INDIANA STATE UNIVERSITY

Financial Report

2014-2015

Indiana State University

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Indiana State University Financial Report 2014-2015


Sycamores

Message from the President

Greetings on behalf of the Trustees, Faculty, Administration and Students of Indiana State University:

This annual financial report for the fiscal year ending June 30, 2015, reflects Indiana State University's commitment to excellence in higher education and faithful stewardship of public funds. As Indiana State University celebrates its 150th anniversary, our mission continues to transform the lives of students through excellence in teaching, experiential learning and community engagement.

Student enrollment continues to increase with 13,584 students enrolled for the Fall 2015 semester. This is a significant milestone, exceeding a previous record enrollment in 1970. In addition to reaching a historic high in enrollment, Indiana State was named number one in the nation this fall by Washington Monthly in its overall service category and 20th overall among all national universities for the value an Indiana State University education provides to its graduates. It is an exciting time to be a Sycamore.

This report includes Financial Statements with accompanying Financial Statement Notes, the Independent Auditor's Report, and the Management Discussion and Analysis. These statements were prepared in accordance with guidelines established by the Governmental Accounting Standards Board (GASB) and were audited by the Indiana State Board of Accounts.

Please note the financial statements for the Indiana State University Foundation are included as a component unit of the University in accordance with GASB Statement No. 39. This information is included to provide a broader and more comprehensive analysis of the University's financial position.

We are deeply grateful to the State of Indiana for its longstanding commitment to higher education and support of Indiana State University, and are ever mindful of our responsibilities to students, faculty, staff, citizens, and the Indiana General Assembly to manage with prudence that financial support.

Sincerely,

Daniel J. Bradley
President

President Dan and Cheri Bradley pose with Greg Beirley and the President's Scholar students at the Badlands National Park (left).

Independent Auditor's Report

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF INDIANA STATE UNIVERSITY, TERRE HAUTE, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Indiana 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 as listed in the Table of Contents.

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 Indiana State University Foundation (Foundation), a component unit of the University as discussed in Note 1, 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.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

As discussed in Note 1 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, Schedule of Indiana State University's Share of the Net Pension Liability Public Employees' Retirement Fund (PERF), and the Schedule of Indiana State University's Contributions Public Employees' Retirement Fund (PERF) 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 Message from the President, Home Counties of Indiana State University Students, and Board of Trustees and University Administration are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Message from the President, Home Counties of Indiana State University Students, and Board of Trustees and University Administration 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.

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

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Indiana 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 overview complies with Governmental Accounting Standards Board (GASB) principles, GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and the notes that follow this section.

Indiana State University is a research intensive, residential institution offering instruction at the associate, bachelor, master, and doctoral levels. The University offers a diverse range of degree programs through a framework of 43 departmental units in five academic colleges and various divisions. Located in Terre Haute, Indiana, with 13,183 students, Indiana State University is a significant economic engine for the Wabash Valley and the State of Indiana.

Financial Highlights

The University's financial position continues to be strong, with an increase in net position before a change in accounting principle of $27 million for the fiscal year ending June 30, 2015. A change in accounting principle reduced net position by $10.4 million for an overall increase of $16.6 million. This continues a trend of solid financial performance and adds to the increase of $18.3 million in the fiscal year ending June 30, 2014.

Operating revenues for the fiscal year were $128.6 million, as compared to $120.7 million for fiscal year 2014, an increase of seven percent over the previous year. Net tuition and fees and net auxiliary income were up $4.7 million and $2.6 million respectively, which reflect enrollment growth and the largest incoming freshmen class in the school's history.

Operating expenses were $232.5 million for fiscal year 2015. This represents a $4.9 million increase from the previous year's expenditures. Compensation and employee benefit expense increased by $0.8 million. Supplies and expenses grew by $4.4 million. Utilities expenses decreased by $2 million. Scholarships and fellowships and depreciation grew by $1.1 million and $0.6 million, respectively.

Incoming freshmen start their career as a Sycamore with the tradition of walking through the arch on Indiana State's campus.

Net non-operating revenues decreased by $1.9 million. Investment income, which includes both realized and unrealized gains and losses, decreased $6 million as bond prices declined on anticipated interest rate increases. Non-operating grants and contract revenue increased $2.6 million reflecting the growth in federal and state student financial aid resulting from continued enrollment increases.

Capital appropriations grew by $9.4 million which includes the State of Indiana reimbursements for the renovation of Normal Hall.

As the result of the University implementing GASB Statements No. 68 and No. 71, there was a prior period adjustment of $10.4 million to record pension liability related to the Public Employees Retirement Fund (PERF) for non-exempt staff.

Using the Financial Statements

The University's financial report includes three financial statements: (1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; and (3) the Statement of Cash Flows.

The Statement of Net Position provides a summary view of the assets, liabilities, deferred inflows and outflows, and net position of the University and classifies assets and liabilities as either current or non-current. Current assets include those that may be used to support regular ongoing operations, such as cash and cash equivalents, accounts receivable, and inventories. Deferred outflows of resources are items that represent a decrease in net position applicable to a future reporting period. Current liabilities are those items which are estimated to become due and payable within the next fiscal year. Non-current assets include capital assets, certain receivables, and long-term investments. Non-current liabilities include long-term bonds and notes payable. Deferred inflows of resources represent an increase of net position applicable to a future reporting period.

The Statement of Revenues, Expenses, and Changes in Net Position summarizes financial performance for the year and explains the changes in the year-end net position on the Statement of Net Position.

The Statement of Cash Flows reconciles the beginning and ending balances of cash and cash equivalents and identifies all sources and uses of cash during the fiscal year.

The Governmental Accounting Standards Board (GASB) requires the inclusion of financial statements for all significant University component units. As of June 30, 2015 the Indiana State University Foundation is the only component unit to be included. The Foundation is a nonprofit organization that is subject to reporting guidelines governed by the Financial Accounting Standards Board (FASB); accordingly, certain revenue recognition criteria and presentation features are different from established GASB standards. No modifications have been made to the Indiana State University Foundation's financial information in the University's financial reporting presentation for these differences.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, liabilities and deferred inflows and outflows. The difference between total assets, total liabilities, and total deferred inflows and outflows is the net position, which is one measure of the financial condition of the University. Changes in net position are an indicator of whether the overall financial condition has improved or declined during the year. Assets, liabilities, and deferred inflows and outflows are generally measured at historical values in accordance with generally accepted accounting principles. One notable exception is investments, which are recorded at fair market value as of the date of the financial statements. A summarized comparison of the University's assets, liabilities, deferred inflows and outflows, and net position at June 30, 2015, 2014 and 2013 is as follows:

Statement of Net Position (in millions)

	2015	2014	2013
Current assets	$ 61.3	$ 66.0	$ 59.7
Non-current assets:			
Deposits with bond trustee	0.1	0.1	0.1
Notes receivable, net	4.1	4.5	4.1
Other long-term investments, net	111.1	115.9	110.4
Net OPEB asset	18.1	16.3	14.2
Capital assets, net	444.2	384.0	365.3
Other	0.7	0.7	0.6
Total assets	$ 639.6	$ 587.5	$ 554.4
Deferred outflows of resources	$ 2.6	$ 1.9	$ 2.2
Current liabilities	$ 38.7	$ 32.3	$ 29.9
Non-current liabilities	174.9	146.7	134.4
Total liabilities	$ 213.6	$ 179.0	$ 164.3
Deferred inflows of resources	$ 3.3	$ 1.7	$ 1.9
Net position	$ 425.3	$ 408.7	$ 390.4

Assets and Deferred Outflows of Resources

Current assets consist primarily of cash, operating investments, and accounts receivable. Non-current assets consist primarily of capital assets net of depreciation, long-term investments, notes receivable net of allowance, and the net other post-employment benefit (OPEB) asset. Current and non-current assets totaled $61.3 million and $578.3 million, respectively, at June 30, 2015, compared to $66 million and $521.5 million at June 30, 2014. Total assets increased by nine percent or $52.1 million. The University had $2.6 million of deferred outflows at June 30, 2015. Key changes in assets were as follows:

- Cash and cash equivalents (which include liquid investments maturing within 90 days) decreased by $4.8 million and short-term investments and long-term investments also decreased

by $3.3 million and $4.8 million respectively. These decreases resulted in a reduction in cash and investments of $12.9 million. Bond proceeds held in cash and short-term investments for the renovation of Mills Hall and Science Laboratories were disbursed as the facilities were being constructed during fiscal year 2015.

- Accounts receivable increased by $4.3 million due to the change in summer terms being recorded as one term instead of two and recognizing unearned revenue for those courses beginning after July 1, 2015.
- Capital assets grew by $60.2 million. This growth reflects the majority completion of Science Lab renovations, renovation of Normal Hall, renovation of Mills Hall, the construction of the Gibson Track and Field Complex, and the 500 Wabash capital lease.
- The net OPEB asset increased by $1.8 million to reflect changes in the actuarial valuation caused by an update of the mortality tables and a decrease in plan participants.

A Voluntary Employee Benefit Association (VEBA) Trust was established by the University in 1998 to set aside funds for post-retirement health and life insurance benefits and provide for investment of these assets. The fund assets cannot revert to the University and therefore the financial statements do not reflect the value of these assets. As of June 30, 2015, the value of the Trust assets was $83.9 million. The outstanding actuarial accrued liability for post-retirement benefits as of June 30, 2015 is $64.3 million resulting in a positive funded ratio of 130.5%.

Liabilities and Deferred Inflows of Resources

Current liabilities include accounts payable, accrued compensation, unearned revenue, and the current portion of long-term debt. Non-current liabilities consist primarily of the non-current portion of long-term debt and advances from the federal government. Deferred inflows of resources consist of the service concession arrangement with Sodexo and inflows related to pensions. Current liabilities increased by $6.4 million and non-current liabilities increased by $28.2 million, for an overall increase in total liabilities of 19 percent or $34.6 million. The University had $3.3 million of deferred inflows at June 30, 2015. Changes in liabilities relate to the following:

- Accounts payable grew by $2.4 million as a result of construction projects.
- Unearned revenue increased by $4.3 million due to the change in summer terms.
- Current and non-current lease payables increased by $30 million to record the addition of the 500 Wabash Student Housing capital lease.
- Non-current bonds payable decreased $10.1 million reflecting the debt service payments made.
- The net pension liability of $9.5 million reflects the University's compliance with implementing GASB Statements No. 68 and No. 71. These statements establish accounting and financial reporting standards for pensions that are provided for employees of state and local governmental employers through pension plans that are administered through trusts.

The University contributes to retirement plans for faculty and staff. Faculty and exempt staff participate in a defined contribution plan administered by TIAA-CREF resulting in no outstanding pension liability for the University. Non-exempt staff participate in a defined benefit plan administered by the State of Indiana. As mentioned above, the net pension liability as of June 30, 2015 is $9.5 million for this group of employees.

