-capital financing activities primarily reflect state appropriations received of $152.7 million and scholarships and grants from federal and state sources of $48.0 million.

Cash flows from capital financing activities reflect a decrease in cash for the year, due primarily to cash expenditures of $44.5 million for capital assets in fiscal year 2014-2015. Debt service was $27.5 million in fiscal year 2014-2015. Capital appropriations of $13.8 million were also a major component in fiscal year 2014-2015.

Cash flows from investing activities, most of which consists of reinvesting the proceeds from investments as they mature, resulted in a net decrease in cash of $4.5 million while cash and cash equivalents were reduced by $18.2 million.

Economic Factors That Will Affect the Future

Ball State University, as a public university, relied on the State of Indiana for a little less than 30.0 percent of the total financial resources in fiscal year 2014-2015. State revenues for fiscal year 2014-2015 were 1.9 percent above forecast and 3.4 percent above fiscal year 2013-2014, allowing the state to close the year with a $210 million surplus. State reserves of $2.1 billion are the second largest amount in state history. The State of Indiana is rated Aaa by Moody's and AAA by Standard & Poor's, making it one of only a handful of states with top rankings by both ratings agencies. State revenues are forecasted to continue to grow by 1.5 percent in fiscal year 2015-2016 and an additional 2.4 percent in fiscal year 2016-2017.

Standard and Poor's continued to maintain a negative outlook for U.S. not-for-profit private and public colleges and universities in 2015, citing the struggle of institutions to balance their own rising costs with student affordability. Standard and Poor's further expressed a belief that the demand for higher education overall is sound and that the need for post-secondary education will increase over time, but indicated that the viability of individual institutions will depend on how well they can demonstrate their value and respond to potential students' needs. Conversely, Moody's Investors Service revised its rating for U.S. higher education to stable from negative, reflecting the expectation that the sector's business environment will neither erode significantly nor improve materially in the next 12-18 months.

In 2013, Ball State's ratings for student fee and housing and dining bonds rating was once again confirmed and the parking revenue bonds were upgraded. The parking revenue bonds were subsequently redeemed in full. Presently, all of Ball State's bonds are rated Aa3 (stable outlook) by Moody's and AA- (stable outlook) by Standard & Poor's.

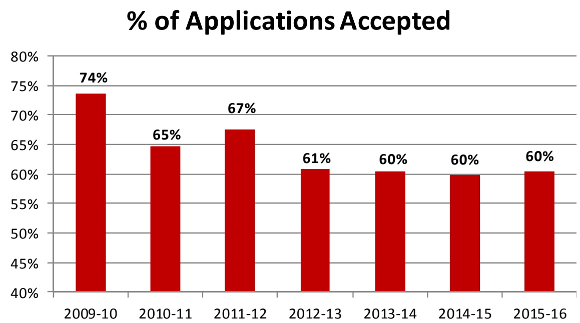
The David Owsley Museum of Art

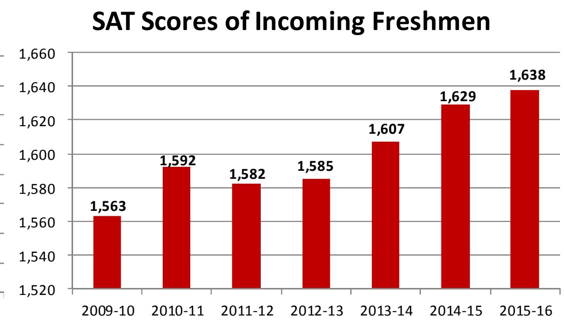
Since 2004, the State of Indiana has been utilizing a performance funding formula for higher education in one form or another. The formula is drafted and managed by the Indiana Commission for Higher Education (ICHE). ICHE uses the funding formula to recommend funding to the Indiana legislature for appropriations to the various public universities in the state. The funding formula has changed somewhat in each of the last several biennial budget cycles. The two constants in the funding formula have been to recommend increases in funding to campuses that increase the number of degrees awarded, primarily to resident undergraduate students, and to campuses that increase graduation rates. Because Ball State has focused on increasing the quality of the student body and the quality of our educational experiences, as opposed to the quantity of our student body, the University has not fared as well under the performance funding formula as some of the growing and larger campuses in the state in the early performance funding budget years. However, due to deliberate actions taken by the University to improve the quality of the student body, Ball State is currently performing quite well under the performance funding metrics.

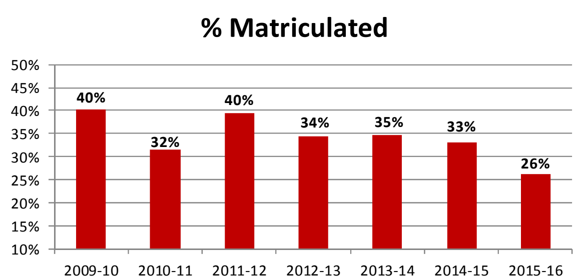
In the most recent manifestation of the performance funding formula, Ball State is classified as a research campus and earns funding under the formula primarily for an increase in the number of degrees awarded to resident students, increases in the number of "high-impact" degrees awarded to resident students (as chosen by ICHE, primarily in STEM disciplines), increases in the resident undergraduate four-year graduation rate, and some measure of efficiency. Ball State takes very seriously the goals set forth by ICHE in creating their budget recommendations. With an eye toward increasing the amount of funding that Ball State receives under the Performance Funding formula, while being true to our strategic direction of becoming better and not bigger, the University continues to focus on enrolling students who are increasingly better academically prepared. In part because of our increasing selectivity in student admissions, and in part through a concerted set of policy initiatives, the University's graduation and retention rates have been growing steadily and substantially. In fact, in a study conducted by the Indiana Commission for Higher Education, Ball State showed the largest increase in on-time (within 4 years) graduation rates among all Indiana public universities between 2009 and 2014.

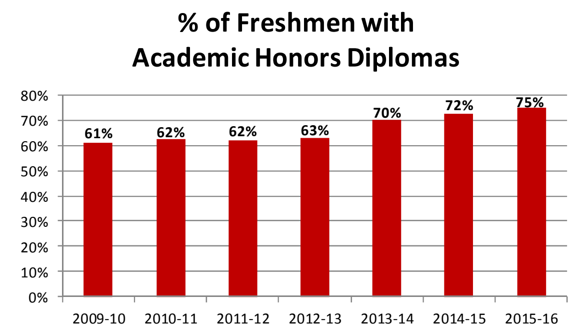
Student Presentation at the Immersive Learning Award Reception

The increase in selectivity of the University's student body is illustrated in the following charts:









Ball State also rolled out a four-point affordability plan in the fall of 2011, designed to both increase the graduation rate and to keep college affordable for students and families. The four-point plan included: (1) reducing the number of credit hours required for a baccalaureate degree from 126 to 120 for most majors; (2) allowing students to take on-line courses as part of the 12-18 credit hour bracket for no additional charge, giving students the ability to complete more credit hours for less money and more flexibility in scheduling courses; (3) reducing the cost of summer school; and (4) granting a $500 Completion Scholarship to any resident student who graduated in four calendar years or less.

Faculty and Student Team Project

These policies and initiatives are expected to increase the performance of the University as measured in the performance funding formula. Indeed, in the last budget cycle Ball State made progress on all but a single performance funding metric used by the state to fund research campuses. Furthermore, because of the lag in data used by the state of Indiana in the performance funding formula, Ball State already knows that it will show positive progress on the funding metrics when the 2017 Indiana General Assembly meets to pass the 2017-19 biennial budget.

Gifts and Other Revenue

In Spring 2013, the University embarked on an ambitious capital campaign, titled *Cardinal Commitment: Developing Champions,* to fund improvements and expansion of facilities critical to athletic success. The $20.0 million campaign was intended to address needs in the athletic facilities for football, baseball, softball, volleyball, golf and basketball. In December 2014, the University announced that the campaign had raised over $20.6 million. Two of the four primary projects, the Ballpark Complex Improvements and the Football Team Complex, are currently underway. The two other primary projects, the Court Sports Practice Facility and the Golf Indoor Practice Facility, are in the planning stages.

Cardinal Softball Field

Cardinal Baseball Field

As mentioned earlier, the University was awarded over $11.2 million in the form of sponsored programs. This figure includes grant awards, contracts awarded to University Centers and Institutes, and funding to the Ball State University Foundation that resulted in sponsored programs.

Conclusion

In summary, as the financial statements indicate, the University has been an effective steward of the human, physical and financial resources entrusted to it, based on a planned approach to addressing long-term needs and liabilities while facing shorter-term challenges not unlike other public institutions nationwide. When all of this is taken into consideration, Ball State University remains in a strong position to be a major asset of significant benefit to the citizens of the State of Indiana.

Beneficence, affectionately called "Benny"

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Ball State University

Statement of Net Position
As of June 30, 2015 and 2014

	2015	2014
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 104,459,019	$ 122,619,910
Short Term Investments	19,663,050	-
Accrued Interest Receivable – Investments	500,329	286,118
Accounts Receivable, Net, and Unbilled Costs	28,862,591	36,692,686
Inventories	1,254,194	1,263,335
Deposit with Bond Trustee	16,162,358	18,250,994
Notes Receivable, Net	1,862,104	1,413,342
Prepaid Retiree Benefits	9,799,088	8,840,970
Prepaid Expenses	2,055,106	1,907,721
Total Current Assets	$ 184,617,839	$ 191,275,076
Noncurrent Assets:		
Endowment Investments	$ 1,512,221	$ 1,502,197
Accounts and Notes Receivable, Net	8,126,153	9,033,278
Other Long Term Investments	150,369,404	162,963,121
Capital Assets, Net	644,270,731	630,215,193
Total Noncurrent Assets	$ 804,278,509	$ 803,713,789
Total Assets	$ 988,896,348	$ 994,988,865
Deferred Outflows of Resources:		
Pension Contributions	$ 7,589,809	$ -
Total Assets and Deferred Outflows of Resources	$ 996,486,157	$ 994,988,865
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 25,406,353	$ 25,439,510
Deposits	7,356,456	7,596,670
Unearned Revenue	505,992	538,592
Long Term Liabilities – Current Portion	11,605,000	13,350,000
Total Current Liabilities	$ 44,873,801	$ 46,924,772
Noncurrent Liabilities:		
Liability for Compensated Absences	$ 7,210,059	$ 7,357,362
Pension Liability	26,418,822	-
Perkins Loan Program – Federal Capital Contribution	8,898,835	8,881,337
Long Term Liabilities, Net	188,967,431	205,821,207
Total Noncurrent Liabilities	$ 231,495,147	$ 222,059,906
Total Liabilities	$ 276,368,948	$ 268,984,678
Deferred Inflows of Resources:		
Pension Contributions	$ 6,759,333	$ -
Total Liabilities and Deferred Inflows of Resources	$ 283,128,281	$ 268,984,678
Net Position:		
Net Investment in Capital Assets	$ 452,275,434	$ 420,355,193
Restricted for:		
Nonexpendable Scholarships	908,931	905,340
Expendable:		
Debt Service	2,362,261	3,660,626
Loans	2,485,679	2,478,312
Construction	10,706,650	30,455,588
External Grants	3,775,566	3,561,430
Unrestricted	240,843,355	264,587,698
Total Net Position	$ 713,357,876	$ 726,004,187
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 996,486,157	$ 994,988,865

See accompanying Notes to Financial Statements

Ball State University Foundation

Consolidated Statements of Financial Position
As of June 30, 2015 and 2014

		2015		2014
Assets:				
Cash	$	1,046,179	$	1,375,111
Contributions receivable, net		11,859,256		12,443,413
Investments		203,663,336		203,500,789
Investments held in split-interest agreements		2,460,829		2,426,377
Beneficial interest in remainder trusts		1,108,856		1,115,392
Other assets		877,371		712,795
Cash surrender value of life insurance		1,766,912		1,680,737
Property and equipment		8,918,468		9,994,275
Beneficial interest in perpetual trusts		2,521,399		2,638,989
Total assets	$	234,222,606	$	235,887,878
Liabilities:				
Accounts payable	$	4,748,540	$	7,490,833
Accrued expenses		203,401		200,445
Notes payable		340,000		340,000
Line of credit		1,000,000		1,200,000
Term notes payable		13,300,000		4,300,000
Annuity obligations		2,163,366		2,390,713
Trust obligations		653,160		715,245
Bonds payable		-		10,000,000
Total liabilities	$	22,408,467	$	26,637,236
Net Assets:				
Unrestricted	$	1,512,927	$	9,102,051
Temporarily restricted		138,216,925		128,979,787
Permanently restricted		72,084,287		71,168,804
Total net assets	$	211,814,139	$	209,250,642
Total liabilities and net assets	$	234,222,606	$	235,887,878