Capital and Debt Activities

An important element in the continuing quality of academic programs, research activities, and student residential life is the sustained commitment to the development and renewal of the University's capital assets. The University continues to implement its Campus Master Plan with new construction, renovation, and modernization of existing facilities. Please refer to Note 3 in the Notes to the Financial Statement for activities in capital assets, including additions and deletions of capital assets in the current fiscal year.

Normal Hall Renovation—Work began in 2014 on Normal Hall, the oldest academic building on campus, to house the University College and Center for Student Success. The $16 million project is being funded by the State of Indiana. Originally dedicated in 1910, the neo-classical building served as Indiana State's library until 1973 and was then used as storage and office for arts and various archives. The building's original features of a grand staircase and stained-glass dome will be restored, as well as creation of new classrooms, mentoring and tutoring areas. A "stack" addition constructed in 1955 has been removed and is to be replaced with a transparent glass addition to provide space for an elevator, restrooms, and stairwells. The renovation is scheduled to be completed at the end of summer 2015.

Mills Hall Renovation—Completed for occupancy for fall 2015, this project was the first phase of a comprehensive renovation of Sycamore Towers. The Mills Hall renovation of approximately 100,000 square feet of residence hall space provides up to 366 beds. The overall cost of the project is estimated at $20.7 million.

Gibson Track and Field Complex—Construction was completed in spring 2015 on the first new athletic facility in 25 years. The Gibson Track and Field Complex is the first major project in Terre Haute's Riverscape development area. The complex was named in recognition of a gift from the Gibson family to be used for the project. The cost of $4.3 million was funded by interest income, commissions, and private donor support.

500 Wabash Housing Project—The State Budget Committee approved in December 2013 a plan for a student housing and retail complex in downtown Terre Haute. The five-story building with an estimated cost of $18.7 million provides approximately 260 beds for upper level students in the top four floors with retail space on the ground floor. A private developer constructed the building and will be responsible for leasing the retail space while the University is leasing the residential portion with an option to purchase. Construction began in spring 2014 and was completed for fall 2015 occupancy.

An interior view of Mills Hall (left) and the newly constructed 500 Wabash which houses Indiana State students (right).

Blumberg Hall—Construction began in the summer of 2015 for the renovation of Blumberg Hall as the second phase of the comprehensive four-phase renovation of Sycamore Towers. The Blumberg Hall renovation project will upgrade residence hall facilities to provide living and learning spaces that are attractive to prospective and returning students. The renovated facility will provide a total of 360 beds. The total project cost is estimated at $20.8 million and will be funded with both system reserves and Indiana State University Housing and Dining System Revenue Bonds, Series 2015. The Blumberg Hall renovation project is expected to be completed for fall 2016 occupancy.

The University continues to work assertively to manage its financial resources efficiently, including the issuance of debt to finance capital projects. Indiana State University Student Fee Bonds, Series Q, issued during fiscal year 2015 had an underlying credit rating of (A-1) from Moody's and (AA-) from Fitch Ratings. Both Moody's and Fitch Ratings assigned a stable outlook to the Series Q bonds, listing consistent positive University operating performance, enrollment related revenue growth and student enrollment, prudent financial management, and solid balance sheet resources.

Net Position

Net position represents the residual value of the University's assets after liabilities and deferred inflows are deducted. The University's net position at June 30, 2015, 2014 and 2013 are summarized in the table that follows:

Net Position (in millions)

	2015	2014	2013
Net investment in capital assets	$ 278.2	$ 255.0	$ 248.2
Restricted			
Non-expendable	0.7	0.7	0.6
Expendable	6.1	5.6	5.5
Unrestricted	140.3	147.4	136.1
Total net position	$ 425.3	$ 408.7	$ 390.4

Net investment in capital assets reflects the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets.

Restricted net position is subject to externally imposed restrictions governing its use. Restricted non-expendable net position is funds held for scholarships and fellowships. Restricted expendable net position includes funds for research, loans, and funds limited to construction and renovation.

Although unrestricted net position is not subject to externally imposed stipulations, all of the University's unrestricted net position has been internally designated for various ongoing needs of the University, including debt service, capital projects, University initiatives, benefit claims, technology improvements, and academic and administrative activities.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations for the identified fiscal year periods. A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2015, 2014 and 2013 is as follows:

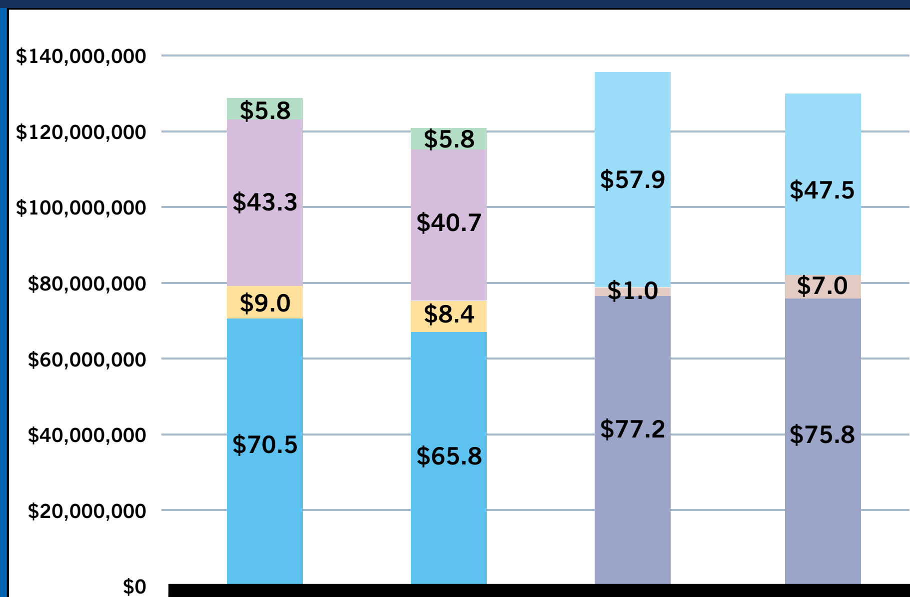
Revenue, Expenses, and Changes in Net Position (in millions)

	2015	2014	2013
Operating revenues:			
Tuition and fees (net of scholarship and other allowances of $41.0 million for 2015, $38.6 million for 2014, and $34.6 million for 2013)	$ 70.5	$ 65.8	$ 61.1
Grants and contracts	9.0	8.4	7.8
Auxiliary enterprises fees and services (net of scholarship and other allowances of $10.7 million for 2015, $10.1 million for 2014, and $9.4 million for 2013)	43.3	40.7	38.2
Other	5.8	5.8	6.2
Total operating revenue	$ 128.6	$ 120.7	$ 113.3
Operating expenses	(232.5)	(227.6)	(212.9)
Operating loss	$ (103.9)	$ (106.9)	$ (99.6)
Non-operating revenues (expenses):			
State appropriations	$ 77.2	$ 75.8	$ 76.5
Investment income (net of investment expenses of $0.5 million for 2015, $0.5 million for 2014, and $0.5 million for 2013)	1.0	7.0	1.5
Non-operating grants and contracts	41.4	38.8	34.4
Capital appropriations	11.9	2.5	—
Capital grants and gifts	0.1	1.8	0.4
Other non-operating revenues and expenses	4.3	4.1	4.4
Interest on capital asset related debt	(5.0)	(4.8)	(5.0)
Net non-operating and other revenues	$ 130.9	$ 125.2	$ 112.2
Increase in net position	$ 27.0	$ 18.3	$ 12.6
Net position, beginning of year	408.7	390.4	377.8
Prior period adjustment for change in accounting principle	(10.4)	—	—
Net position, end of year	$ 425.3	$ 408.7	$ 390.4

One of the University's greatest strengths is its diverse stream of revenues that supplement student fees, including voluntary private support from individuals, foundations, and corporations, along with government and other sponsored programs, state appropriations, and investment income. To supplement student tuition the University will continue to aggressively seek funding from all possible sources consistent with its mission and will direct the financial resources realized from these efforts to fund University operating priorities.

The following is a comparative graphic illustration of revenues by source (both operating and non-operating), which are used to fund the University's ongoing activities. As the following chart indicates, tuition and state appropriations remain the primary sources of funding for the University's academic programs. It should be noted that significant recurring sources of the University's revenues, including state appropriations, are considered non-operating revenues.

Revenues by Source (operating and non-operating)



	Operating 2015	Operating 2014	Non-operating 2015	Non-operating 2014
Other non-operating/capital revenues			$57.9	$47.5
Investment income			$1.0	$7.0
State appropriations			$77.2	$75.8
Other operating revenues	$5.8	$5.8		
Auxiliary enterprises fees and services, net	$43.3	$40.7		
Federal, state, and local grants and contracts	$9.0	$8.4		
Tuition and fees, net	$70.5	$65.8		

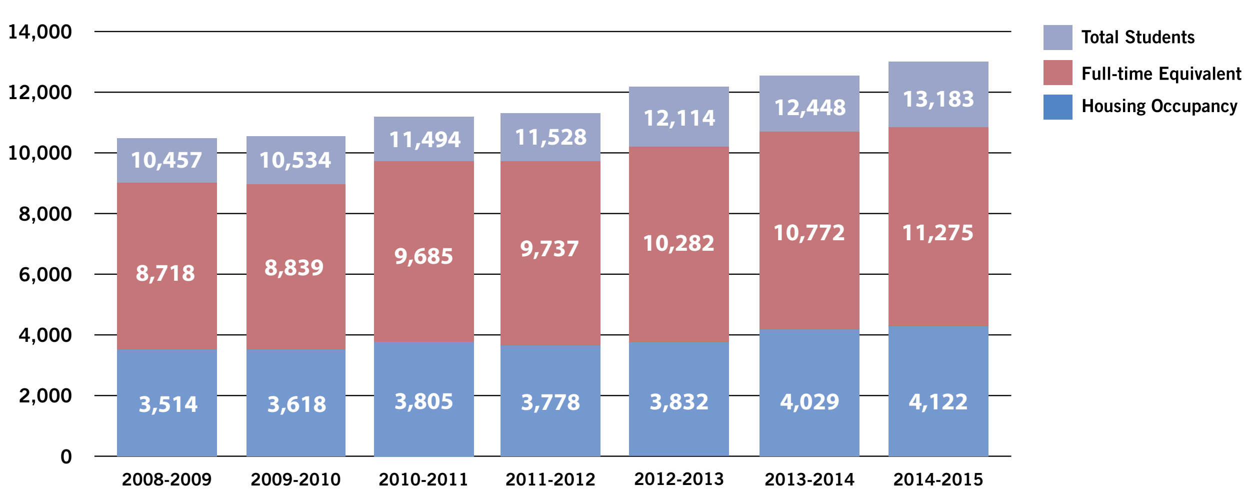
Operating revenues increased by $7.9 million for the fiscal year 2015. The increase can be attributed to the following:

- Net tuition and fee income grew by $4.7 million. This is a result of increased enrollment that grew by 5.9 percent to a student headcount of 13,183. The new freshman class of 2,739 and graduate student enrollment of 2,302 both set records.
- Net auxiliary enterprises fees and services revenue increased by $2.6 million. This reflects growth in housing income due to increased occupancy from Reeve Hall opening in fall 2014.
- State appropriations increased by $1.4 million. This is primarily related to the University receiving the two percent reserve withheld by the State of Indiana for fiscal year 2015. A two percent reserve was also withheld for fiscal year 2014 to assist the State with meeting a budget shortfall.

Indiana State's Softball team became the 2015 Missouri Valley Conference Champions.

- Investment income decreased by $6 million as bond prices declined on anticipated interest rate increases. This had a negative effect on bond prices.
- Non-operating grants and contracts revenue grew $2.6 million. This reflects an increase in state financial aid of $1.6 million and federal aid (Pell) of $0.9 million.
- Capital appropriations include $10.6 million for the Normal Hall renovation and $1.3 million of repair and rehabilitation funding for the Science Building roof repair.

Enrollment and Housing Occupancy for Year Ending 6/30/15

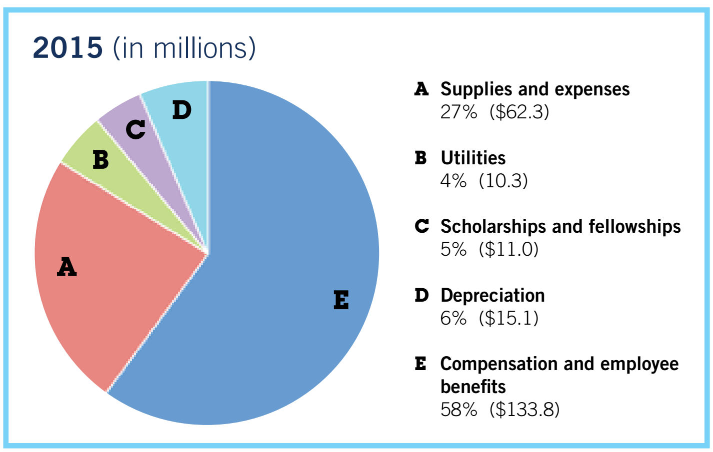


A comparative summary of the University's expenses for the years ended June 30, 2015, 2014 and 2013 is as follows:

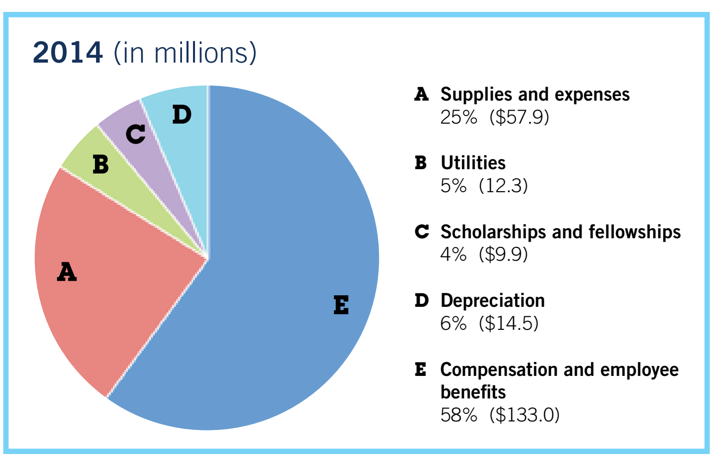
Operating and Non-Operating Expenses (in millions)

	2015	2014	2013
Operating:			
Compensation and employee benefits	$ 133.8	$ 133.0	$ 124.9
Supplies and expenses	62.3	57.9	54.0
Utilities	10.3	12.3	11.1
Scholarships and fellowships	11.0	9.9	8.7
Depreciation	15.1	14.5	14.2
Total operating expenses	$ 232.5	$ 227.6	$ 212.9
Non-operating:			
Interest on capital asset related debt	$ 5.0	$ 4.8	$ 5.0
Other non-operating expenses	0.2	0.3	0.5
Total non-operating expenses	$ 5.2	$ 5.1	$ 5.5
Total expenses	$ 237.7	$ 232.7	$ 218.4

The following is a graphic illustration of total operating expenses by object for year ending June 30, 2015:



The following is a graphic illustration of total operating expenses by object for year ending June 30, 2014:



Total operating expenses increased by $4.9 million from $227.6 million in fiscal year 2014 to $232.5 million in fiscal year 2015.

- Compensation and employee benefits increased by $0.8 million. This reflects a 2.5 percent wage increase that was offset by reimbursement of one-half of the premiums paid for retiree medical benefits from the VEBA Trust and recognition of a reduction of the pension liability for PERF to comply with GASB Statement No. 68.
- Supplies and expenses grew $4.4 million. This includes the cost of the Statesman Towers demolition as well as increases in travel and Department of Correctional training costs.
- Utilities expenses decreased by $2 million due to a reduction of price and usage of natural gas. The University has entered into hedge contracts to purchase natural gas as a cost avoidance strategy.
- Scholarships and fellowships expense grew by $1.1 million for 2015 reflecting the continued growth in enrollment.
- Depreciation expense increased $0.6 million to reflect new facilities that were completed.

Indiana State University continues to make market-competitive compensation and employee benefits a top priority. These expenses represent 58 percent of total University expense/budget.

In addition to their natural (object) classification (expenditure type), it is also beneficial to the reader to review operating expenses by the nature of the University division incurring the expense. A summary of the University's expenses by functional classification for the years ended June 30, 2015, 2014 and 2013 is as follows:

Expenses by Function (in millions)

	2015	2014	2013
Operating:			
Instruction	$ 74.5	$ 71.5	$ 69.4
Research	9.3	9.8	8.7
Public service	3.7	2.9	1.7
Institutional and academic support	38.0	41.7	39.6
Student services	13.6	13.3	11.1
Operation of plant	31.4	27.1	26.1
Scholarships	12.4	11.2	9.9
Auxiliary enterprises	34.5	35.6	32.2
Depreciation	15.1	14.5	14.2
	$ 232.5	$ 227.6	$ 212.9

Statement of Cash Flows

The Statement of Cash Flows provides information about the University's financial health and performance by identifying the major sources and uses of cash. The statement assists the reader in evaluating the entity's ability to generate future net cash flows to meet obligations as they come due. Below is a comparative summary of the Statement of Cash Flows for the years ended June 30, 2015, 2014 and 2013 and highlights of the major changes:

Statement of Cash Flows (in millions)

	2015	2014	2013
Cash received from operations	$ 129.7	$ 121.3	$ 113.2
Cash expended for operations	(221.3)	(212.9)	(203.3)
Net cash used by operating activities	(91.6)	(91.6)	(90.1)
Net cash provided by non-capital financing activities	121.5	118.9	114.5
Net cash used by capital financing activities	(43.8)	(25.3)	(5.2)
Net cash provided (used) by investing activities	9.1	(2.5)	(9.6)
Net increase (decrease) in cash and cash equivalents	$ (4.8)	$ (0.5)	$ 9.6
Cash and cash equivalents, beginning of year	$ 27.8	$ 28.3	$ 18.7
Cash and cash equivalents, end of year	$ 23.0	$ 27.8	$ 28.3

Operating activities

- Cash used by operating activities remained at the same level as in the previous year.
- Cash provided by tuition and fees and auxiliary enterprises comprise 87 percent of inflows from operating activities, and grew by $5.6 million and $3 million, respectively, due to the growth in enrollment.
- Payments to employees and for employee benefits make up 61 percent of outflows of cash for operating activities. These payments increased by $2.1 million in 2015 due to a 2.5 percent across-the-board compensation increase and an increase in payments for the corresponding benefits.
- Payments to suppliers grew by $5.1 million due to costs incurred for the Statesman Towers demolition, increased travel and reimbursement to Indiana Department of Corrections for training costs.

Non-capital financing activities

- Cash provided by non-capital financing activities increased by $2.6 million.
- Cash received from non-operating grants and contracts increased by $2.3 million. This increase is due to an additional $1.5 million in funds received for non-operating state grants and an increase of $0.7 million in funds received for non-operating federal grants.
- State appropriations make up 62 percent of cash provided by non-capital financing activities.

Capital financing activities

- Cash used by capital financing activities increased by $18.5 million.
- Capital appropriations increased by $13 million due to funds received by the State of Indiana for the Normal Hall renovation.
- Cash paid for capital assets increased from $34.3 million to $42.7 million in 2015.
- Principal and interest paid on capital debt and leases increased by $23 million. Student fee bond, Series Q, was issued in 2015, which refunded student fee bonds Series K, Series L and a portion of Series M. Principal and interest paid to refund these bonds totaled $21 million.

Investing activities

- Cash provided by investing activities increased by $11.6 million in 2015. In a prior year the University purchased $12.5 million of certificates of deposit with bond proceeds to be used for the renovation of Mills Hall and the renovation of science laboratories. Those investments were redeemed in 2015 to fund the final completion of those projects.

For the year ended June 30, 2015 more cash was used by operating activities, more cash was provided by non-capital and capital financing activities, and less cash was used in investing activities. The University experienced an overall $4.8 million decrease in cash.

Economic Factors that Will Affect the Future

The University is providing an environment that both challenges and educates its students. With an emphasis on experiential learning and community engagement activities, Indiana State University graduates are prepared for future leadership roles in their communities.

Indiana State University fall 2015 enrollment grew to 13,584 exceeding an all-time record previously set in 1970. Enrollment shows an increase of three percent from 2014. Eighty-nine percent of the new freshman class of 2,784 are from Indiana, an increase of 76 students. Graduate student enrollment reached 2,327, also setting a record level of enrollment. ISU has set an enrollment target of 14,000 students by 2017.

Indiana State has set a goal of increasing first-year retention to 70 percent by 2017. At the same time, the University will seek to increase its four-year graduation rate from more than 22 percent to 30 percent and boost its six-year graduation rate from 42 percent to 50 percent. The implementation of a new series of success initiatives includes a focus on juniors and seniors through a program targeting those at risk due to financial reasons and reducing the load of some freshman advisors and creating less burdensome paths for students without a need for a high level of advisement.

The State of Indiana utilizes various performance funding metrics to determine a portion of state support for higher education. The majority of these metrics focus on degree completion. It is therefore critical to continue implementation of student success and degree completion initiatives to increase the level of degree completion. The University has formed an integrated team from Academic Affairs, Enrollment Management and Communications and Marketing to dramatically increase enrollment in degree completion and distance-delivered programs.

In the 2015-17 state budget adopted by the 2015 session of the Indiana General Assembly, the University received bonding authority of $64 million (all of which is eligible for fee-replacement) for the renovation and expansion of the College of Health and Human Services facility. The project includes major upgrades in building systems and reconfiguring interior spaces of the facility to enable academic programs to function more effectively. The project also includes a building expansion of 87,000 gross square feet. It is anticipated this project will be underway during the summer of 2016. In addition, the University also received bonding authority of $75 million ($37.5 million of which is eligible for fee-replacement) for the renovation and expansion of Hulman Center.