See Note A in Notes to Financial Statements

Ball State University

Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2015 and 2014

	2015	2014
Operating Revenues:		
Student Tuition and Fees	$ 227,094,099	$ 222,842,172
Scholarship Allowances	(64,402,799)	(75,433,696)
Net Student Tuition and Fees	$ 162,691,300	$ 147,408,476
Federal Grants and Contracts	5,561,137	6,158,114
State & Local Grants and Contracts	1,622,278	1,684,823
Non-Governmental Grants and Contracts	4,345,768	5,994,425
Sales and Services of Educational Departments	10,509,521	9,941,338
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2015 - $9,793,970; 2014 - $6,010,807)	55,414,926	57,438,723
Other	9,244,856	10,848,762
Other Operating Revenues	12,806,433	10,851,104
Total Operating Revenues	$ 262,196,219	$ 250,325,765
Operating Expenses:		
Personnel Services	$ 231,215,375	$ 223,401,128
Benefits	76,308,128	79,491,469
Utilities	12,791,665	13,147,394
Repairs and Maintenance	17,187,467	13,435,936
Other Supplies and Expenses	83,362,786	86,048,964
Student Aid	15,884,773	4,400,138
Depreciation	28,346,751	24,635,858
Total Operating Expenses	$ 465,096,945	$ 444,560,887
Operating Income/(Loss)	$ (202,900,726)	$ (194,235,122)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants	$ 48,015,068	$ 47,183,397
State Appropriations	143,352,066	141,538,979
Investment Income	2,834,541	2,416,213
Interest on Capital Asset Related Debt	(8,718,647)	(8,703,514)
Private Gifts	6,715,720	7,299,442
State Pension Contributions	7,249,126	-
Other Non-Operating Income	5,050,101	4,250,688
Net Non-Operating Revenues/(Expenses)	$ 204,497,975	$ 193,985,205
Income Before Other Revenues, Expenses, Gains or Losses	$ 1,597,249	$ (249,917)
Capital Appropriations	13,780,490	14,220,896
Capital Gifts	1,010,323	4,126,108
Increase in Net Position Before Extraordinary Item	$ 16,388,062	$ 18,097,087
Extraordinary Item:		
Loss from Extraordinary Item	$ -	$ (10,022,705)
Increase in Net Position After Extraordinary Item	$ 16,388,062	$ 8,074,382
Net Position – Beginning of Year	726,004,187	717,929,805
Change in Accounting Policy	(29,034,373)	
Net Position – End of Year	$ 713,357,876	$ 726,004,187

See accompanying Notes to Financial Statements

Ball State University Foundation

Consolidated Statements of Activities
Years Ended June 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:								
Contributions	$ 1,664,840	$ 10,207,271	$ 600,739	$ 12,472,850	$ 1,759,285	$ 15,007,080	$ 462,796	$ 17,229,161
Promotional activities and other revenue	61,391	-	-	61,391	45,954	-	-	45,954
Investment income, net of fees	(1,799,839)	8,249,966	216,992	6,667,119	16,696,193	11,746,902	205,430	28,648,525
Change in value of split-interest agreements	(20,785)	(132,976)	356,379	202,618	105,557	271,400	197,272	574,229
Rental and other income	817,644	-	-	817,644	836,086	-	-	836,086
Operating support fees	1,567,998	(1,553,179)	(14,819)	-	1,424,310	(1,420,001)	(4,309)	-
	$ 2,291,249	$ 16,771,082	$ 1,159,291	$ 20,221,622	$ 20,867,385	$ 25,605,381	$ 861,189	$ 47,333,955
Net assets released from restrictions	7,777,752	(7,533,944)	(243,808)	-	15,291,763	(15,028,998)	(262,765)	-
Total revenues, gains and other support	$ 10,069,001	$ 9,237,138	$ 915,483	$ 20,221,622	$ 36,159,148	$ 10,576,383	$ 598,424	$ 47,333,955
Expenses:								
University programs	$ 11,390,311	$ -	$ -	$ 11,390,311	$ 17,105,342	$ -	$ -	$ 17,105,342
Management and general	2,536,645	-	-	2,536,645	2,576,195	-	-	2,576,195
Fund raising	3,731,169	-	-	3,731,169	3,450,671	-	-	3,450,671
Total expenses	$ 17,658,125	$ -	$ -	$ 17,658,125	$ 23,132,208	$ -	$ -	$ 23,132,208
Change in Net Assets	$ (7,589,124)	$ 9,237,138	$ 915,483	$ 2,563,497	$ 13,026,940	$ 10,576,383	$ 598,424	$ 24,201,747
Net Assets, Beginning of Year	9,102,051	128,979,787	71,168,804	209,250,642	(3,924,889)	118,403,404	70,570,380	185,048,895
Net Assets, End of Year	$ 1,512,927	$ 138,216,925	$ 72,084,287	$ 211,814,139	$ 9,102,051	$ 128,979,787	$ 71,168,804	$ 209,250,642

See Note A in Notes to Financial Statements

Ball State University

Statement of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Source / (Uses) of Cash:		
Operating Activities:		
Tuition and Fees	$ 162,817,975	$ 146,328,678
Grants and Contracts	12,128,904	15,616,730
Payments to Suppliers	(94,395,770)	(77,586,626)
Payment for Maintenance and Repair	(17,187,467)	(13,435,936)
Payments for Utilities	(12,791,665)	(13,147,394)
Payments for Personnel Services	(231,274,876)	(223,220,731)
Payments for Benefits	(80,064,652)	(80,433,394)
Payments for Scholarships and Fellowships	(16,339,617)	(5,797,702)
Auxiliary Enterprise Charges:		
Room and Board	55,334,855	57,468,099
Other	9,244,856	10,848,762
Sales and Services of Educational Activities	10,679,712	9,993,576
Other Receipts/Disbursements/Advances	22,915,019	10,695,976
Net Cash Provided/(Used) by Operating Activities	$ (178,932,726)	$ (162,669,962)
Non-Capital Financing Activities:		
Federal and State Scholarships and Grants	$ 48,015,068	$ 47,183,397
State Appropriations	152,696,404	129,691,793
William D. Ford Direct Lending Receipts	121,579,718	121,019,726
William D. Ford Direct Lending Disbursements	(121,013,730)	(120,640,549)
Private Gifts	6,715,720	6,734,201
State Pension Contributions	7,249,126	-
Foundation Receipts	2,067,031	1,893,070
Foundation Disbursements	(2,067,031)	(1,893,070)
Other Non-Operating Revenue	5,050,101	4,250,688
Net Cash Provided/(Used) by Non-Capital Financing Activities	$ 220,292,407	$ 188,239,256
Capital Financing Activities:		
Proceeds from Capital Debt	$ -	$ 69,000,000
Capital Appropriations	13,780,490	14,220,896
Capital Gifts	1,010,321	4,126,108
Unamortized Bond Premium	-	4,654,573
Purchases of Capital Assets	(44,459,905)	(60,844,069)
Principal Paid on Capital Debt	(17,865,000)	(27,915,000)
Interest Paid on Capital Debt	(9,616,085)	(8,703,514)
Deposits with Trustee	2,088,636	(2,821,164)
Net Cash Provided/(Used) by Capital Financing Activities	$ (55,061,543)	$ (8,282,170)
Investing Activity:		
Proceeds from Sales and Maturities of Investments	$ 143,011,563	$ 156,374,216
Interest on Investments	2,215,661	1,877,396
Purchase of Investments	(149,686,253)	(197,699,964)
Net Cash Provided/(Used) by Investing Activities	$ (4,459,029)	$ (39,448,352)
Net Increase/(Decrease) in Cash	$ (18,160,891)	$ (22,161,228)
Cash – Beginning of the Year	122,619,910	144,781,138
Cash – End of the Year	$ 104,459,019	$ 122,619,910

Ball State University

Statement of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of Net Operating Revenues/(Expenses) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	$ (202,900,726)	$ (194,235,122)
Adjustments to Reconcile Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	28,346,751	24,635,853
Equipment Retired	2,057,616	645,379
Changes in Assets and Liabilities:		
Operating Receivables, Net	(2,080,230)	(600,834)
Inventories	9,141	33,441
Other Assets	(1,105,503)	1,620,105
Accounts Payable	130,508	4,723,870
Unearned Revenue	(32,600)	(312,224)
Deposits Held for Others	(222,716)	202,734
Compensated Absences	(147,303)	(112,383)
Pension Liability	(2,615,551)	-
Deferred Outflows	(7,589,809)	-
Deferred Inflows	6,759,333	-
Long Term Accounts and Notes Receivable	458,363	729,219
Net Cash Provided/(Used) by Operating Activities	$ (178,932,726)	$ (162,669,962)

See accompanying Notes to Financial Statements

Ball State University Foundation

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities:		
Change in net assets	$ 2,563,497	$ 24,201,747
Items not requiring/(providing) cash:		
Depreciation and amortization	240,738	241,283
Bad debts	251,020	285,392
Net realized and unrealized gains on investments	(6,979,088)	(30,752,218)
Gain on sale of property and equipment	(290,844)	(234,667)
Change in value of trusts	124,126	(184,855)
Contributions of marketable equity securities	(675,644)	(1,551,807)
Contributions restricted for long-term investment	(600,739)	(462,796)
Net change in value of split-interest agreements	(323,884)	(171,351)
Changes In:		
Contributions receivable, including amortization of discount on pledges receivable	333,137	3,486,763
Other assets	(164,576)	223,604
Accounts payable and accrued expenses	(2,739,337)	1,614,441
Net cash used in operating activities	$ (8,261,594)	$ (3,304,464)
Investing Activities:		
Purchase of property and equipment	$ (966,969)	$ (2,423,488)
Proceeds from property and equipment and sale of real estate	2,092,882	1,022,136
Purchase of investments	(33,573,501)	(24,913,134)
Sales and maturities of investments	41,065,686	36,445,845
Net (increase) decrease in cash surrender value of life insurance	(86,175)	56,215
Net cash provided by investing activities	$ 8,531,923	$ 10,187,574
Financing Activities:		
Borrowings under line of credit agreement	$ 3,200,000	$ 7,250,000
Payments under line of credit agreement	(3,400,000)	(12,600,000)
Proceeds from term notes payable	10,000,000	-
Reduction of term notes payable	(11,000,000)	(1,000,000)
Proceeds from contributions restricted for investment in permanent endowment	600,739	462,796
Net cash used in financing activities	$ (599,261)	$ (5,887,204)
Net Increase (Decrease) in Cash	$ (328,932)	$ 995,906
Cash, Beginning of the Year	1,375,111	379,205
Cash, End of Year	$ 1,046,179	$ 1,375,111
Interest Paid	$ 186,280	$ 293,046

See Note A in Notes to Financial Statements

Note A – Significant Accounting Policies

Reporting Entity

Ball State University (University) is a public institution of higher education governed by a nine-member Board of Trustees in accordance with IC 21-19-3. The University is considered to be a component unit of the State of Indiana. The Governor of Indiana appoints the Trustees, one of whom is a full-time student at the University and two of whom are nominated or selected by the Ball State University Alumni Association. All members of the Board of Trustees are appointed for terms of four years, except for the student member whose term is two years. No more than six of the non-student Trustees may be of the same sex, and at least one of them must be a resident of Delaware County, Indiana.

The University is included in the State's financial statements as a discrete component unit. Transactions with the State of Indiana relate primarily to: appropriations for operations, repairs and rehabilitations, and debt service for academic buildings; appropriations and other revenues for operation of the Indiana Academy for Science, Mathematics, and Humanities; grants for other purposes; and payments to State retirement programs for University employees.

Financial Statements

The financial statements of the University are prepared in accordance with the principles outlined in *Statement No. 35* of the Governmental Accounting Standards Board (GASB). The University has elected to report its financial results as a special-purpose government engaged only in business-type activities, using proprietary fund accounting and financial reporting. Required financial statements consist of:

Management's Discussion and Analysis
Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Statement of Cash Flows
Notes to Financial Statements
Required Supplemental Information other than Management Discussion and Analysis.

The financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting with the following exceptions, which are common practices in colleges and universities:

Interest on student loans is recorded only when received.
Gifts are recorded when received.

Major sources of revenues recorded in advance of the year in which the predominant amount of service is rendered are classified as unearned income on the Statement of Net Position. Advances on exchange activities are recorded as unearned income. All other earned receipts are reported as revenue in the period they are received. Internal service activity revenues, including overhead charges, are offset against the expenses of internal service activities. Restricted and unrestricted resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

Operating Revenues/Expenses

Operating revenues encompass all revenues from exchange transactions arising from the activities necessary to carry out the primary mission of the University, including tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprises net revenues. Revenues from investing activities, Ball State University Foundation donations, federal and state financial aid, and state appropriations are considered to be non-operating revenue.

Operating expenses encompass all expenses paid to acquire goods and services provided in return for operating revenues and to carry out the mission of the University. Examples include personnel services, benefits, and other supplies and expenses. Expenses are reported using natural classifications in the Statement of Revenues, Expenses and Changes in Net Position.

Student Tuition and Fees

Student tuition and fees are net of scholarship allowances funded from University funds as well as scholarships and fellowships funded from federal, state and other grants, to the extent that these funds offset all or a portion of each student's tuition and fees. Scholarships and grants awarded by third parties directly to students without University involvement in the decision-making process are not treated as a reduction of tuition and fees but rather as a source of direct payment.

The University conducts summer classes, which for billing purposes consist of two five-week summer sessions and a ten-week summer semester. The first summer session takes place during May and June, while the second summer session takes place during June and July, with slightly more days falling in July. The summer semester takes place during the two summer sessions. Bills are due on June 1. By June 30, students have exhausted most of their rights to any refund of tuition and fees. Therefore, all summer tuition and fees are reported as revenue for the year ended June 30 of that summer. Faculty salaries for summer are paid in June for first summer session and half of summer semester and in July for second summer session and the second half of summer semester.

Cash and Investments

Investments are reported at fair value. Investments with a maturity date of one year or less are considered to be short-term investments, with the exception of those with a maturity date of three months or less, which are considered to be cash equivalents. All other investments are considered to be long-term.

Accounts Receivable and Notes Receivable

Accounts Receivable and Notes Receivable are both reported net of a calculated reserve for uncollectible items. The reserves as of June 30, 2015, and June 30, 2014, were $5,812,926 and $7,276,948 respectively for accounts receivable. For notes receivable, the reserves were $2,372,230 and $2,263,265 for the same dates.

Inventories

Inventories are stated at the lower of cost or market value, based on a physical count. Cost is based on purchases, and determined on a moving average basis for Central Stores and a first-in, first-out basis for all other inventories.

Capital Assets

Capital assets consist of land and land improvements, infrastructure, buildings and building improvements, construction in progress, and equipment and are recorded at cost or, for contributed assets, at fair value at the date of acquisition. Additionally, in accordance with GASB 51, intangible assets costing in excess of $100,000 and having a life greater than one year are capitalized. All land and building acquisitions are capitalized. Capital assets also include land improvements and infrastructure costing in excess of $100,000. Building improvements are capitalized if the project cost is more than $100,000 or 20.0 percent of the building's replacement value and either extends the useful life of the building, changes the use or purpose of the original building, or expands the total square footage of the building. The University capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Construction costs that cross fiscal years are capitalized as Construction in Progress, but are not depreciated until the assets are placed in service. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year the expense was incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally 50 years for buildings, ten to 50 years for exhaustible land improvements, and three to ten years for equipment. Land and inexhaustible land improvements are not depreciated.

The library collection is not depreciated. All items in the collection are deemed to retain their full value if they are still on hand. All new additions to the collection are treated as an expense at the time of purchase.

The art collection, housed primarily in the David Owsley Museum of Art at Ball State University, is not included, due to the difficulty in determining an accurate value, plus the restrictions in place regarding sales of artwork and use of the funds resulting from such sales, as well as disposition of the artwork in the unlikely event that the museum would cease to exist.

Component Unit

Discrete Component Unit

The Ball State University Foundation (Foundation) is a legally separate, tax-exempt Indiana nonprofit corporation that is an Internal Revenue Code Section 170(b) (1) (A) organization organized and operated for the benefit of the University. Under the reporting standards of the Governmental Accounting Standards Board (GASB), the Foundation is defined to be a component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation by-laws allow for thirty-one voting directors, seven of whom serve by position. The seven directors who serve by position include the President of the University Board of Trustees, the University President, the Vice-Presidents of Business Affairs and Advancement and two other members of the University Board of Trustees. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Transactions with the Foundation primarily involve the funding of expenditures for which University funds are not available. These include both unrestricted funds and those restricted by donors. Expenditures include scholarships, funding of distinguished professorships, capital expenditures, and operational support.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including *FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations*. 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 annual report for these differences.

To assist those reading the financial statements of the Foundation, the following excerpts from the Notes to Consolidated Financial Statements of the Ball State University Foundation are reproduced as follows:

Note 7: Line of Credit and Term Note Payable (complete reproduction)

The Foundation has a $15,000,000 unsecured revolving line of credit with a group of banks expiring in June 2016. At June 30, 2015 and 2014, there was $1,000,000 and $1,200,000, respectively, borrowed against this line. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus 2.00%. There is a minimum interest rate of 3.25%, which was the interest rate in effect at June 30, 2015 and 2014.

The Foundation also has a term loan facility that is due December 30, 2018. The line is unsecured, with a fixed interest rate of 3.30%. There was $3,300,000 and $4,300,000 borrowed against this facility at June 30, 2015 and 2014, respectively. Repayments are $250,000 quarterly and extending through December 2018, when the remaining balance outstanding is due.

On May 13, 2015, the Foundation entered into a $10,000,000 term credit agreement with a bank that is due on March 31, 2022. The agreement is unsecured with an interest rate of 1.22% over 30 day LIBOR, which was 1.40% at June 30, 2015. Interest only payments are due quarterly until March 31, 2020. Commencing on June 30, 2020, a principal payment of $125,000 each quarter will also be due. On March 31, 2022, the remaining unpaid principal balance on the note, along with the accrued interest, will be due and payable. The proceeds of this note were used to retire the $10,000,000 of variable rate demand notes that were outstanding since their issuance in 2001.

All of these agreements contain covenants, which include maintaining minimum net assets of $100,000,000. Additionally, the term credit agreement requires the Foundation to have liquid assets to funded long-term debt ratio of 2.50 to 1.0, as measured at the end of each fiscal year. As of June 30, 2015 and 2014, the Foundation was in compliance with the financial covenants.

Complete financial statements for the Foundation can be requested from the Ball State University Foundation office at 2800 W. Bethel Ave., Muncie, IN 47306.

Related Entities

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as required by *GASB Statement No. 14, The Financial Reporting Entity*. As additionally required by *GASB Statement No. 39*, *Determining Whether Certain Organizations Are Component Units*, organizations that raise and hold economic resources for the direct benefit of the University are included in the reporting entity. The reporting entity is further clarified by the addition of *GASB Statement No. 61*, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. A financial benefit or burden relationship must now also exist between the primary government and the component unit before it becomes part of the reporting entity. The University evaluates potential component units for inclusion in the reporting entity based on all of these criteria.

Service Concession Agreements

The University has entered into agreements with various vendors. Some of these arrangements are considered to be Service Concession Agreements as Ball State University is the transferor and each of these entities is recognized as an operator under *GASB Statement No. 60*, *Accounting and Financial Reporting for Service Concession Agreements*. However, none of the agreements have resulted in significant deferred inflows or outflows of resources that would require further disclosure as of June 30, 2015.

New Accounting Pronouncements: Adoption of New Standard

The GASB issued *GASB Statement No. 68*, *Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71*, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI) for material items. In accordance with the statement, the University has reported a $29.0 million change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014, amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

Note B – Compensated Absences

The University records a liability for all unused vacation and sick leave balances that are payable upon employee termination in accordance with University policy. Accumulation of vacation and sick leave are dependent upon a University employee's job classification. University policy determines other variables within each job classification such as: job classification, years of service, employee's age, and employee's eligibility for retirement, and in which retirement plan the employee participates. All of these variables are considered in computing the University's liability for compensated absences.

Note C – American Recovery and Reimbursement Act of 2009 (ARRA)

The American Recovery and Reimbursement Act of 2009 was signed into law on February 17, 2009. The law provides federal spending and tax relief to stabilize and/or stimulate the economy. The University, Burris Laboratory School, and the Indiana Academy for Science, Mathematics, and Humanities have been sub-recipients of ARRA funds.

From the inception of the ARRA, the University has received funding for various projects and programs. The State of Indiana received funds from the ARRA to stabilize the state's budget. The University has been awarded and received ARRA funds through the State of Indiana to supplant State Appropriations and Capital Appropriations. The University has also received funds from the Auditor of State for Burris Laboratory School and the Indiana Academy for Science, Mathematics, and Humanities. Other ARRA funds have been recorded through the Office of Sponsored Projects Administration (formerly the Office of Contracts and Grants) for various grant awards and programs. The University has also been awarded and/or received ARRA funding for Federal Work Study and COBRA premium subsidies.

ARRA funds received or those due from ARRA projects that have been started and not reimbursed are recorded on the financial statements. The receivable revenue equals the amount of the unreimbursed expenditures for the Office of Sponsored Projects Administration. The Accounts Receivable, Net and Unbilled Costs from the Statement of Net Position, includes $0.00 of ARRA receivables at June 30, 2015.

The following summarized schedule, presents the effect of the ARRA funding on the University's Statement of Revenues, Expenses and Changes in Net Position:

	2015	2014
Operating Revenues:		
Federal Grants and Contracts	$ 63,899	$ 38,821
Total ARRA Operating Revenues and Receivables	$ 63,899	$ 38,821
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants	$ -	$ -
State Appropriations	-	-
Other Non-Operating Income	-	-
Total ARRA Non-Operating Revenues	$ -	$ -
Capital Appropriations	$ -	$ -
Total ARRA Funding	$ 63,899	$ 38,821

In accordance with the Section 1512 of the Recovery Act, the University will continue to provide quarterly reports to the funding agencies.

Note D – Capital Assets

		Book Value July 1, 2014		Additions		Deductions		CIP Transfers		Book Value June 30, 2015
Land and Inexhaustible Improvements	$	15,818,531	$	2,095,712	$	-	$	-	$	17,914,243
Exhaustible Land Improvements		40,936,825		2,125,432		-		297,497		43,359,754
Infrastructure		76,944,315		6,641,568		-		8,261,176		91,847,059
Educational Buildings		336,735,962		8,790,712		66,005		4,550,101		350,010,770
Utility Buildings		23,979,832		4,064,112		-		13,940,008		41,983,952
Educational Equipment		49,976,371		5,687,045		3,057,190		-		52,606,226
Auxiliary Enterprise Buildings		350,397,002		8,240,436		10,092,673		27,892,424		376,437,189
Auxiliary Enterprise Equipment		13,212,271		675,655		138,524		-		13,749,402
Construction in Process (CIP)		56,944,180		5,614,390		-		(55,113,890)		7,444,680
Other Property		1,701,957		374,063		166,274		-		1,909,746
Software		18,046,142		150,780		-		-		18,196,922
Total	$	984,693,388	$	44,459,905	$	13,520,666	$	(172,684)	$	1,015,459,943
Less Accumulated Depreciation:										
Exhaustible Land Improvements	$	20,222,838	$	1,462,438	$	-			$	21,685,276
Infrastructure		16,160,491		3,102,273		-				19,262,764
Educational Buildings		143,375,156		7,018,744		5,280				150,388,620
Utility Buildings		9,687,340		837,855		-				10,525,195
Educational Equipment		40,044,288		3,390,483		3,047,234				40,387,537
Auxiliary Enterprise Buildings		110,204,521		9,232,245		8,436,603				111,000,163
Auxiliary Enterprise Equipment		9,993,619		1,021,102		126,666				10,888,055
Other Property		206,340		38,258		19,954				224,644
Software		4,583,605		2,243,353		-				6,826,958
Total	$	354,478,198	$	28,346,751	$	11,635,737			$	371,189,212
Capital Assets, Net	$	630,215,190	$	16,113,154	$	1,884,929			$	644,270,731

Note E – Bonds Payable

Long term liabilities reported in the Statement of Net Position include principal obligations for outstanding bonds and the noncurrent portions of premiums received on certain bond series and unamortized deferred costs. The premiums are being amortized over the life of each series and reduce the recorded interest expense. The deferred costs represent losses on refunding of previous debt and are amortized over the shorter of the life of the old or new debt. The current portions of Unamortized Premium on Bonds and Unamortized Deferred Costs are reflected in the Statement of Net position as Accounts Payable and Accrued Liabilities.