The University announced plans to develop a new strategic plan during the next year to replace the one implemented in 2009. The new plan will be completed by the fall of 2016.

Indiana State University's management is confident that the University's financial condition is strong and will meet all foreseeable economic requirements.

Indiana State University

Statement of Net Position

As of June 30, 2015 and June 30, 2014

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	$ 22,959,567	$ 27,787,484
Short-term investments	15,154,997	18,498,507
Accrued interest	1,288,847	1,162,914
Accounts receivable (net of allowance of $6,187,329 for 2015 and $5,687,223 for 2014)	11,943,566	7,653,846
Other accounts receivable	1,323,197	2,190,341
Grants receivable	1,319,249	1,386,103
State receivable	1,363,928	1,756,447
Notes receivable, current portion	3,976,571	3,707,615
Prepaid expenses	1,910,172	1,660,947
Inventories	18,948	162,215
Total current assets	$ 61,259,042	$ 65,966,419
Non-current Assets		
Endowment investments—held in trust	$ 689,313	$ 717,294
Deposits with bond trustee	94,066	98,543
Notes receivable, non-current portion (net of allowance of $811,216 for 2015 and $753,016 for 2014)	4,124,775	4,470,966
Other long-term investments	111,065,956	115,882,028
Net OPEB Asset	18,065,239	16,326,550
Capital assets (net of accumulated depreciation of $275,894,649 for 2015 and $262,492,157 for 2014)	444,260,526	384,059,548
Total non-current assets	$ 578,299,875	$ 521,554,929
TOTAL ASSETS	$ 639,558,917	$ 587,521,348
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on early retirement of debt	$ 511,575	$ 1,936,556
Deferred outflows related to pensions	2,135,287	—
Total deferred outflows of resources	$ 2,646,862	$ 1,936,556
LIABILITIES		
Current liabilities		
Accounts payable	$ 8,255,441	$ 5,830,199
Accrued payroll and deductions	3,108,347	2,839,115
Unearned revenue	5,424,991	1,100,502
Funds held in custody for others	835,893	1,039,243
Other current liabilities	5,467,427	5,974,790
Bonds payable	9,279,981	9,923,210
Compensated absences and termination benefits	3,564,566	3,749,603
Lease payable	1,558,828	423,187
Debt interest payable	1,199,864	1,431,501
Total current liabilities	$ 38,695,338	$ 32,311,350
Non-current liabilities		
Bonds payable	$ 127,293,206	$ 137,413,644
Compensated absences and termination benefits	533,180	548,949
Lease payable	30,028,212	1,212,867
Net pension liability	9,493,678	—
Advances from Federal Government	7,513,417	7,588,757
Total non-current liabilities	$ 174,861,693	$ 146,764,217
TOTAL LIABILITIES	$ 213,557,031	$ 179,075,567
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement	$ 1,455,556	$ 1,698,149
Deferred inflows related to pensions	1,898,290	—
Total deferred inflows of resources	$ 3,353,846	$ 1,698,149
NET POSITION		
Net investment in capital assets	278,168,894	254,989,200
Restricted for:		
Non-expendable:		
Scholarships and fellowships	689,313	717,294
Expendable:		
Research and other grants	343,017	364,140
Loans	2,164,449	2,178,780
Capital projects	3,574,413	3,009,986
Unrestricted	140,354,816	147,424,788
TOTAL NET POSITION	$ 425,294,902	$ 408,684,188

The accompanying notes to financial statements are an integral part of this statement.

Indiana State University Foundation, Inc. and Affiliate

Consolidated Statement of Financial Position

June 30, 2015 and 2014

	2015	2014 Restated
ASSETS		
Cash and equivalents	$ 2,652,276	$ 3,492,650
Contributions receivable, net	4,150,519	4,920,602
Due from Indiana State University	207,899	237,500
Other assets	987,430	1,067,856
Property held for future use	109,452	240,436
Investment in joint ventures	1,025,423	1,222,382
Investments	62,910,038	62,649,562
Investments held in split-interest agreements	699,005	1,373,421
Beneficial interest in remainder trusts	610,873	594,528
Property and equipment, net	1,183,800	1,292,801
Beneficial interest in perpetual trusts	1,023,863	1,100,498
TOTAL ASSETS	$ 75,560,578	$ 78,192,236
LIABILITIES		
Accounts payable	$ 356,575	$ 90,084
Due to Indiana State University	1,618,994	2,274,131
Line of credit	2,401,838	3,750,000
Notes payable	7,150,645	6,207,253
Split-interest agreement obligations	1,048,773	1,189,266
Refundable advances	57,473	639,939
Total liabilities	12,634,298	14,150,673
NET ASSETS		
Unrestricted	(1,417,851)	(1,937,034)
Temporarily restricted	22,269,786	25,668,037
Permanently restricted	42,074,345	40,310,560
Total net assets	62,926,280	64,041,563
TOTAL LIABILITIES AND NET ASSETS	$ 75,560,578	$ 78,192,236

Indiana State University

Statement of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2015 and June 30, 2014

	2015	2014
OPERATING REVENUES		
Tuition and fees	$ 111,506,345	$ 104,427,718
Scholarship allowances for tuition and fees	(40,149,822)	(37,700,840)
Other allowances	(846,497)	(883,379)
Net tuition and fees	70,510,026	65,843,499
Federal grants and contracts	6,085,813	6,210,681
State and local grants and contracts	132,799	68,111
Non-governmental grants and contracts	2,834,830	2,138,708
Auxiliary enterprises fees and services	53,938,602	50,757,300
Scholarship allowances for room and board	(10,247,859)	(9,669,630)
Other allowances	(418,575)	(439,653)
Net auxiliary enterprises fees and services	43,272,168	40,648,017
Other operating revenues	5,841,727	5,833,638
Total operating revenues	$ 128,677,363	$ 120,742,654
EXPENSES		
Compensation and employee benefits	$ 133,838,300	$ 133,039,854
Supplies and expenses	62,342,644	57,854,967
Utilities	10,266,976	12,302,439
Scholarships and fellowships	10,976,676	9,948,327
Depreciation	15,114,703	14,455,288
Total operating expenses	$ 232,539,299	$ 227,600,875
Operating loss	$ (103,861,936)	$ (106,858,221)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 77,157,118	$ 75,787,849
Gifts	258,561	357,520
Investment income (net of investment expenses of $469,721 for 2015 and $457,809 for 2014)	990,604	6,954,299
Interest on capital asset related debt	(4,965,380)	(4,794,361)
Non-operating grants and contracts	41,364,903	38,831,157
Other non-operating revenues	4,289,618	4,047,497
Other non-operating expenses	(248,196)	(348,882)
Net non-operating revenues	$ 118,847,228	$ 120,835,079
Income before other revenues, expenses, gains, or losses	$ 14,985,292	$ 13,976,858
Capital appropriations	$ 11,946,958	$ 2,481,604
Capital grants and gifts	$ 89,773	$ 1,795,793
Total other revenues	$ 12,036,731	$ 4,277,397
Increase in net position	$ 27,022,023	$ 18,254,255
NET POSITION		
Net position—beginning of year	$ 408,684,188	$ 390,429,933
Prior period adjustment for change in accounting principle	(10,411,309)	—
Restated net position at beginning of year	$ 398,272,879	$ 390,429,933
Net position—end of year	$ 425,294,902	$ 408,684,188

The accompanying notes to financial statements are an integral part of this statement.

Indiana State University Foundation, Inc. and Affiliate

Consolidated Statement of Activities

Years Ended June 30, 2015 and 2014

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 913,823	$ 3,034,781	$ 809,389	$ 4,757,993
Investment income				
Interest and dividends	556,164	1,098,383	42,918	1,697,465
Net realized and unrealized gains (losses)	457,089	(1,881,722)	(251,144)	(1,675,777)
Total investment income	1,013,253	(783,339)	(208,226)	21,688
Non-gift income	509,134	806,107	(571)	1,314,670
Change in value of split-interest agreements	(14,640)	26,714	676,487	688,561
Service fee income—Indiana State University	1,940,280	—	—	1,940,280
Endowment administration and gift assessments fee	513,061	(681,973)	168,912	—
Prospect league	—	—	—	—
	4,874,911	2,402,290	1,445,991	8,723,192
Net assets released from restrictions	5,482,747	(5,482,747)	—	—
Reclassification of donor intent	—	—	—	—
Reclassification of donor restriction	—	(317,794)	317,794	—
Total revenues, gains and other support	10,357,658	(3,398,251)	1,763,785	8,723,192
EXPENSES				
Scholarships and awards	1,172,690	—	—	1,172,690
Restricted and designated expenditures	4,166,342	—	—	4,166,342
Total program services	5,339,032	—	—	5,339,032
Foundation operations	1,663,523	—	—	1,663,523
Sycamore operations	155,161	—	—	155,161
Development and president	2,402,634	—	—	2,402,634
Alumni affairs	278,125	—	—	278,125
Total expenses	9,838,475	—	—	9,838,475
CHANGE IN NET ASSETS	519,183	(3,398,251)	1,763,785	(1,115,283)
NET ASSETS, Beginning of Year, as Restated	(1,937,034)	25,668,037	40,310,560	64,041,563
NET ASSETS, End of Year	$ (1,417,851)	$ 22,269,786	$ 42,074,345	$ 62,926,280

2014 Restated

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 870,136	$ 5,689,945	$ 693,439	$ 7,253,520
Investment income				
Interest and dividends	1,001,442	425,676	46,446	1,473,564
Net realized and unrealized gains (losses)	4,607,693	3,314,929	95,582	8,018,204
Total investment income	5,609,135	3,740,605	142,028	9,491,768
Non-gift income	307,787	1,012,225	100,000	1,420,012
Change in value of split-interest agreements	467,874	104,219	606,582	1,178,675
Service fee income—Indiana State University	1,945,550	—	—	1,945,550
Endowment administration and gift assessments fee	834,024	(785,877)	(48,147)	—
Prospect league	60,186	—	—	60,186
	10,094,692	9,761,117	1,493,902	21,349,711
Net assets released from restrictions	4,456,134	(4,456,134)	—	—
Reclassification of donor intent		83,250	(83,250)	—
Reclassification of donor restriction	—	—	—	—
Total revenues, gains and other support	14,550,826	5,388,233	1,410,652	21,349,711
EXPENSES				
Scholarships and awards	1,370,687	—	—	1,370,687
Restricted and designated expenditures	3,539,964	—	—	3,539,964
Total program services	4,910,651	—	—	4,910,651
Foundation operations	1,381,071	—	—	1,381,071
Sycamore operations	323,117	—	—	323,117
Development and president	2,364,732	—	—	2,364,732
Alumni affairs	279,703	—	—	279,703
Total expenses	9,259,274	—	—	9,259,274
CHANGE IN NET ASSETS	5,291,552	5,388,233	1,410,652	12,090,437
NET ASSETS, Beginning of Year, as Previously Reported	(7,228,586)	21,250,013	38,899,908	52,921,335
PRIOR PERIOD ADJUSTMENT	—	(970,209)	—	(970,209)
NET ASSETS, Beginning of Year, as Restated	(7,22,586)	20,279,804	38,899,08	51,951,126
NET ASSETS, End of Year	$ (1,937,034)	$ 25,668,037	$ 40,310,560	$ 64,041,563