	Long Term Liabilities			
	June 30, 2015		June 30, 2014	
	Current Portion	Noncurrent Portion	Current Portion	Noncurrent Portion
Outstanding Bonds Payable	$ 11,605,000	$ 180,390,000	$ 13,350,000	$ 196,510,000
Unamortized Premiums on Bonds	665,308	8,577,431	672,916	9,311,207
Unamoritized Deferred Costs	-	-	(187,582)	-
Total	$ 12,270,308	$ 188,967,431	$ 13,835,334	$ 205,821,207

Parking System Revenue Bonds, Series 2003, in the amount of $6,495,000 were issued on August 14, 2003. Proceeds from the bonds were used to partially fund construction of the McKinley Parking Structure. The outstanding Parking System Revenue Bonds, Series 2003, were called for redemption on April 2, 2015.

Housing and Dining System Revenue Bonds, Series 2006, in the amount of $35,425,000 were dated and issued on January 19, 2006. Proceeds from the bonds were used to partially fund construction of Park Residence Hall and the expansion and renovation of Woodworth Dining Hall.

Housing and Dining System Revenue Bonds, Series 2013, in the amount of $33,160,000 were dated and issued on October 8, 2013. Proceeds from the bonds were used to partially fund the renovation and expansion of Johnson A Residence Hall Complex.

Student Fee Bonds, Series I, in the amount of $38,770,000, dated January 1, 1999, were issued on January 12, 1999. Proceeds from Series I were used to fund a portion of the construction of the Art and Journalism Building and to refund the outstanding Student Fee Bonds, Series G.

Student Fee Bonds, Series L, in the amount of $16,425,000, were issued on July 21, 2004. Proceeds from Series L Bonds were used solely to refund all of the outstanding Student Fee Bonds remaining in Series J.

Student Fee Bonds, Series N, in the amount of $63,615,000, were issued on January 30, 2008. Proceeds from Series N bonds were used to fund a portion of the University's conversion to a geothermal district heating and cooling system and to refund portions of the outstanding Student Fee Bonds remaining in Series I and K.

Student Fee Bonds, Series O, in the amount of $29,175,000, were issued on March 12, 2009. Proceeds from Series O bonds were used to fund a portion of the construction and renovation of the Student Recreation and Wellness Center.

Student Fee Bonds, Series P, in the amount of $32,225,000, were dated and issued on March 15, 2011. Proceeds from Series P bonds were used to fund Phase I of the Central Campus Renovation and Utilities Improvement Project.

Student Fee Bonds, Series Q, in the amount of $35,840,000, were dated and issued on October 21, 2013. Proceeds from Series Q bonds were used to fund Phase II of the Central Campus Renovation and Utilities Improvement Project, a portion of the campus geothermal project, and to refund the outstanding Student Fee Bonds, Series M.

Long term bonds outstanding at June 30, 2015, were:

	Date of Issue	Original Issue	Retired 2014-2015	Outstanding June 30, 2015
Revenue Bonds:				
Parking System Revenue Bonds of 2003:				
Current Interest Bonds, 2.00% to 5.00%	08/14/03	$ 3,985,000	$ 2,355,000	$ -
Term Bonds, 4.75%	08/14/03	2,510,000	2,510,000	-
Housing and Dining System Revenue Bonds of 2006:				
Current Interest Bonds, 3.50% to 5.00%	01/19/06	35,425,000	1,570,000	23,210,000
Housing and Dining System Revenue Bonds of 2013:				
Current Interest Bonds, 3.00% to 5.00%	10/08/13	21,940,000	1,530,000	20,410,000
Term Bonds, 4.00% to 5.00%	10/08/13	11,220,000	-	11,220,000
Student Fee Bonds:				
Student Fee Bonds, Series I:				
Current Interest Bonds, 3.25% to 5.20%	01/12/99	38,770,000	130,000	-
Student Fee Bonds, Series L:				
Current Interest Bonds, 3.00% to 5.50%	07/21/04	16,425,000	1,065,000	7,720,000
Student Fee Bonds, Series N:				
Current Interest Bonds, 3.50% to 5.00%	01/30/08	63,615,000	4,845,000	45,180,000
Student Fee Bonds, Series O:				
Current Interest Bonds, 3.00% to 5.25%	03/12/09	20,980,000	1,105,000	15,845,000
Term Bonds, 5.00%	03/12/09	8,195,000	-	8,195,000
Student Fee Bonds, Series P:				
Current Interest, 3.00% to 5.25%	03/15/11	32,225,000	1,145,000	27,540,000
Student Fee Bonds, Series Q:				
Current Interest, 2.00% to 5.00%	10/21/13	35,840,000	1,610,000	32,675,000
Total Bonds		$ 291,130,000	$ 17,865,000	$ 191,995,000

The principal and interest on bonds are, for the most part, payable from net revenues of specific auxiliary enterprises and/or from student fees. Debt service on student fee bonds, with the exception of Series O, is eligible for fee replacement from the State of Indiana.

Future debt service requirements for all bonds outstanding are as follows:

	Principal	Interest and Capital Appreciation	Total
2016	$ 11,605,000	$ 8,875,712	$ 20,480,712
2017	11,235,000	8,370,469	19,605,469
2018	11,770,000	7,822,206	19,592,206
2019	12,345,000	7,234,956	19,579,956
2020	12,950,000	6,630,272	19,580,272
2021-2025	66,655,000	23,503,951	90,158,951
2026-2030	49,425,000	8,984,600	58,409,600
2031-2035	16,010,000	1,296,963	17,306,963
Total	$ 191,995,000	$ 72,719,129	$ 264,714,129

Note F – Operating Leases

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. The total rental expense under these agreements was $428,984 for the year ended June 30, 2015.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2015, are as follows:

		Future Lease Payments
2016	$	328,064
2017		23,433
2018		-
2019		-
2020		-
Total	$	351,497

Note G – Investments

Investments held in the name of the University at June 30, 2015, consisted of the following:

		Market
U.S. Government Agency Securities	$	127,502,479
Certificate of Deposits		42,533,438
Demand Deposit Accounts		110,150,641
Total Investments	$	280,186,558

In compliance with its Investment Policy, the University does not invest in foreign securities and is, therefore, not subject to foreign currency risk. Types of investments held are authorized by the University's Board of Trustees and comply with applicable state statutes. They may consist of any of the following:

- Treasury Securities of the United States Government.
- Obligations of agencies of the United States Government. At June 30, 2015, the University held Agency Securities totaling $127.5 million comprised of the following:

		Market
Federal Home Loan Mortgage Corporation	$	26,657,424
Federal National Mortgage Association		40,339,120
Federal Home Loan Bank		45,214,185
Federal Agricultural Mortgage Corporation		5,378,850
Federal Farm Credit Bank		5,058,600
Financing Corporation		4,854,300
Total Agency Securities	$	127,502,479

- Negotiable certificates of deposit insured by the FDIC up to $250,000 and certificates of deposit with banks participating in the Public Deposit Insurance Fund (PDIF) for deposits over $250,000. At June 30, 2015, the University held the following certificates of deposit totaling $42.5 million:

		Market
Various Negotiable Certificate of Deposits	$	5,533,438
Fifth Third Bank		1,500,000
First Financial Bank		35,500,000
Total Certificate of Deposit Accounts	$	42,533,438

- Repurchase agreements collateralized at 105.0 percent of the par value with United States Treasury and Agency securities.
- Commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Money market mutual funds comprised of US Treasury and Agency securities and commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Interest-bearing deposit accounts at banks and savings banks incorporated under the laws of Indiana and national banking associations with banking offices in Indiana. At June 30, 2015, the University's interest-bearing deposit accounts totaled $110.2 million and were comprised of working capital and short-term investments at the following banks:

		Market
JP Morgan Chase	$	10,206
First Merchants Bank, N.A.		13,640,435
First Financial Bank		2,500,000
Fifth Third Bank		13,500,000
Mutual Bank		40,000,000
PNC Bank		35,000,000
The Huntington National Bank		5,500,000
Total Demand Deposit Accounts	$	110,150,641

Types of investments held by the Ball State University Foundation, a component unit, are authorized by the Foundation's Board of Trustees. They include a broader selection of investments including corporate bonds, common and preferred stocks, private equity, hedge funds, foreign investments and common trusts and mutual funds.

Market values are determined by reviewing quoted market prices. The premium or discount on market securities is amortized or accreted to determine investment value.

All investments owned by the University are held in safekeeping with a custodial account. The University's investment policy allows up to 20.0 percent of the University's investments to be placed in certificates of deposit and interest-bearing deposit accounts with a single financial institution, and up to five percent with a single issuer of commercial paper.

Cash deposits, certificates of deposit and interest-bearing deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. Amounts exceeding the FDIC-insured amount are insured by the Indiana Public Depository Fund.

Disclosures Related to Interest Rate Risk

Interest rate risk refers to changes in market interest rates having an adverse effect on the fair value of investments. Generally, the longer the term (life) of an investment, the greater its susceptibility to changes in market interest rates. The University manages its exposure to interest rate risk by purchasing a mixture of short-, intermediate- and long-term investments as a source of funds to meet the cash flow needs of current and future operations of the University.

The University's investment policy does not stipulate a specific earnings rate but has the following investment objectives:

- Safety and preservation of principal,
- Sufficient liquidity to meet working capital needs, planned capital asset expenditures, unanticipated spending requirements and investment opportunities,
- Maximum return on investment within prudent levels of risk and investment diversification, and
- Compliance with all statutory requirements of the State of Indiana.

Distribution of Investments

The following table shows the distribution of the University's investments by maturity:

Investment by Type	Less than Three Months	Greater than or Equal to Three Months and Less than or Equal to One Year	Greater than One Year and Less than or Equal to Five Years	Total Market Value
Demand Deposit Accounts	$ 110,150,641	$ -	$ -	$ 110,150,641
Certificate of Deposits	-	18,121,399	24,412,039	42,533,438
U.S. Government Agency Securities	-	1,517,670	125,984,809	127,502,479
Total Investments	$ 110,150,641	$ 19,639,069	$ 150,396,848	$ 280,186,558

Note H – Pension Plans and Other Post-Employment Benefits

Public Employees' Retirement Fund

Pension Plan Description. The University contributes to the Public Employees' Retirement Fund (PERF), a defined benefit pension plan. As part of the implementation of *GASB Statement No. 67 Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25,* the plan changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013, based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). State statutes (IC 5-10.2 and 5-10.3) give the University authority to contribute to the plan and govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system. INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants and may be obtained at www.in.gov/inprs/annualreports.htm.

Basis of the Allocation. The University's (an employer of the plan) proportion of the net pension liability for PERF was based on wages reported by employers relative to the collective wages of the plan. This basis of allocation measures the proportionate relationship of an employer to all employers, and is consistent with the manner in which contributions to the pension plan are determined. The PERF pension plan does not have a special funding situation, as there is not a non-employer contributing entity legally responsible for making contributions that are used to provide pension benefits to members of the pension plans.

Benefits provided. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan. As an instrumentality of the State of Indiana, Ball State University is allowed to participate in this plan. All full-time staff and service personnel are eligible to participate in the defined benefit plan. The benefit formula for PERF is Lifetime Annual Benefit = (Years of Creditable Service x Average Highest 20 quarters of Salary x .011) + Annuity Savings Account. Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis.

Eligibility for Pension Benefit Payment

- Early retirement with reduced benefits between ages 50-59 with 15 years of service
- At age 55, if age and creditable service total at least 85 ("Rule of 85")
- Age 60 with 15 years of service
- Age 65 with 10 years of service
- Age 70 with 20 years of service

Contributions. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the investment earnings credited to the member's account. The University has elected to make the contributions on behalf of the member. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-1.1. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the year 2014, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For the fiscal year ended June 30, 2014, there were 1,384 employees participating in PERF with an annual pay equal to $48,545,777. In addition, there were 1,416 employees with an annual pay of $49,414,500 participating in PERF for fiscal year ended June 30, 2015.