Indiana State University

Statement of Cash Flows

For the Years Ended June 30, 2015, and June 30, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 69,959,772	$ 64,399,702
Grants and contracts	9,237,281	9,405,246
Auxiliary enterprises	42,898,048	39,900,291
Payments to suppliers	(76,418,630)	(71,335,762)
Payments to employees	(70,606,374)	(68,442,895)
Payments for benefits	(63,938,806)	(63,987,842)
Payments to students	(9,370,167)	(7,554,662)
Loans issued to students	(970,440)	(1,535,683)
Student loans collected	1,237,662	1,233,616
Other receipts	6,389,304	6,352,257
Net cash used by operating activities	$ (91,582,350)	$ (91,565,732)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	$ 75,793,190	$ 75,787,849
Direct loan program receipts	22,352,659	22,443,795
Direct loan program disbursements	(22,352,659)	(22,443,795)
Non-operating grants and contracts	41,152,190	38,866,348
Gifts and other non-operating income	4,576,401	4,285,969
Net cash provided by non-capital financing activities	$ 121,521,781	$ 118,940,166
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations received	$ 13,703,405	$ 725,157
Capital gifts and grants received	846,784	179,800
Proceeds from bond issue	21,178,138	22,056,185
Costs of issuance	(248,196)	(351,025)
Cash paid for capital assets	(42,646,124)	(34,287,040)
Principal and interest paid on capital debt and leases	(36,639,620)	(13,708,086)
Net cash used by capital financing activities	$ (43,805,613)	$ (25,385,009)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	$ 12,800,047	$ 13,446,384
Income from investing activities	4,039,146	3,546,337
Purchase of investments	(7,800,928)	(19,536,510)
Net cash provided (used) by investing activities	$ 9,038,265	$ (2,543,789)
Net decrease in cash and cash equivalents	$ (4,827,917)	$ (554,364)
Cash and cash equivalents- beginning of year	$ 27,787,484	$ 28,341,848
Cash and cash equivalents- end of year	$ 22,959,567	$ 27,787,484

Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	$ (103,861,936)	$ (106,858,221)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	15,114,703	14,455,288
Other non-cash adjustments	(2,012,791)	1,423,261
Changes in assets and liabilities		
Accounts receivable	(4,289,721)	(1,372,160)
Grants receivable	66,854	350,374
Notes receivable, current	(268,956)	(129,595)
Inventories	143,267	(61,374)
Prepaid expenses	(249,225)	(113,869)
Accounts payable	77,484	(167,943)
Accrued payroll and deductions	269,232	134,777
Unearned revenue	4,324,489	(150,448)
Funds held in custody for others	(203,350)	(62,592)
Other current liabilities	(507,363)	631,402
Compensated absences and termination benefits	(185,037)	355,368
Net cash used by operating activities	$ (91,582,350)	$ (91,565,732)
Non-cash transactions		
Equipment	$ 30,267,301	$ 1,640,868
Capital lease	$ (30,267,301)	$ (1,640,868)

The accompanying notes to financial statements are an integral part of this statement.

Indiana State University Foundation, Inc. and Affiliate
Consolidated Statement of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	$ (1,115,283)	$ 12,090,437
Items not requiring (providing) cash		
Depreciation and amortization	139,015	145,335
Amortization of intangible assets	—	3,125
Provision (credit) for uncollectible contributions receivable	487,683	(949,866)
Net realized and unrealized (gains) losses on investments	4,507,797	(8,018,204)
Gain on sale of property and equipment	—	(35,348)
Gain on sale of property held for future use	(49,016)	(11,107)
Contributions restricted for long-term investment	(809,389)	(693,439)
Net change in value of split-interest agreements	(739,304)	(1,178,675)
Changes in		
Contributions receivable	282,400	629,563
Due from Indiana State University	29,601	135,287
Other assets	80,426	511,399
Accounts payable	266,491	(4,074)
Due to Indiana State University	(655,137)	(956,764)
Net cash provided by operating activities	2,425,284	1,667,669
INVESTING ACTIVITIES		
Purchase of investments	(22,809,079)	(14,619,840)
Sales and maturities of investments	18,988,816	13,413,377
Proceeds from property and equipment held for future use	180,000	238,266
Purchase of property and equipment	(30,014)	(24,948)
Net cash used in investing activities	(3,670,277)	(993,145)
FINANCING ACTIVITIES		
Borrowings on line of credit	—	400,000
Repayments of line of credit	(1,348,162)	(2,336,989)
Proceeds from issuance on note payable	1,250,000	2,500,000
Repayments of note payable	(306,608)	(42,747)
Payments on charitable gift annuities and annuity trust	—	(170,156)
Proceeds from contributions restricted for investments in permanent endowment	809,389	1,657,590
Net cash provided by financing activities	404,619	2,007,698
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(840,374)	2,682,222
Cash and Cash Equivalents, Beginning of Year	3,492,650	810,428
Cash and Cash Equivalents, End of Year	$ 2,652,276	$ 3,492,650
Interest paid	$ 272,972	$ 285,305
Noncash investing and financing activities		
Notes receivable issued in sale of intangible assets	$ —	$ 90,000
Refinance of line of credit borrowings with note payable	$ —	$ 3,750,000

NOTES TO FINANCIAL STATEMENTS
As of June 30, 2015

Note 1. Summary of Significant Accounting Policies

Indiana State University (the University), a publicly supported, comprehensive, doctoral granting University, serves the State of Indiana, the nation, and the international community by generating and disseminating knowledge in the humanities, arts, social sciences, scientific, and professional disciplines through instruction and research. The University is governed by a nine-member Board of Trustees, appointed by the Governor.

The accompanying financial statements of the University are prepared in accordance with generally accepted accounting standards as prescribed by the Governmental Accounting Standards Board (GASB) in Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. Since the University is a component unit of the State of Indiana, it is included in the Comprehensive Annual Financial Report of the State.

A. Reporting Entity

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and*

Reeve Hall complex was designed for group housing and occupied largely by Indiana State sororities.

No. 34. These Statements amend GASB Statement No. 14, *The Financial Reporting Entity* to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship with the University.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the University as the primary government, and the Indiana State University Foundation as a discretely presented component unit. This component unit is further described in Section N.

B. Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. The financial statements of the University have been prepared on the accrual basis, including depreciation expense relating to capital assets. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-University transactions have been eliminated to avoid double counting of these transactions. Examples of these would include sales between University departments or internal loans between funds.

C. Cash Equivalents

The University considers all highly liquid investments with a maturity date of three months or less to be cash equivalents. The University invests operating cash in investments with varying maturities. For purpose of liquidity classification, investments maturities are evaluated as of the financial statement date.

D. Investments

Investments in securities are reported on the financial statements at fair value as of the date of the financial statements. Investments with maturity of less than one year are reported as current assets, with the remaining investments reported as non-current assets.

E. Inventories

Inventories are carried at the lower of cost or market value and on the first-in, first-out (FIFO) basis.

F. Capital Assets

Capital assets are stated at cost or, if donated, at fair market value on the date of acquisition. Moveable equipment costing $5,000 with a useful life of more than one year and building improvements that exceed $100,000 and extend the life of the building are capitalized. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is reported using the straight-line method of depreciation over the estimated useful life of the asset. Capital assets and related accumulated depreciation are removed from the records at the time of disposal. Art Objects are recorded either at cost or fair market value at the time of acquisition, but are not depreciated because these assets tend to appreciate in value over time.

Minimum Capitalization Value and Useful Life by Asset Types

Asset Types	Capitalization Threshold	Useful Life
Moveable equipment	$ 5,000	5 to 10 years
Vehicles and machinery	5,000	4 to 10 years
Software and computer equipment	5,000	5 years
Buildings and related components	100,000	15 to 50 years
Land improvements and infrastructure	100,000	10 to 20 years
Library books and audio visual aids	1	20 years
Art objects	1	Not Depreciated

G. Scholarship Discounts and Other Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount. Other allowances include the allowance for bad debt, which will be recorded as a reduction to the appropriate revenue.

H. Net Position

Net Position: University resources are classified for financial reporting purposes into four net position categories:

Net investment in capital assets: This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets.

Restricted net position, non-expendable: Non-expendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net position, expendable: Restricted expendable net position include resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Substantially all unrestricted net position is designated for academic programs and initiatives, capital purposes, and general operations of the University.

I. Compensated Absences

Liabilities for compensated absences are recorded for vacation leave based on actual amounts earned as of the balance sheet date. Employees may accrue vacation benefits up to a maximum of 300 hours, which is payable upon termination. The accompanying Statement of Net Position reflects an accrual for the amounts earned and ultimately payable for such benefits at the end of the fiscal year.

J. Net Pension Liability and Related Items

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana Public Employees Retirement Fund (PERF) and additions to/deductions from PERF's fiduciary net position have been determined on the same basis as they are reported by PERF. Indiana Public Retirement System financial reports have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

Indiana State University students celebrating Holi, the Hindu spring festival of colors.

L. Non-Operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, including state appropriations and investment income. Non-operating revenues include any grant that the University has administrative duties and is a non-exchange transaction. This would include Pell Grant, SEOG, and any State Grant that the University has to determine eligibility, even if the eligibility requirements are set forth by Federal or State agencies.

M. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for a particular expenditure, University management may select the most appropriate funding source based on individual facts and circumstances. The University does not require funds be expended in a particular order, and the decision on what fund order is used is made on a case-by-case basis.

N. Component Units

The Indiana State University Foundation is a legally separate, tax-exempt component unit of Indiana State University. Indiana State University Foundation, Inc. was incorporated on March 10, 1921. The Foundation was organized to promote educational purposes and receive contributions primarily for the benefit of Indiana State University and its students.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The 44 member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. The majority of resources that the Foundation holds and invests, and the income generated by these assets, are restricted to the activities of the University by its donors. Because these resources can only be used for the activities of the University, the ISU Foundation is considered a component unit of the University, and its audited financial statements are discretely presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Statements of 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 financial reporting presentation for these differences.

During the years ended June 30, 2015 and June 30, 2014 the Foundation distributed $5,278,434 and $5,597,903, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Office at 30 North 5th Street, Terre Haute, IN 47809.

O. New Accounting Pronouncements

Effective with the fiscal year 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this standard requires a restatement to beginning net position, recognition of a net pension liability, and recognition of pension related deferred inflows and deferred outflows. The University has reported a $10.4 million change in accounting principal 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 that fiscal year. The Statement also enhances accountability and transparency for pensions through revised note disclosures and required supplementary information.

Effective with the fiscal year 2015, the University also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB No. 68*. This statement was introduced to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation.

More information about the University's retirement plans can be found in Note 16.

P. Reclassifications

Certain reclassifications have been made to prior year statements for comparative purposes and do not constitute a restatement of prior periods.

Note 2. Cash and Investments

The University maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed in the Statement of Net Position under cash and cash equivalents, short-term investments, long-term investments, deposits with bond trustee, or endowment investments-held in trust, depending on the nature of the investment.

Cash and Investments

Cash and investments as of June 30, 2015 and June 30, 2014 were as follows:

	2015	2014
Cash on hand	$ 94,429	$ 93,479
Deposits with financial institutions	1,651,007	4,094,300
Investments	148,124,397	158,697,534
	$149,869,833	$162,885,313

Authorization for investment activity is stated in Indiana Code Title 21, Article 21, Chapter 3, 5.3. Additionally, IC 30-4-3.5 (Indiana Prudent Investor Act) requires that the Board of Trustees of the University to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust." It also requires that management decisions be made "in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the trust." The Board holds responsibility to assure the assets are prudently invested in a manner consistent with this investment policy. The Board has delegated the day-to-day responsibilities for overseeing the investment program to the Senior Vice President for Finance and Administration and University Treasurer.

The University's current investment policy was approved by the Board of Trustees on May 7, 2010 and implemented in September 2010. The objective of the Investment Policy is to adequately provide for the liquidity needs of the University while maximizing the opportunity to increase yield on investments. The investment structure is divided into three liquidity tiers to provide for income maximization while meeting the daily liquidity requirements of the University. In order to supply sufficient day-to-day operating liquidity, Tier I is invested in money market securities and liquidity reserves. Tier II is invested in limited duration securities to provide for a sufficient level of reserves in case of unanticipated liquidity needs; yet provide for a level of incremental return over Tier I. Tier III is invested for income maximization while taking on appropriate levels of risk.

Authorized investments include US Treasury, US Government Agency or Instrumentality, Mortgage-Backed Securities, Asset-Backed Securities, Taxable Municipal Bonds, Non-Benefit Responsive GIC's, Money Market Instruments and Funds, Corporate Investment Grade Bonds, Corporate High Yield Bonds, and Non-US Dollar Debt. Credit Quality and Market Value percentages are established for each investment manager portfolio.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that increases in market interest rates will adversely decrease the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the University and its investment managers manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the University's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table showing the distribution of Indiana State University's investments by maturity:

University Investments and Maturities

As of June 30, 2015, the University had the following investments and maturities:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Cash on hand (petty cash)	$ 94,429	$ 94,429	$ —	$ —	$ —
Demand deposits	1,651,007	1,651,007	—	—	—
Money market funds	19,663,892	19,663,892	—	—	—
Certificates of deposit	6,233,056	4,042,699	1,708,927	481,430	—
Asset-backed securities	4,817,253	679,861	3,105,351	859,625	172,416
Collateralized mortgage obligations	10,474,806	189,534	4,086,488	927,864	5,270,920
Corporate bonds	57,120,706	6,471,708	24,873,868	16,750,046	9,025,084
Corporate stock	133,389	—	—	—	133,389
Government agencies	9,019,402	633,164	3,755,105	3,230,462	1,400,671
Mortgage-backed securities	8,499,675	—	386,547	1,632,334	6,480,794
Municipal bonds	1,163,253	—	357,449	472,061	333,743
Treasury notes and bonds	26,842,178	4,281,584	9,035,656	7,423,631	6,101,307
Foreign notes and bonds	3,467,474	707,585	1,472,161	926,882	360,846
Endowment investments held in trust	689,313	—	—	—	689,313
	$ 149,869,833	$ 38,415,463	$ 48,781,552	$ 32,704,335	$ 29,968,483

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The University's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided).

Highly Sensitive Investments	Fair Value at Year End
Mortgage-backed securities and asset-backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of the securities and makes the fair values of these securities highly sensitive to changes in interest rates.	$13,316,928
Callable bonds. These securities are subject to be called or early redeemed by the issuing agency in periods of declining interest rates. The possible reduction in expected cash flows affects the fair value of these securities and makes the fair value of these securities more sensitive to changes in interest rates.	$15,325,351

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit risk is addressed in the University Investment Policy, approved May 7, 2010. Credit risk guidelines are established for each investment manager. The policy stipulates the percentage of each manager's fixed income portfolio that must be rated Aa or better at the time of purchase. These percentages range from 65 percent to 100 percent. Presented below is the actual Moody's rating at year end for each investment type.

Moody's Rating Scale

Investment Type	Fair Value	AAA	Aa	A	B or Lower	Not Rated
Cash on hand (petty cash)	$ 94,429	$ —	$ —	$ —	$ —	$ 94,429
Demand deposits	1,651,007	—	—	—	—	1,651,007
Money market funds	19,663,892	—	—	—	—	19,663,892
Certificates of deposit	6,233,056	—	—	—	—	6,233,056
Asset-backed securities	4,817,253	2,472,286	220,896	81,613	82,706	1,959,752
Collateralized mortgage obligations	10,474,806	3,207,120	927,441	837,582	79,084	5,423,579
Corporate bonds	57,120,706	838,976	4,327,671	14,538,140	34,779,899	2,636,020
Corporate stock	133,389	—	—	—	—	133,389
Government agencies	9,019,402	8,089,200	—	—	219,360	710,842
Mortgage-backed securities	8,499,675	177,473	—	—	—	8,322,202
Municipal bonds	1,163,253	406,406	454,525	252,373	—	49,949
Treasury notes and bonds	26,842,178	26,842,178	—	—	—	—
Foreign notes and bonds	3,467,474	—	—	515,466	372,442	2,579,566
Endowment investments held in trust	689,313	—	—	—	—	689,313
	$149,869,833	$ 42,033,639	$ 5,930,533	$ 16,225,174	$ 35,533,491	$ 50,146,996

Concentration of Credit Risk

The investment policy of the University contains no limitations on the amount that can be invested in any one issuer. At June 30, 2015 the University did not have investments in any one issuer (other than U.S. Treasury securities and mutual funds) that equaled five percent or more of total University investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the University will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Indiana State University's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than preference will be given to Indiana institutions because of additional insurance coverage provided by the State. Of the University's investments, $26,842,178 in U.S. Government Obligations, $9,019,402 in U.S. Government Agencies and $19,663,891 of the Money Market funds invested in U.S. Government-backed funds are held by a trust department not in the University's name.

As of June 30, 2015 Indiana State University's deposits with financial institutions held in uncollateralized accounts are insured up to $250,000 by FDIC and in excess of $250,000 by the Indiana Public Deposits Fund. Certificates of Deposits of $500,000 are also covered under the Indiana Public Deposits Fund, as they were invested in Indiana financial institutions. The University has less than four percent of investments that are made up of foreign currency; therefore, the University's exposure to foreign currency risk is insignificant.

Note 3. Capital Assets

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets not being depreciated				
Land	$ 32,409,150	$ 535,731	$ —	$ 32,944,881
Works of art	1,736,103	80,945	—	1,817,048
Construction in progress	33,448,007	43,880,960	(38,345,536)	38,983,431
Total assets not being depreciation	$ 67,593,260	$ 44,497,636	$ (38,345,536)	$ 73,745,360
Capital assets being depreciated				
Infrastructure	$ 35,068,845	$ 20,858	$ —	$ 35,089,703
Land improvements	25,788,596	4,899,965	—	30,688,561
Buildings	435,342,945	32,147,731	(751,487)	466,739,189
Equipment	81,122,005	1,850,610	(983,607)	81,989,008
Capital lease assets	1,636,054	30,267,300	—	31,903,354
Total capital assets depreciated	$ 578,958,445	$ 69,186,464	$ (1,735,094)	$ 646,409,815
Less accumulated depreciation for				
Infrastructure	$ (32,357,562)	$ (792,892)	$ —	$ (33,150,454)
Land improvements	(16,471,245)	(1,050,438)	—	(17,521,683)
Buildings	(153,122,063)	(9,538,789)	750,414	(161,910,438)
Equipment	(60,541,287)	(3,398,434)	962,765	(62,976,956)
Lease amortization	—	(335,118)	—	(335,118)
Total accumulated depreciation	$(262,492,157)	$ (15,115,671)	$ 1,713,179	$(275,894,649)
Total capital assets being depreciated, net	$ 316,466,288	$ 54,070,793	$ (21,915)	$ 370,515,166
Total capital assets, net	$ 384,059,548	$ 98,568,429	$ (38,367,451)	$ 444,260,526

Students rest on the new art piece, "A Reading Place," on Indiana State's campus.

A breakdown of significant projects included in construction in progress as of June 30, 2015 is shown below:

Project	
Normal Hall Renovation	$ 14,641,508
College of Nursing, Health and Human Services Renovation	605,559
Science Building Roof Repairs	600,339
Mills Hall Renovation	17,707,152
Blumberg Hall Renovation	1,788,575
Other Miscellaneous Projects	3,640,298
	$ 38,983,431

Note 4. Long-Term Liabilities

Long-term liabilities of the University consist of bonds and notes payable, capital leases payable, compensated absences, and other liabilities.

The changes in long-term liabilities are as shown below:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Bonds payable, net	$147,336,854	$ 21,178,138	$ 31,941,805	$136,573,187	$ 9,279,981
Lease payable	1,636,054	30,267,301	316,315	31,587,040	1,558,828
Compensated absences and termination benefits	4,298,552	319,570	520,376	4,097,746	3,564,566
Advances from Federal Government	7,588,757	—	75,340	7,513,417	—
Total long-term liabilities	$160,860,217	$ 51,765,009	$ 32,853,836	$179,771,390	$ 14,403,375
Bond redemption reserve (matured unpaid bonds and coupons)					53,266
Total long-term liabilities—current portion					$ 14,456,641

Note 5. Bonds Payable

Indiana State University is authorized by acts of the Indiana General Assembly to issue bonds and notes for the purposes of financing the construction of student housing, athletic facilities, parking, and academic facilities. The outstanding bond principal indebtedness consists of the following issues.

	Issue Date	Interest Rate	Final Maturity Dates	Principal Outstanding June 30, 2015	Bond Premium	Total Net Outstanding June 30, 2015
Student Fee Bonds						
Series M	2007	4.0-5.0%	2030	$ 28,810,000	$ 445,833	$ 29,255,833
Series N	2010	1.0-6.64%	2030	7,750,000	N/A	7,750,000
Series O	2011	2.0-5.0%	2031	7,385,000	8,799	7,393,799
Series P	2014	2.18%	2021	4,020,000	N/A	4,020,000
Series Q	2015	2.58%	2033	19,375,000	1,447,900	20,822,900
Housing and Dining Revenue Bonds						
Series 2009	2009	3.0-6.38%	2027	10,350,000	44,764	10,394,764
Series 2010	2010	1.43-5.41%	2027	7,175,000	N/A	7,175,000
Series 2012	2013	2.7-5.0%	2038	27,765,000	1,625,905	29,390,905
Series 2014	2014	2.0-5.0%	2034	15,715,000	1,019,986	16,734,986
Parking Revenue Bond						
Series 2012	2012	1.72%	2017	3,635,000	N/A	3,635,000
Total Bonds				$131,980,000	$ 4,593,187	$136,573,187

Student Fee Bonds are secured by a pledge of student fees. The Indiana General Assembly authorizes a specific state appropriation known as "fee replacement" to the University for the purpose of reimbursing a portion of the debt service payments for certain academic facilities, including classrooms, laboratories, and other academic support facilities. The outstanding balances eligible for fee replacement appropriations, as of June 30, 2015 and 2014, are $8,501,442 and $8,496,084, respectively.