Teachers' Retirement Fund 1996 Account

Pension Plan Description. The Teachers' Retirement Fund (TRF) is a cost-sharing, multiple employer public employee retirement system. State statute (IC 5-10.2) gives the University authority to contribute and governs most requirements of the system. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account.

Certain employees who participate in TRF are also eligible for supplementary retirement benefits under a noncontributory plan wherein the employee may designate one or more of the following companies to administer the funds:

ING Financial Advisers, LLC
Fidelity Investments Institutional Services Company, Inc.
Lincoln Financial Group
Teachers Insurance and Annuity Association - College Retirement Equities Fund

The same companies administer the funds in the Alternate Pension Plan which is designed to provide benefits comparable to those under TRF and the supplementary plan.

The Indiana Public Retirement System (INPRS) administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants and may be obtained at www.in.gov/inprs/annualreports.htm.

Basis of the Allocation. The University's (an employer of the plan) proportion of the net pension liability for TRF 1996 Account was based on wages reported by employers relative to the collective wages of the plan. This basis of allocation measures the proportionate relationship of an employer to all employers, and is consistent with the manner in which contributions to the pension plan are determined. The TRF 1996 pension plan does not have a special funding situation, as there is not a non-employer contributing entity legally responsible for making contributions that are used to provide pension benefits to members of the pension plans.

Benefits Provided. This plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. All faculty and professional personnel are eligible to participate in the defined benefits plan per State statute (IC 5-10.2). This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. Generally, the average annual compensation in this calculation is the average of the highest five (5) years of annual compensation in a covered position.

Monthly pension benefits for members in pay status may be increased as COLA. Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2014.

Contributions. For the fiscal year ended June 30, 2014, there were 412 employees participating in TRF with annual pay equal to $18,832,391. The University recorded 310 employees participating in the TRF 1996 Account with annual pay equal to $16,192,570.91 for fiscal year ended June 30, 2015. The University contributes at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.5 percent of covered payroll. The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The University has elected to make the contributions on behalf of the member. The University's contributions to both Teachers' Retirement Plans combined, including those made to the annuities on behalf of the members, for the fiscal years ended June 30, 2014 and 2013, were $2,436,635 and $2,223,498 respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years. For Fiscal Year June 30, 2015, the University contributed $1,697,009 for employees participating in the Teachers' Retirement Fund 1996 Account.

Teachers' Retirement Fund Pre-1996 Account

Pension Plan Description. The Indiana State Teachers' Retirement Fund (TRF) was established by the Indiana General Assembly in 1921. In 1955, TRF was designed as a pay-as-you-go defined benefit retirement plan. In 1995, legislation was passed that closed the pay-as-you-go plan (renamed the TRF Pre-1996 Account) to newly hired members and created a new account (named the TRF 1996 Account) for all members hired after June 30, 1995. TRF is two (2) cost-sharing, multiple-employer defined benefit plans, TRF Pre-1996 Account and TRF 1996 Account. TRF is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.4, and IC 5-10.5. There are two (2) aspects to the TRF Pre-1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the State of Indiana. The second portion of the TRF Pre-1996 benefit structure is the annuity savings account that supplements the defined benefit at retirement. Generally, members hired prior to 1996 participate in the TRF Pre-1996 Account and members hired after 1996 participate in the TRF 1996 Account (IC 5-10.2-2-2; IC 5-10.4-4-1; IC 5-10.4-7-1; 35 IAC 14-4-16(a)).

The Indiana Public Retirement System (INPRS) administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants and may be obtained at www.in.gov/inprs/annualreports.htm.

Basis of the Allocation. The basis to determine the University's (an employer of the plan) proportionate share is a weighted calculation using a combination of wages reported by employers relative to the collective wages of the plan, and benefits paid to retirees of employers relative to total benefits paid by the plan. The weighted calculation is 45.6 percent for wages and 54.4 percent for benefits paid, which are determined by the non-retirees and retirees respective net pension liabilities. This method is used as it provides a fairer distribution so that employers with no active employees still show a proportionate share.

This pension plan is a special funding situation in that the State of Indiana, a non-employer contributing entity, is legally responsible for the net pension liability and contributions to the pension plan. These contributions are paid directly to the pension plan and are used to provide pension benefits for members of the pension plan.

Benefits Provided. The plan was established to provide retirement, disability, and survivor benefits to regularly employed licensed teachers and administrators at certain State universities and other educational institutions hired before July 1, 1995, who have maintained continuous employment with the same covered institution since that date to June 30, 2005. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. Generally, the average annual compensation in this calculation is the average of the highest five years of annual compensation in a covered position.

Monthly pension benefits for members in pay status may be increased as COLA. Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2014.

Contributions. The State of Indiana makes contributions as the sole non-employer contributing entity. State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three (3) percent year-over-year increase is being provided through State appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as part of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5. As a nonemployer contributing entity, the State of Indiana contributed $825.6 million in fiscal year 2013-2014 to TRF Pre-1996. As part of the $825.6 million contribution, the State pre-funded a one-time check (a.k.a.13th check) of $19.0 million in accordance with 2013 HB 1080 (which went into the Pension Stabilization Fund). Employers contributed $6.3 million in fiscal year 2014.

TRF Pre-1996 Account members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to ten percent of their compensation into their annuity savings accounts. The University has elected to make three (3) percent contributions on behalf of their participating employees. Prior to June 30, 2015, the University reported both Teachers' Retirement Funds as one fund. Due to the requirements of GASB 68 and 71, they will be reported separately going forward. For the fiscal year ended June 30, 2015, the University shows 43 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to $3,335,080. The University made contributions of $322,934 which included payments for the annuity on behalf of the members.

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

At June 30, 2015, the University reported a liability of $26,418,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans.

At June 30, 2014, the University's proportionate percentage, deferred outflows of resources, deferred inflows of resources, net pension liability, and pension expense for each plan is shown in the following table:

	PERF	TRF-1996	TRF Pre-1996	Aggregate
Proportionate Share	0.0099214	0.007277	-	
Net Pension Liability/(Asset)	26,072,795	346,027	-	26,418,822
Deferred Outflow of Resources	417,492	218,630	-	636,122
Deferred Inflow of Resources	5,184,069	1,575,264	-	6,759,333
Pension Expense/(Income)	2,538,853	968,807	7,249,126	10,756,786

For the financial reporting year ended June 30, 2015, the University recognized an expense of $10,756,786. For the TRF Pre-1996 plan, The University's proportionate share (amount) of the collective net pension liability for TRF Pre-1996 was zero. The portion of the nonemployer contributing entity's (the State) total proportionate share (amount) of the collective net pension liability that was associated with the University was an amount equal to 100.0 percent of the net pension liability. The total of the University's proportionate share (amount) of the collective net pension liability, and the portion of the State's total proportionate share of the collective net pension liability associated with the University, reflects all of the net pension liability. The net pension liability associated with the University at June 30, 2014, was $113,146,165. The total net pension liability for the TRF Pre-1996 Account at June 30, 2014, was $10,853,349,156. Since the TRF Pre-1996 Account was a special funding situation, the University was not required to report the net pension liability in the financial statements as the University was not legally responsible for the net pension liability and contributions to the pension plan. The University was required to show the pension expense paid by the State that was associated with its proportionate share totaling $7,249,126 for June 30, 2015. An increase for the same amount was recorded as a State grant to recognize the contribution by the State that was made on behalf of the University.

At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Average Remaining Service Life for 2014:	PERF 4.5 Years		TRF 1996 13 Years		TRF Pre-1996
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences Between Expected and Actual Experience	$ -	$ 116,996.00	$ 3,386.00	$ -	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	5,067,073	-	1,487,744	-
Change of Assumptions	-	-	-	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	417,492	-	215,244	87,520	-
Contributions Subsequent to the Measurement Date	5,510,870	-	1,212,150	-	230,667
Total	$ 5,928,362	$ 5,184,069	$ 1,430,780	$ 1,575,264	$ 230,667

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Table 2

Amortization of Net Deferred Outflows/(Inflows) of Resources - Debit/(Credit)	PERF	TRF 1996
2015	$ (1,180,913.00)	$ (361,010.00)
2016	(1,180,913.00)	(361,010.00)
2017	(1,180,913.00)	(361,010.00)
2018	(1,223,838.00)	(361,010.00)
2019	-	10,926.00
Thereafter	-	76,480.00

Actuarial Assumptions Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Description	PERF	TRF Pre-1996 Account	TRF 1996 Account
Valuation Date:			
Assets	June 30, 2014		
Liabilities	June 30, 2013 - Members census data as of June 30, 2013, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2013, and June 30, 2014. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2013, to June 30, 2014.		
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)		
Actuarial Assumptions:			
Experience Study Date	Period of 5 Years Ended June 30, 2010	Period of 4 Years Ended June 30, 2011	Period of 4 Years Ended June 30, 2011
Investment Rate of Return	6.75%, Net of Investment Expense, Including Inflation		
Cost of Living Increases (COLA) or "Ad Hoc" COLA	1.0%	1.0%	
Future Salary Increases, Including Inflation	3.25% - 4.5%	3.0% - 12.5%	
Inflation	3.0%		

Mortality rates were based on the 2013 IRS Static Mortality projected five (5) years with Scale AA.

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. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

		Geometric Basis
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	22.5%	6.0%
Private Equity	10.0%	7.7%
Fixed Income - Ex Inflation-Linked	22.0%	2.1%
Fixed Income - Inflation-Linked	10.0%	0.5%
Commodities	8.0%	2.5%
Real Estate	7.5%	3.9%
Absolute Return	10.0%	1.8%
Risk Parity	10.0%	4.3%

Discount Rate. Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from the 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 State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were 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 for each plan.

Sensitivity of the University's Proportionate Share of the Net Pension Liability. Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

Discount Rate Sensitivity - Liability / (Asset)

Pre-Funded Defined Benefit

PERF			TRF 1996		
1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
$ 41,855,747	$ 26,072,795	$ 12,700,555	$ 5,690,614	$ 346,027	$ (4,082,397)

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.

Required Supplementary Information and Other Supplementary Schedules

The historical trend information is designed to provide decision-usefulness of the financial reports, improved value for assessing accountability and greater transparency related to measures of net pension liabilities impacting INPRS. The Schedule of Ball State University's Proportionate Share of the Net Pension Liability and Schedule of University Contributions are included immediately following the Notes to the Financial Statements

Pension Plans - General Plan Information – Defined Contribution Plan

Alternate Pension

Faculty and professional personnel of the University have the option, in accordance with IC 21-38-3-3 and IC 21-38-7-3, to participate in a defined contribution plan administered by the same companies as the TRF supplementary retirement contribution. Benefit provisions are established and/or amended by the University's Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. The University contributes 12.27 percent of each participating employee's base salary. For employees hired on or after October 1, 2010, the University contributes five percent of each employee's base salary for the first three years and 10.5 percent for each year thereafter. For the fiscal year ended June 30, 2015, the University contributed $12,640,748 to this plan for 1,799 participating employees with annual payroll totaling $119,577,455, and for fiscal year ended June 30, 2014, the University contributed $11,992,431 for 1,546 employees with payroll totaling $111,348,662.

Other Post-Employment Benefits

In addition to providing pension benefits, the University, as authorized by the University's Board of Trustees, provides certain health care and life insurance benefits for retired employees. Substantially all of the University's regular employees may become eligible for those benefits if they retire from the University after accruing the required years of service (15 years at age 62; 15 years at age 50 for those hired before July 1, 2009; ten years at age 60 for those hired before September 1, 1999). As of June 30, 2015, approximately 2,007 participants were eligible and were receiving one or both of these benefits.

Plan Description

The University's Retiree Health and Life Insurance Plans (Plans) are single-employer defined benefit health and life insurance plans administered by the University. The Plans provide medical, dental, and prescription drug insurance benefits to eligible retirees and spouses and life insurance benefits to eligible retirees. IC 21-38-3-3 assigns authority to the University's Board of Trustees to establish and amend benefit provisions for the University. The Plans issue a publicly available financial report that includes financial statements and required supplementary information for the Plans as a whole and for the participants. That report may be obtained by contacting Ball State University, Office of University Controller, AD 301, Muncie, IN 47306.

Funding Policy

The contribution requirements for members of the Plans are established by the University's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, as well as amounts necessary to prefund benefits as determined annually by the University. In addition, the University has followed a practice of contributing additional amounts generated by savings within the employee plans as well as the retiree plans. For the fiscal year ended June 30, 2015, the University contributed $8,209,169 for current claims and estimated applicable administrative costs and an additional $3,123,319 from Medicare prescription drug subsidies, rebates on prescription drugs, and savings generated within the employee and retiree plans this year and last year, in order to prefund benefits. Plan members receiving benefits contributed $3,035,939 for health insurance and $67,805 for life insurance or approximately 25.0 percent of the total premiums assessed, through their required contributions, which for health insurance and dental insurance ranged, for those not eligible for Medicare, from $64.41 to $350.03 per month for single coverage and $167.12 to $788.91 for family coverage. For those eligible for Medicare, the monthly premiums were $109.92 for medical and prescription drug coverage and $10.52 for optional dental coverage. These premium amounts were also paid by Medicare-eligible spouses for their coverage. Retiree life insurance monthly premiums are on a sliding scale based on coverage in the last year employed, with $37,500 being the maximum amount available for retirees. The monthly premium is $0.692 per $1,000 of coverage with the University paying 75.0 percent of the premium.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	$	7,355,837
Interest on Net OPEB Obligation		(663,073)
Adjustment to Annual Required Contribution		(558,287)
Annual OPEB Cost	$	7,251,051
Contributions Made		8,209,169
Increase (Decrease) in Net OPEB Obligation	$	(958,118)
Net OPEB Obligation (Asset), Beginning of Year		(8,840,970)
Adjustment to OPEB Obligation (Asset) Beginning of Year		-
Net OPEB Obligation (Asset), End of Year	$	(9,799,088)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the two previous years were as follows:

	Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
Health Insurance	6/30/2013	$ 7,426,483	107.7%	$ (8,275,837)
	6/30/2014	8,435,393	102.6%	(8,492,491)
	6/30/2015	6,904,465	118.9%	(9,797,195)
Life Insurance	6/30/2013	$ 580,584	195.5%	$ (804,585)
	6/30/2014	456,105	0.0%	(348,480)
	6/30/2015	346,586	0.0%	(1,893)

Funded Status and Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/14	$ 218,231,005	$ 216,334,018	$ (1,896,987)	100.9%	$ 167,849,364	-1.1%
Life	7/1/14	23,441,473	22,236,379	(1,205,094)	105.4%	$ 167,849,364	-0.7%
Total		$ 241,672,478	$ 238,570,397	$ (3,102,081)	101.3%	$ 167,849,364	-1.8%
Health	7/1/13	$ 181,841,263	$ 203,498,679	$ 21,657,416	89.4%	$ 161,541,171	13.4%
Life	7/1/13	21,672,127	21,579,195	(92,932)	100.4%	$ 161,541,171	-0.1%
Total		$ 203,513,390	$ 225,077,874	$ 21,564,484	90.4%	$ 161,541,171	13.3%
Health	7/1/12	$ 155,839,955	$ 190,882,577	$ 35,042,622	81.6%	$ 161,982,678	21.6%
Life	7/1/12	20,062,555	22,828,391	2,765,836	87.9%	$ 161,982,678	1.7%
Total		$ 175,902,510	$ 213,710,968	$ 37,808,458	82.3%	$ 161,982,678	23.3%

As of June 30, 2014 (while using the July 1, 2013 actuarial valuation report and the 30 year liability projections contained within), the health insurance plan was 100.9 percent funded. The actuarial accrued liability for benefits was $216,334,018, and the actuarial value of assets was $218,231,005, resulting in a surplus of funding equivalent to $1,896,987. The covered payroll (annual payroll of active employees covered by the plan) was $167,849,364, and the ratio of UAAL to covered payroll was -1.1 percent which indicates the VEBA Trust is over 100.0 percent funded at fiscal year end June 30, 2014. As of the same date, the life insurance plan was 105.4 percent funded. The actuarial accrued liability for benefits was $22,236,379, and the actuarial value of assets was $23,441,473, resulting in a surplus of funding equivalent to $1,205,094. The covered payroll (annual payroll of active employees covered by the plan) was $167,849,364, and the ratio of the UAAL to covered payroll was -0.7 percent which indicates the OPEB 115 Trust is over 100.0 percent funded at fiscal year end June 30, 2014.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are consistent with the long-term perspective of the calculations.

In the July 01, 2007, 2009, 2011 and 2013 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and is appropriate as long as the University makes annual contributions (through a combination of benefits paid from general assets and contributions to the VEBA Trust) that are at least as large as the ARC. If the OPEB is “unfunded,” the ARC would be calculated using a discount rate reflective of the University’s internal rates of return, which would result in a significantly larger ARC. The actuarial assumptions for 2009 and 2011 also included an annual healthcare cost trend rate initially of eight percent for non-Medicare medical, seven percent for Medicare eligible medical, eight percent for prescription drugs, five percent for dental, and four percent for administrative costs, reduced to an ultimate rate of four percent for administrative costs and 4.5 percent for everything else after 16 years. The actuarial assumptions for 2013 include an annual healthcare cost trend rate with an initial 8.25 percent, decreasing to 7.5 percent the following year and decreasing incrementally thereafter to an ultimate rate of four percent after ten years. However, the dental care cost trend rate remains at a static four percent throughout the entire projection period. A payroll growth rate of four percent is assumed throughout. The actuarial value of the plan assets is market value for the VEBA Trust (Retiree Healthcare). The OPEB 115 Trust (Retiree Life Insurance) calculates actuarial value of the plan assets as market value adjusted for the value of the IBNP (Incurred But Not Processed claims) at year end. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 24 years.

Fund Balances and Activity

The VEBA Trust fund established for the sole purpose of funding future retiree health care had the following activity for the year ended June 30, 2015:

Market Value at July 1, 2014	$ 218,409,567
Adjustment Due to Difference on Fund Manager Statement	(178,562)
Adjusted Market Value at July 1, 2014	218,231,005
Transfer from Ball State University	-
Reinvested Net Earnings (Loss)	8,706,502
Unrealized Gain (Loss)	(431,213)
Fund Balance at June 30, 2015	$ 226,506,294

These funds cannot under any circumstances revert to the University.

The OPEB 115 Trust Fund (formerly Life Insurance Continuance Fund) established for the sole purpose of funding future retiree life insurance benefits had the following activity for the year ended June 30, 2015:

Fund Balance at July 1, 2014	$	23,466,229
Adjustment Due to Difference on Fund Manager Statement		(24,756)
Adjusted Market Value at July 1, 2014		23,441,473
Transfer from Ball State University		-
Reinvested Net Earnings (Loss)		584,968
Unrealized Gain (Loss)		(162,861)
Fund Balance at June 30, 2015	$	23,863,580

These funds cannot under any circumstances revert to the University.

Note I – Included Entities

The University operates Burris Laboratory School and the Indiana Academy for Science, Mathematics, and Humanities under the direction of the Teachers College. The financial activity for these entities is included in the exhibits.

Note J – Commitments and Contingent Liability

During the normal course of operations, the University has become an interested party to various legal and administrative actions, the resolutions of which are not yet known. However, in the opinion of legal counsel and University management, the disposition of all pending litigation and actions will not have a material adverse effect on the financial condition of the University. To protect the integrity of any litigation or action, further details are held confidential.

The University has entered into loan guaranty agreements on two properties as discussed below:

> Sigma Chi Fraternity, Epsilon Omega chapter in Muncie, Indiana – The loan agreement provided for the refinancing of an existing mortgage to gain more favorable terms and to obtain additional funds for renovation of the fraternity house. The University is guarantor of the loan that was issued for $460,000. Current financial statements provided by the chapter show the housing corporation has the ability to service the debt and meet its other financial obligations.
>
> Sigma Phi Epsilon Alumni Corporation – The loan agreement allowed for the construction of a new fraternity house for Sigma Phi Epsilon Fraternity, Indiana Gamma chapter in Muncie, Indiana. On June 18, 2009, the University guaranteed a term loan in the amount of $1,040,000 and a term note in the amount of $559,000. On January 2, 2014, the loan and note were consolidated with a reduction in the original interest rate at the request of the housing corporation and the consent of the University for a total consolidated loan of $1,068,957.13. Current financial statements provided by the chapter show the housing corporation has the ability to service the debt and meet its other financial obligations.

The University has outstanding commitments for capital construction contracts of $4,861,474 at June 30, 2015.

Note K – Risk Management

The University is exposed to risks of loss related to:

- torts;
- theft of, damage to, or destruction of assets;
- errors or omissions;
- job-related illnesses or injuries to employees;
- life, health and other medical benefits provided to employees and their dependents; and,
- long-term disability benefits provided to employees.

The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings, contents and general liability the risk retention per incident is $100,000. The University retains the entire risk for job-related illnesses or injury to employees, property damage to its auto fleet, and short-term disability. Auto liability, life insurance and long-term disability are handled through fully insured commercial policies. The University retains the risk for its medical benefits.

Separate funds and accounts have been established to measure the results of the various combinations of risk retention and commercial insurance. Periodically (in some cases annually), after reviewing exposures with insurance consultants and actuaries, adjustments are made to reflect potential liabilities arising from risk retention. The University accounts for incurred, but not reported, health care claims by calculating an amount based on a review of applicable claims submitted after year end, as well as past experience. This estimated liability of $5.4 million at June 30, 2015, was determined by our actuarial consultants. Claims activity for the year was as follows:

Unpaid Health Care Claims at July 1, 2014	$ 6,342,028
Claims Incurred	40,046,930
Claims Paid	41,005,211
Unpaid Health Care Claims at June 30, 2015	$ 5,383,747

Note L – Functional Expenses

The University's operating expenses by functional classification were as follows for fiscal year ended June 30, 2015:

	Functional Classification						
	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	Total
Instruction	$ 99,529,931	$ 34,923,947	$ 47,812	$ 4,397	$ 14,862,903	$ -	$ 149,368,990
Research	3,298,619	1,107,042	10,841	1,578	2,008,859	-	6,426,939
Public Service	6,743,733	2,103,698	103,896	35,986	5,180,743	-	14,168,056
Academic Support	28,518,809	10,597,947	115,003	8,661	9,668,364	-	48,908,784
Student Services	7,417,579	2,610,280	5,185	2,207	7,080,114	-	17,115,365
Other Sources	43,041,935	11,975,158	760,672	(625,559)	17,680,732	-	72,832,938
Oper & Maint of Physical Plant	13,145,769	6,657,373	-	12,551,879	6,071,330	-	38,426,351
Scholarships & Fellowships	1,774,081	951,264	7,590,932	-	211,389	-	10,527,666
Auxilliary Enterprises	27,744,919	5,381,419	7,250,432	812,516	37,785,819	-	78,975,105
Bond & Plant Funds	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	28,346,751	28,346,751
Total Operating Expenses	$ 231,215,375	$ 76,308,128	$ 15,884,773	$ 12,791,665	$ 100,550,253	$ 28,346,751	$ 465,096,945

Ball State University
Required Supplemental Information
June 30, 2015

Other Post-Employment Benefits
Retiree Health and Life Insurance Plans

	Actuarial Valuation Date	Actuarial Value of Assets	Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/13	$ 181,841,263	$ 203,498,679	$ 21,657,416	89.4%	$ 161,541,171	13.4%
Life	7/1/13	21,672,127	21,579,195	(92,932)	100.4%	$ 161,541,171	-0.1%
Total		$ 203,513,390	$ 225,077,874	$ 21,564,484	90.4%	$ 161,541,171	13.3%
Health	7/1/11	$ 156,645,643	$ 181,683,897	$ 25,038,254	86.2%	$ 157,397,746	15.9%
Life	7/1/11	21,487,762	22,261,030	773,268	96.5%	$ 157,397,746	0.5%
Total		$ 178,133,405	$ 203,944,927	$ 25,811,522	87.3%	$ 157,397,746	16.4%
Health	7/1/09	$ 114,147,732	$ 192,195,650	$ 78,047,918	59.4%	$ 151,120,585	51.6%
Life	7/1/09	16,546,332	20,150,137	3,603,805	82.1%	$ 151,120,585	2.4%
Total		$ 130,694,064	$ 212,345,787	$ 81,651,723	61.5%	$ 151,120,585	54.0%
Health	7/1/07	$ 148,827,822	$ 171,887,451	$ 23,059,629	86.6%	$ 136,645,256	16.9 %
Life	7/1/07	25,238,907	19,036,901	(6,202,006)	132.6%	$ 136,645,256	(4.5)%
Total		$ 174,066,729	$ 190,924,352	$ 16,857,623	91.2%	$ 136,645,256	12.3 %