Housing and Dining Revenue Bonds are secured by a pledge of housing and dining net income. As of June 30, 2015 and 2014, total net pledged income was approximately $9,499,139 and $9,877,966, respectively. The Parking Revenue Bond is secured by a pledge of parking system net income. As of June 30, 2015 and 2014, total net pledged income of the parking system was approximately $1,272,703 and $1,207,064, respectively.

In prior years, Indiana State University defeased certain serial bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust accounts and liability for the defeased bonds are not included in the financial statements of Indiana State University.

The university issued $19,690,000 of Student Fee Bonds, Series Q on January 7, 2015. See Note 7 for details.

Debt Service Requirements

Fiscal Year	Bond Principal	Bond Interest	Total
2016	$ 9,040,000	$ 5,396,081	$ 14,436,081
2017	10,440,000	5,140,627	15,580,627
2018	7,195,000	4,810,402	12,005,402
2019	7,500,000	4,506,215	12,006,215
2020	7,805,000	4,177,901	11,982,901
2021-2025	39,705,000	15,443,898	55,148,898
2026-2030	29,225,000	6,729,820	35,954,820
2031-2035	16,125,000	2,114,650	18,239,650
2036-2038	4,945,000	324,838	5,269,838
	$131,980,000	$ 48,644,432	$180,624,432
Net unamortized premium	$ 4,593,187	$ —	$ 4,593,187
Total	$136,573,187	$ 48,644,432	$185,217,619

Note 6. Service Concession Arrangements

In July 2010, Indiana State University entered into a contract with Sodexo Services of Indiana Limited Partnership to provide food services for ISU's students, faculty, staff and invited guests for a term of 11 years. Included in the agreement was a commitment by Sodexo to provide equipment and facility enhancements of up to $2,900,000 to construct the Sycamore Banquet Center inside the Hulman Memorial Student Union, with contributions by the University of approximately $800,000. Construction was completed and the Banquet Center was put into use in April 2012.

Food services for the Banquet Center will be provided by Sodexo, and the Banquet Center will remain an asset of the University. Due to the nature of this agreement, whereas Sodexo is the operator and ISU is the transferor, it has been classified as a service concession arrangement. The Sycamore Banquet Center has been classified as a capital asset with an offsetting deferred inflow of resources. Over the life of the contract, ISU will amortize the deferred inflow of resources, while recognizing auxiliary revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Sodexo, ISU will be liable for the unamortized portion of Sodexo's investment.

The June 30, 2015 balance of the deferred inflow of resources related to the Sodexo service concession arrangement is as follows:

Deferred Service Concession Arrangement as of 6/30/14	$ 1,698,149
Revenue Recognition fiscal year 2015	(242,593)
Deferred Service Concession Arrangement as of 6/30/15	$ 1,455,556

Note 7. Bond Issues

Student Fee Bonds, Series Q

On January 7, 2015, Indiana State University issued $19,690,000 in Student Fee Bonds, Series Q to current refund $20,510,000 of outstanding Series K, Series L, and a portion of Series M Student Fee Bonds. The net proceeds of $20,916,607 (after payment of $261,531 in issuance costs) were used to current refund the following Student Fee Bonds:

- The proceeds refunded, in whole, $4,155,000 of outstanding Series K Bonds that mature from October 1, 2015 through October 1, 2024. The Series K Bonds were redeemed in whole on February 6, 2015.

- The proceeds refunded, in whole, $9,535,000 of outstanding Series L Bonds that mature from October 1, 2015 through October 1, 2020.The Series L Bonds were redeemed in whole on April 1, 2015.
- The proceeds refunded a portion of the outstanding Series M Bonds of $6,820,000 that will mature on October 1, 2025 and on October 1, 2032. The refunded Series M Bonds were redeemed on February 6, 2015.

As a result of this refunding, these bonds (Series K, L, and partial M) are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The refunding resulted in an accounting gain of $1,233,643. This amount will be amortized using the straight line method and charged to interest expense over the next 19 years. The gain has been netted against previous deferred losses on the early retirement of debt for Series K and Series L, and recognized as such on the Statement of Net Position as follows:

Deferred loss on early retirement of debt, Series K (prior refunding)	$ 572,181
Deferred loss on early retirement of debt, Series L (prior refunding)	1,364,376
Deferred gain on early retirement of debt, Series Q	(1,233,643)
Net deferred loss on early retirement of debt before amortization	$ 702,914
Less: Amortization of deferred losses and gains in 2015	(191,339)
Net deferred loss on early retirement of debt	$ 511,575

Indiana State University in effect reduced its aggregate debt service payment by $2,614,851 over the next 19 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $2,180,615.

Note 8. Lease Payable

Indiana State University has entered into capital lease agreements for equipment and facilities. The University has a five-year lease agreement with Ricoh USA, Inc. to lease copiers and printers for the campus effective July 1, 2015. As of January 8, 2014, the University entered into a lease agreement with 500 Wabash Housing, LLC to lease floors 2-5 of the 500 Wabash Avenue building to be used for student housing. The lease commencement date was July 15, 2015. The lease term is 30 years with an option to purchase.

These capital lease obligations are included in the Statement of Net Position and future scheduled payments under these agreements are illustrated in the schedule below. The University records lease amortization as depreciation expense on the Statement of Revenues, Expenses and Changes in Net Position.

	Lease Payments		
Fiscal Year	**Equipment**	**Facilities**	**Total**
2016	$ 357,628	$ 1,201,200	$ 1,558,828
2017	357,628	1,201,200	1,558,828
2018	357,628	1,535,040	1,892,668
2019	357,628	1,535,040	1,892,668
2020	—	1,535,040	1,535,040
2021-2025	—	7,675,200	7,675,200
2026-2030	—	7,675,200	7,675,200
2031-2035	—	7,675,200	7,675,200
2036-2040	—	7,675,200	7,675,200
2041-2045	—	7,675,200	7,675,200
Total minimum lease payments	$ 1,430,512	$ 45,383,520	$ 46,814,032
Less: Amount representing interest	(80,041)	(15,146,951)	(15,226,992)
Present value of minimum lease payments	$ 1,350,471	$ 30,236,569	$ 31,587,040

Note 9. Termination Benefits Liability

The Governmental Accounting Standards Board (GASB), Statement No. 47, *Accounting for Termination Benefits*, requires the University to recognize an expense and liability for voluntary termination benefits, such as early-retirement incentives. This expense is recognized when an offer is accepted and the amount of the benefit can be estimated.

The ISU Board of Trustees approved a Retirement Severance Plan for eligible faculty and staff on February 18, 2010. Under the Retirement Severance Plan, employees must be age 62 or older and have 20 years of service to retire from Indiana State University. The severance payments available under the plan are 60 percent for those employees with 15 years or more of service at December 31, 2010, and 40 percent for employees with less than 15 years of service at December 31, 2010. New employees hired on or after March 1, 2010 would be eligible for a 25 percent severance pay at retirement.

A total of 11 employees enrolled in the program during the 2015 fiscal year at a cost of $391,134, with $117,960 classified as current compensated absences and termination benefits, which will be paid out in the next year. Total termination benefits liability at June 30, 2014 amounted to $517,089.

Note 10. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; and health and other medical benefits provided to employees and their dependents. The University handles these risks of loss through combinations of risk retention and commercial insurance. For buildings and contents, the University has risk retention of $100,000 per occurrence. The maximum liability to the University for job-related illnesses or injuries is $350,000 per occurrence.

The University retains the risk for medical benefits up to a stop-loss provision of $250,000 per member. Accrued liabilities for unpaid medical claims, as of June 30, 2015 are included in current other liabilities. The liability is based on 25 percent of actual claims paid during the year, which represents a three-month average turnover period for claims processing. Changes in the balance of claims liabilities during the 2015 fiscal year are as follows:

Unpaid medical claims, 7/01/14	$	4,512,905
Claims incurred		18,017,714
Claims paid		(18,034,667)
Unpaid medical claims, 6/30/15	$	4,495,952

Note 11. Litigation

The University has been named as a defendant in a number of lawsuits. For most of these lawsuits, the final outcome cannot be determined and management is of the opinion that any ultimate outcome will not have a material effect upon the University's financial position.

Note 12. Funds Held in Custody for Others

Funds held in custody for others consist of $835,893 and $1,039,243 at June 30, 2015 and 2014, respectively. These funds are held for other agencies (student and faculty organizations) and unapplied student payments.

Note 13. Pollution Remediation Obligation

To comply with GASB Statement No. 49, *Accounting and Reporting for Pollution Remediation Obligations*, the University must report a liability for an obligating event. An obligating event occurs when the University commences or legally obligates itself to commence pollution remediation. During fiscal year 2015 and in prior years, Indiana State University voluntarily obligated itself to remediate pollution in the Statesman Towers and Mills Hall. As of June 30, 2015 these projects had not been completed, leaving an outstanding obligation of $102,990 which is classified as a current other liability. The outstanding obligation as of June 30, 2014 was $825,050.

Note 14. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification were as follows:

Functional Classification	Compensation and Benefits	Supplies and Expenses	Utilities	Scholarships and Fellowships	Depreciation	2015 Total	2014 Total
Instruction	$ 65,485,506	$ 9,014,783	$ —	$ —	$ —	$ 74,500,289	$ 71,491,887
Research	5,710,778	3,609,339	—	—	—	9,320,117	9,764,882
Public service	1,974,518	1,738,409	—	—	—	3,712,927	2,871,690
Academic support	11,954,395	5,451,370	—	—	—	17,405,765	15,808,387
Student services	9,436,098	4,177,287	—	—	—	13,613,385	13,338,352
Institutional support	13,634,250	6,971,173	—	—	—	20,605,423	25,898,217
Operation of plant	9,801,706	11,495,882	10,078,714	—	—	31,376,302	27,105,505
Scholarships	1,428,726	—	—	10,976,676	—	12,405,402	11,240,435
Auxiliary enterprises	14,412,323	19,884,401	188,262	—	—	34,484,986	35,626,232
Depreciation	—	—	—	—	15,114,703	15,114,703	14,455,288
	$ 133,838,300	$ 62,342,644	$ 10,266,976	$ 10,976,676	$15,114,703	$232,539,299	$227,600,875

Note 15. Hedge Contracts

Indiana State University has entered into forward contracts with EDF, Energy Services to purchase natural gas at a specified time in the future at a guaranteed price. This allows the University to plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible the market price before or at the specified time to purchase natural gas may be lower or higher than the price at which the University is committed to buy.