Schedule of Ball State University's Proportionate Share of the Net Pension Liability
Public Employees' Retirement Fund (PERF)
Last 10 Fiscal Years*

	2014	2013
Proportion of the Net Pension Liability (Asset)	0.0099214	0.0098422
Proportionate Share of the Net Pension Liability (Asset)	$ 26,072,795	$ 33,710,313
Covered-Employee Payroll	$ 48,439,081	$ 47,254,108
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	53.8%	71.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.3%	78.8%

**The ten year schedule will be built over time.*

Schedule of Ball State University's Proportionate Share of the Net Pension Liability
Teachers' Retirement Fund 1996 Account (TRF 1996)
Last 10 Fiscal Years*

	2014	2013
Proportion of the Net Pension Liability (Asset)	0.0072770	0.0065355
Proportionate Share of the Net Pension Liability (Asset)	$ 346,027	$ 2,055,229
Covered-Employee Payroll	$ 18,832,391	$ 15,926,895
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	1.8%	12.9%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.1%	93.4%

**The ten year schedule will be built over time.*

Schedule of Ball State University's Proportionate Share of the Net Pension Liability
Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)
Last 10 Fiscal Years*

	2014	2013
Proportion of the Net Pension Liability (Asset)	$ -	$ -
Proportionate Share of the Net Pension Liability (Asset)	$ -	$ -
Portion of the Non-Employer Contributing Entities Total Proportionate Share (Amount) of the Collective NPL Associated with the University	100.00%	100.00%
Covered-Employee Payroll	$ 1,262,828,000	$ 1,383,428,000
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.6%	31.7%

**The ten year schedule will be built over time.*

Schedule of University Contributions
Public Employees' Retirement Fund (PERF)
Last 10 Fiscal Years*

	2014	2013
Contractually Required Contribution	$ 5,409,794	$ 4,554,942
Contributions in Relation to the Contractually Required Contribution	$ 5,409,794	$ 3,247,355
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 48,439,081	$ 47,254,108
Contributions as a Percentage of Covered-Employee Payroll	11.17%	6.87%

**The ten year schedule will be built over time.*

Schedule of University Contributions
Teachers' Retirement Fund 1996 Account (TRF 1996)
Last 10 Fiscal Years*

	2014	2013
Contractually Required Contribution	$ 1,321,375	$ 1,194,517
Contributions in Relation to the Contractually Required Contribution	$ 1,321,375	$ 1,194,517
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 18,832,391	$ 15,926,895
Contributions as a Percentage of Covered-Employee Payroll	7.02%	7.50%

**The ten year schedule will be built over time.*

Schedule of University Contributions
Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)
Last 10 Fiscal Years*

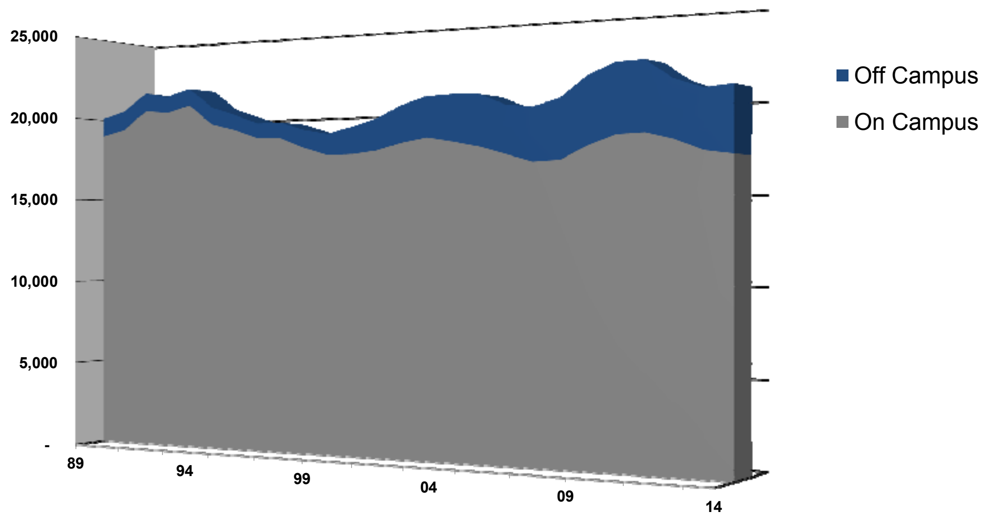
	2014	2013
Contractually Required Contribution	$ 441,356	$ 443,976
Contributions in Relation to the Contractually Required Contribution	$ 441,356	$ 443,976
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 4,370,814	$ 4,274,503
Contributions as a Percentage of Covered-Employee Payroll	10.10%	10.39%

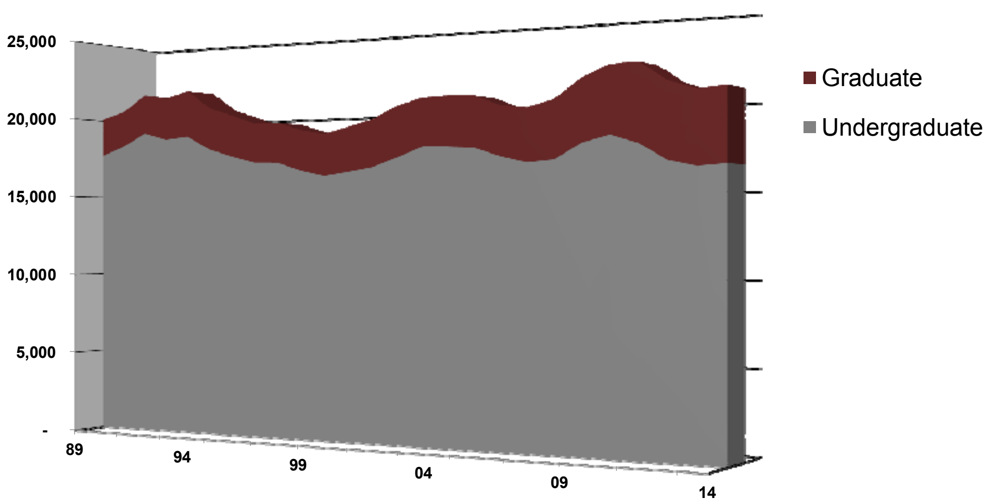
**The ten year schedule will be built over time.*

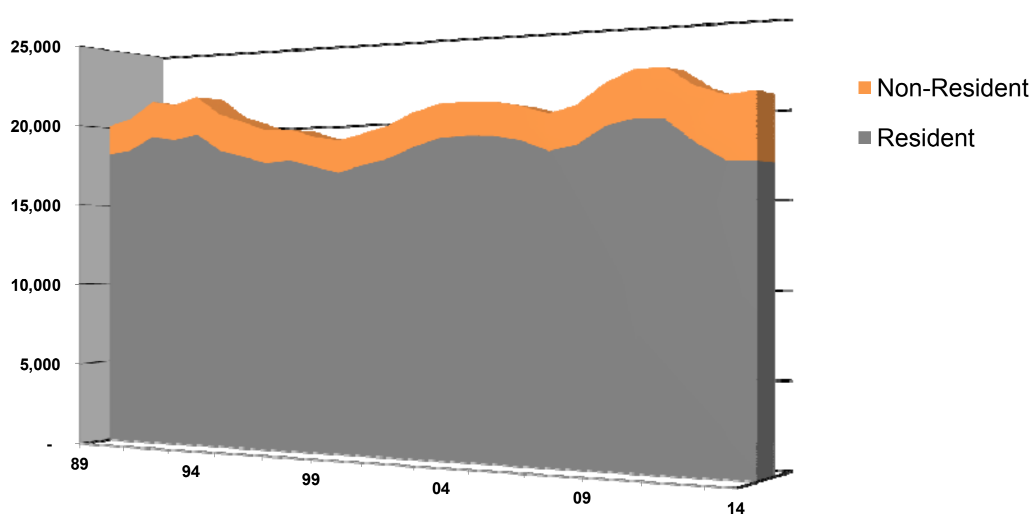
Supplemental Information

The following supplemental information has not been subjected to the auditing procedures applied to the basic financial statements and accordingly, the State Board of Accounts expresses no opinion thereon.

Student Enrollment
Fall Headcount 1989-2014

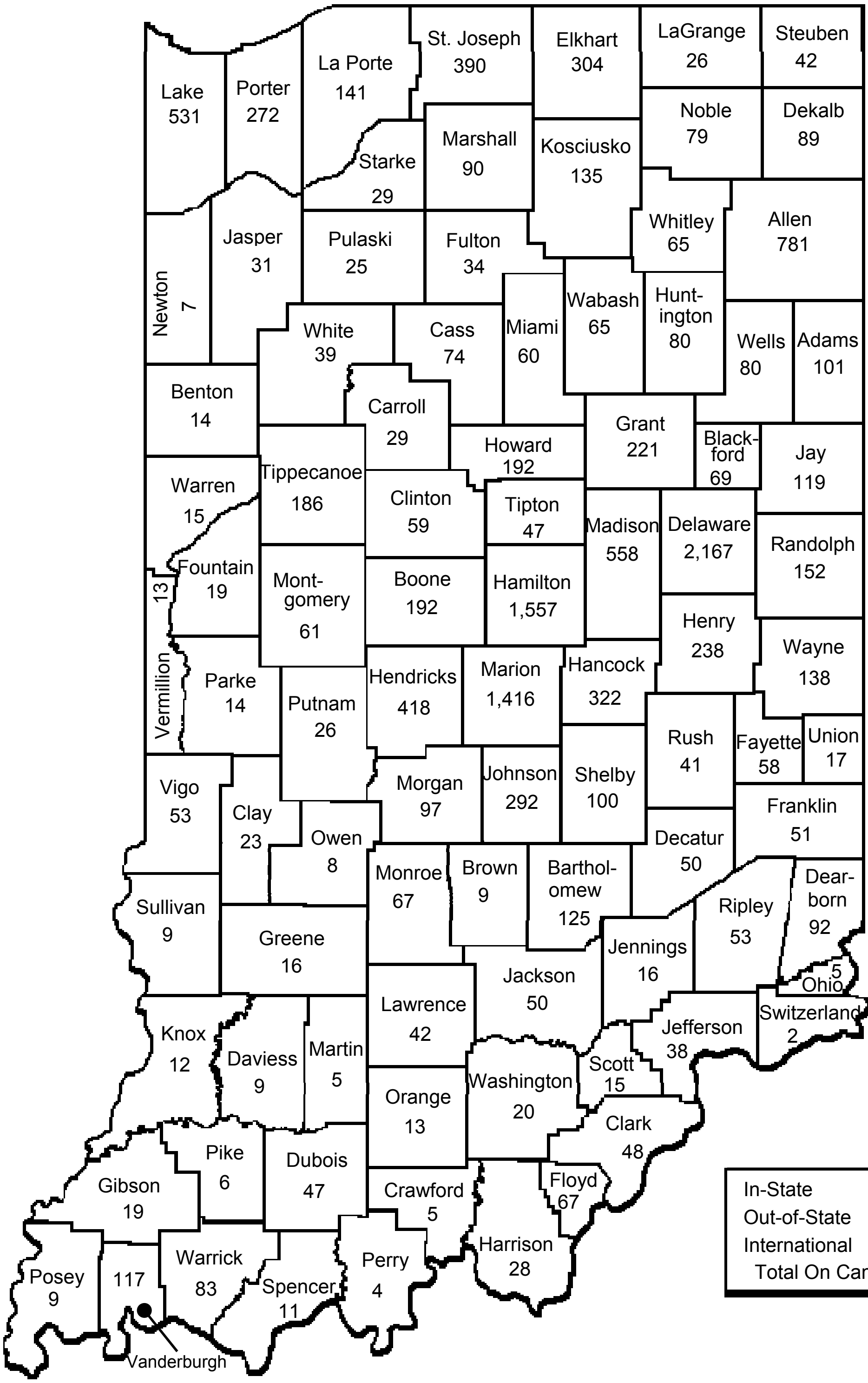






Campus Enrollment by County

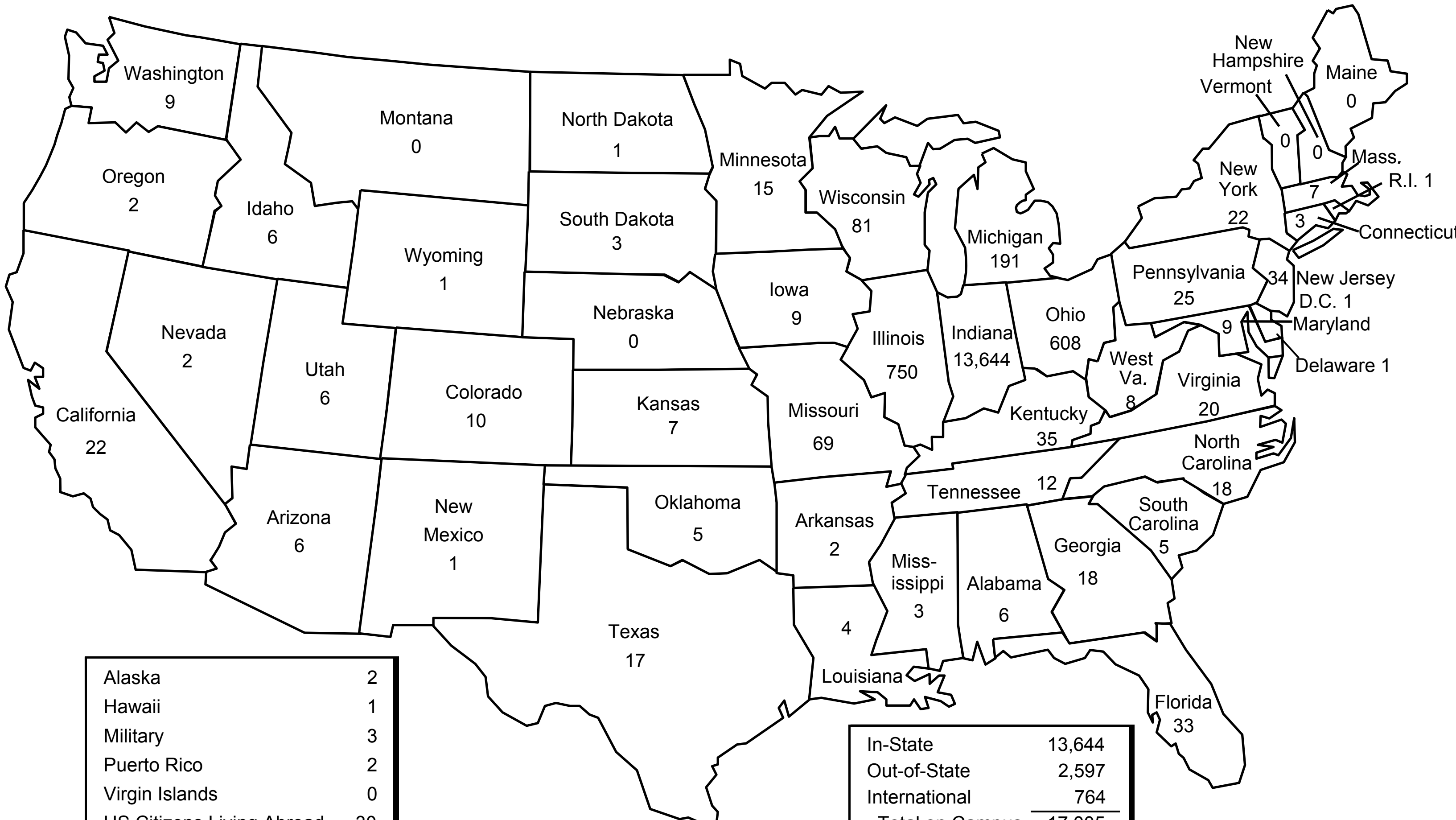
Fall 2014



In-State	13,644
Out-of-State	2,597
International	764
Total On Campus	17,005

Campus Enrollment by State

Fall 2014



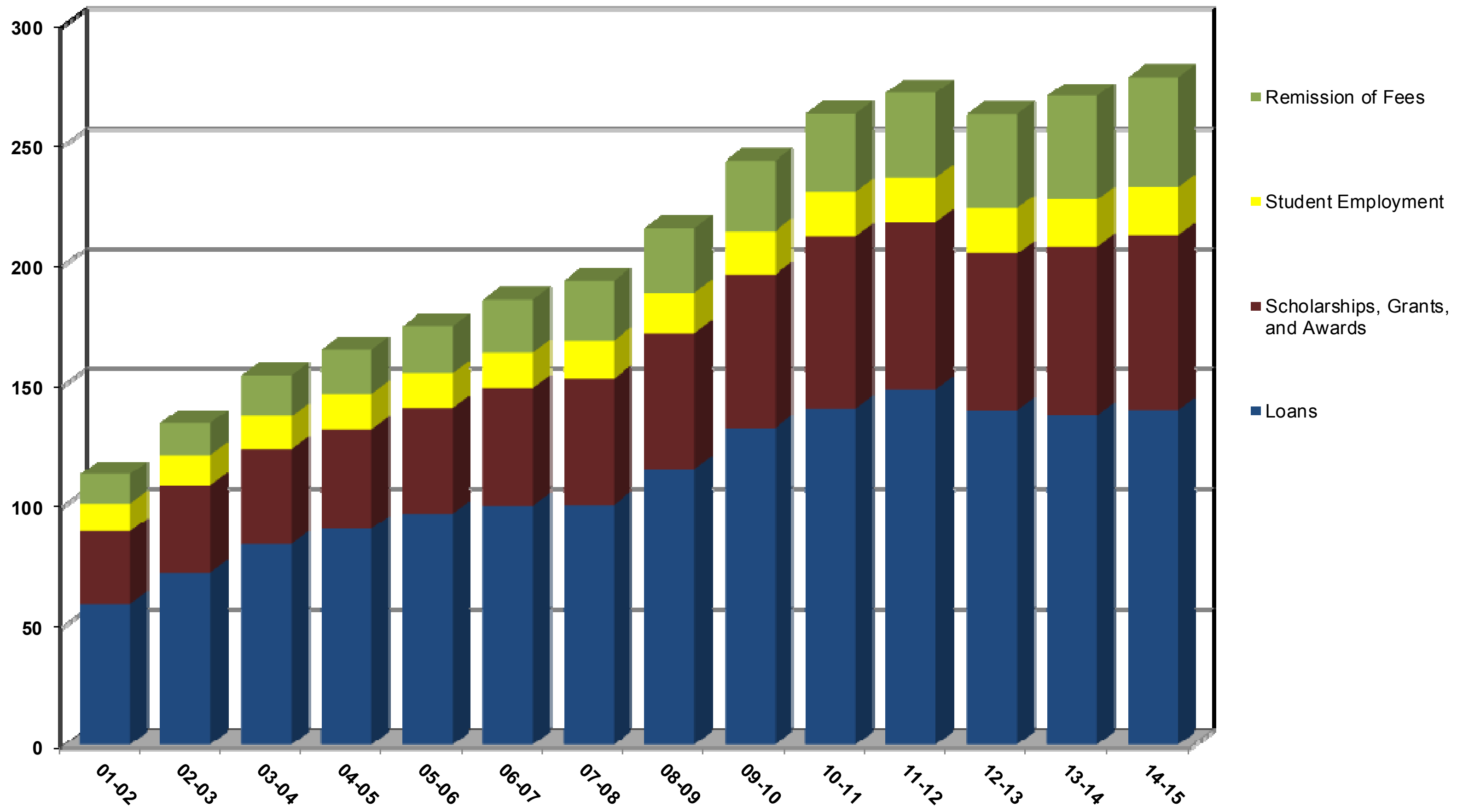
Alaska	2
Hawaii	1
Military	3
Puerto Rico	2
Virgin Islands	0
US Citizens Living Abroad	30

In-State	13,644
Out-of-State	2,597
International	764
Total on Campus	17,005

Student Financial Assistance

2000-2001 through 2013-2015

(in millions of dollars)



Ball State University

Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Housing and Dining

Year Ended June 30, 2015

June 30	Principal	Interest	Total	Unliquidated Balance
2015				$ 54,840,000
2016	$ 2,710,000	$ 2,522,280	$ 5,232,280	52,130,000
2017	2,835,000	2,394,455	5,229,455	49,295,000
2018	2,960,000	2,264,155	5,224,155	46,335,000
2019	3,105,000	2,121,605	5,226,605	43,230,000
2020	3,255,000	1,970,565	5,225,565	39,975,000
2021	3,410,000	1,811,900	5,221,900	36,565,000
2022	3,585,000	1,637,025	5,222,025	32,980,000
2023	3,765,000	1,453,275	5,218,275	29,215,000
2024	3,945,000	1,271,069	5,216,069	25,270,000
2025	4,130,000	1,089,169	5,219,169	21,140,000
2026	4,315,000	897,300	5,212,300	16,825,000
2027	1,780,000	754,750	2,534,750	15,045,000
2028	1,865,000	663,625	2,528,625	13,180,000
2029	1,960,000	568,000	2,528,000	11,220,000
2030	2,060,000	477,800	2,537,800	9,160,000
2031	2,140,000	393,800	2,533,800	7,020,000
2032	2,225,000	295,375	2,520,375	4,795,000
2033	2,340,000	181,250	2,521,250	2,455,000
2034	2,455,000	61,375	2,516,375	-
2035	-	-	-	-
Total	$ 54,840,000	$ 22,828,773	$ 77,668,773	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Student Fee Bonds

Year Ended June 30, 2015

June 30	Principal	Interest	Total	Unliquidated Balance
2015				$ 137,155,000
2016	$ 8,895,000	$ 6,353,432	$ 15,248,432	128,260,000
2017	8,400,000	5,976,014	14,376,014	119,860,000
2018	8,810,000	5,558,051	14,368,051	111,050,000
2019	9,240,000	5,113,351	14,353,351	101,810,000
2020	9,695,000	4,659,707	14,354,707	92,115,000
2021	10,185,000	4,184,244	14,369,244	81,930,000
2022	9,140,000	3,713,888	12,853,888	72,790,000
2023	9,590,000	3,255,163	12,845,163	63,200,000
2024	10,065,000	2,772,050	12,837,050	53,135,000
2025	8,840,000	2,316,169	11,156,169	44,295,000
2026	9,270,000	1,884,838	11,154,838	35,025,000
2027	8,180,000	1,465,450	9,645,450	26,845,000
2028	8,555,000	1,070,581	9,625,581	18,290,000
2029	5,580,000	739,600	6,319,600	12,710,000
2030	5,860,000	462,656	6,322,656	6,850,000
2031	3,835,000	228,025	4,063,025	3,015,000
2032	1,475,000	102,488	1,577,488	1,540,000
2033	1,540,000	34,650	1,574,650	-
2034	-	-	-	-
2035	-	-	-	
Total	$ 137,155,000	$ 49,890,357	$ 187,045,357	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Total Revenue and Student Fee Bonds

Year Ended June 30, 2015

June 30	Principal	Interest	Total	Unliquidated Balance
2015				$ 191,995,000
2016	$ 11,605,000	$ 8,875,712	$ 20,480,712	180,390,000
2017	11,235,000	8,370,469	19,605,469	169,155,000
2018	11,770,000	7,822,206	19,592,206	157,385,000
2019	12,345,000	7,234,956	19,579,956	145,040,000
2020	12,950,000	6,630,272	19,580,272	132,090,000
2021	13,595,000	5,996,143	19,591,143	118,495,000
2022	12,725,000	5,350,913	18,075,913	105,770,000
2023	13,355,000	4,708,438	18,063,438	92,415,000
2024	14,010,000	4,043,119	18,053,119	78,405,000
2025	12,970,000	3,405,338	16,375,338	65,435,000
2026	13,585,000	2,782,138	16,367,138	51,850,000
2027	9,960,000	2,220,200	12,180,200	41,890,000
2028	10,420,000	1,734,206	12,154,206	31,470,000
2029	7,540,000	1,307,600	8,847,600	23,930,000
2030	7,920,000	940,456	8,860,456	16,010,000
2031	5,975,000	621,825	6,596,825	10,035,000
2032	3,700,000	397,863	4,097,863	6,335,000
2033	3,880,000	215,900	4,095,900	2,455,000
2034	2,455,000	61,375	2,516,375	-
2035	-	-	-	-
Total	$ 191,995,000	$ 72,719,129	$ 264,714,129	

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