Note 16. Retirement Plans

Authorization

Authorization to establish retirement plans is stated in Indiana Code Title 21, Article 21, Chapter 3, and Section 3.

Faculty and Exempt Staff

Faculty and executive/administrative/professional employees of the University participate in a non-contributory, defined contribution plan administered through the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equity Fund (CREF). Benefit provisions are established and/or amended by the Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. For fiscal year 2014-2015, the University made contributions totaling $6,711,171 to this plan. For the fiscal year ended June 30, 2015 there were 962 employees and retirees participating in TIAA-CREF, with annual salaries equal to $67,111,712.

Non-exempt Staff

Plan Description

Regular clerical and service staff are provided with pensions through the Public Employees Retirement Fund (PERF). PERF is a cost sharing, multiple-employer defined benefit plan administered by the Indiana Public Retirement System (INPRS). PERF was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code IC 5-10.2, IC 5-10.3, and IC 5-10.5. There are two parts to the plan: an annuity savings plan and a monthly defined benefit pension. Employees are eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after ten years of service. The INPRS issues a publicly available financial report that can be obtained at www.in.gov/inprs/annualreports.htm.

Benefits Provided

PERF provides retirement, disability and survivor benefits. To be eligible for 100 percent of the pension component a member must reach age 65 with 10 years of service, or age 60 with 15 years of service, or age 55 and whose age plus number of years of service is at least 85. Pension benefits for 100 percent normal retirement are calculated at 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis. Five years of service is required for disability benefits in which the benefits are calculated the same as normal retirement. Upon the death in service of a member with 15 or more years of service, a survivor benefit may be paid to the surviving spouse, or surviving dependent children.

Contribution Required

Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The funding policy provides for employer contributions that are sufficient to fund pension benefits, which are actuarially determined. The University was required to contribute 11.2 percent of employees' gross earnings to the defined benefit plan in fiscal year 2015. There were 564 employees participating in PERF with annual salaries equal to $18,272,679. Employees are required to contribute three percent of covered payroll to their annuity savings account. The University has the option to contribute this on their behalf and elected to do so in 2015. The University contributed $2,055,421 to the PERF plan and $550,504 to the annuity savings plan in 2015.

Pension Liabilities

As of June 30, 2015, the University reported a liability of $9,493,678 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the contribution of all participating state entities, actuarially determined. At June 30, 2014 the University's portion was .36 percent.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2015, Indiana State University recognized pension expense of $900,793. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 42,601
Net difference between projected and actual investment earnings on pension plan investments	—	1,845,033
Changes in proportion and difference between employer contributions and proportionate share of contributions	79,866	10,656
Contributions subsequent to the measurement date	2,055,421	—
Total	$ 2,135,287	$ 1,898,290

The University reported $2,055,421 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. All other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Deferred Outflows/(Inflows) of Resources- Debit/(Credit)	
2015	$ (453,655)
2016	(453,655)
2017	(453,655)
2018	(457,459)
2019	—
Thereafter	—
Total	$ (1,818,424)

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation Rate:	3.0%
Salary Increases:	3.25%-4.5% including inflation
Experience Study Date:	Period of 5 years ended June 30, 2010
Investment Rate of Return:	6.75%, net of investments expense, including inflation
Actuarial Cost Method:	Entry Age Normal (Level Percent of Payroll)
Cost of Living Increases:	1.0%
Mortality:	2013 IRS Static Mortality projected five (5) years with Scale AA

The long-term return expectation for PERF has been determined by using a building-block approach. 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 projected inflation rate, and adding the expected return from rebalancing uncorrelated assets classes.

	Target Asset Allocation	Geometric Basis Long-Term Expected Real Rate of Return
Public Equity	22.50%	6.00%
Private Equity	10.00%	7.70%
Fixed Income—Ex Inflation-Linked	22.00%	2.10%
Fixed Income—Inflation-Linked	10.00%	0.50%
Commodities	8.00%	2.50%
Real Estate	7.50%	3.90%
Absolute Return	10.00%	1.80%
Risk Parity	10.00%	4.30%

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board and contributions required by the State of Indiana would be made as stipulated by state statue. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate

Net pension liability is sensitive to changes in the discount rate. The following presents the University's proportionate share of net pension liability calculated using the discount rate of 6.75 percent, as well as what the University's share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate.

Discount Rate Sensitivity-Liability/(Asset)

1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
$15,240,598	$ 9,493,678	$4,624,551

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS financial report which is available at www.in.gov/inprs/annualreports.htm. Refer to Note 1, Section J for information regarding the INPRS basis of accounting.

Note 17. VEBA Trust

The University established a Voluntary Employees' Benefit Association (VEBA) trust, with an independent trustee, for the purpose of providing retiree medical benefits for retired employees of Indiana State University and their dependents that become eligible upon accruing the required years of service. Approval from the IRS for the tax-exempt status of the trust was received on March 2, 1999.

The trust is funded from reserves set aside in previous years paid by the University, contributions, employee payroll deductions for post-retirement benefits, and reinvested net earnings. Beginning January 1, 2014, the University activated the VEBA Trust reimbursing 50 percent retirement insurance premiums paid. A summary of the activity in the trust for the year ending June 30, 2015 is as follows:

Beginning fund balance 7/1/14 (market value)	$ 83,292,149
Reimbursement of University retirement expenses	(1,570,000)
Reinvested net earnings	3,045,380
Less: management fees	(227,899)
Realized gain on sale of investments	1,914,117
Unrealized loss on decrease in market value	(2,532,992)
Market value at June 30, 2015	$ 83,920,755

These funds cannot under any circumstances revert to the University; therefore, the financial statements of the University do not include the value of these assets. The following charts show the actual diversification of the VEBA investments.

VEBA Investment Policy Guideline Diversification

Asset Class	Target	Minimum	Maximum
Equity	60.0%	55.0%	65.0%
Fixed Income	40.0%	35.0%	45.0%

Actual VEBA Investment Diversification

	Actual $	Actual %
Domestic-Equity-Passive	$ 24,970,837	29.8%
Domestic-Equity-Active	8,329,494	9.9
International	11,916,411	14.2
Global Unconstrained	2,009,865	2.4
Core Fixed Income	28,125,651	33.5
Tactical Fixed-Income	4,998,520	6.0
Hedge Fund-Diversifiers	3,569,977	4.2
	$ 83,920,755	100.0%

Note 18. Other Post Employment Benefits

Plan Description

Beginning January 1, 2010, Indiana State University selected AmWins Group Benefits to administer the post-65 retiree medical plan. This plan replaced the self-insured program for retirees with an insurance policy for which the University's cost is based on premiums instead of claims. All retirees, after reaching the age of 65, are required to participate in the fully insured plan in order to retain the retirement medical benefit. The University's cost is $224 per month for each plan participant including dental insurance coverage. Retirees pay $97or $121 per month directly to AmWins, depending on the prescription drug plan option taken. This group of post-65 retirees retains dental coverage through Delta Dental of Indiana and life insurance through the Symetra Life Insurance Company.

Retirees under the age of 65 will continue participation in the Indiana State University Healthcare Plan for active employees until age 65 is attained. This plan is a single-employer defined benefit healthcare plan administrated by Cigna for medical coverage, Delta Dental of Indiana for dental coverage, Express-Scripts for prescription coverage, and Symetra life insurance. The plan provides medical, dental and life insurance for eligible retirees and their spouses. Active employees are eligible for the plan provided they retire after attaining age 62 with at least 20 years of service. Surviving spouses may continue in the plan until remarriage or death. Employees hired after January 1, 2005 or employees or their spouses who had not enrolled in the ISU health plan before January 1, 2005 are not eligible for the plan. The Indiana State University Board of Trustees has the authority to establish and amend provisions to the University plan.

Funding Policy

For the fiscal year ended June 30, 2015 the total contribution to the plan was $3.7 million, with the University contributing $3.5 million for current premiums. The University activated the VEBA Trust as of January 1, 2014, and has been reimbursed for one-half of the premiums paid for post-65 retirees during fiscal year 2015. The total amount reimbursed was $1.5 million. Plan members receiving benefits contributed $0.2 million, based on the required contribution rates as follows:

Participants' Monthly Contributions

	Wellness Incentive and Tobacco Free	Wellness Incentives and Tobacco Surcharge	No Wellness and Tobacco Surcharge
Under Age 65			
Employee Rates—Monthly			
Employees	$ 173	$ 223	$ 253
Employees/Spouses	$ 428	$ 478	$ 528
Employees Below 200% of Federal Poverty Level			
Employees	$ 125	$ 175	$ 205
Employees/Spouses	$ 297	$ 347	$ 397
Age 65 and over			
(AmWins-Nebco fully insured)			
Option 1	$ 97	$ 194	
Option 2	$ 121	$ 242	

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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 fiscal years 2013, 2014, and 2015, the amount actually contributed to the plan, and changes in the University's net OPEB obligation to the plan.

GASB 45 ARC and Annual Expense	2013	2014	2015
Annual required contribution	$ 521,759	$ 101,198	$ —
Interest on net OPEB obligation	(668,335)	(854,273)	(979,593)
Adjustment to annual required contribution	809,229	1,034,366	1,186,106
Annual OPEB cost	$ 662,653	$ 281,291	$ 206,513
Contributions made	$ (3,761,620)	$ (2,369,961)	$ (1,945,202)
Decrease in net OPEB obligation	$ (3,098,967)	$ (2,088,670)	$ (1,738,689)
Net OPEB obligation (asset) beginning of year	$(11,138,913)	$(14,237,880)	$(16,326,550)
Net OPEB obligation (asset) end of year	$(14,237,880)	$(16,326,550)	$(18,065,239)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal years ending as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/15	$ 206,513	941.9%	$ 18,065,239
6/30/14	$ 281,291	842.5%	$ 16,326,550
6/30/13	$ 662,653	567.7%	$ 14,237,880

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 130.5 percent funded. The actuarial accrued liability for benefits was $64.3 million, and the actuarial value of assets was $83.9 million, resulting in an overfunded actuarial accrued liability (UAAL) of $23.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $38.3 million. The ratio of the UAAL to covered payroll was (51.3) percent which indicates the OPEB plan is over 100 percent funded at fiscal year end June 30, 2015.

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 below, shows 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.

Three-Year Trend Information

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/15	$ 83,920,755	$ 64,311,193	$ (19,609,562)	130.5%	$ 38,252,162	(51.3%)
6/30/14	$ 83,292,149	$ 60,027,043	$ (23,265,106)	138.8%	$ 42,803,837	(54.4%)
6/30/13	$ 71,268,067	$ 61,591,709	$ (9,676,358)	115.7%	$ 41,557,123	(23.3%)

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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Assumptions

Valuation and measurement date	June 30, 2015
Participant data	July 2015
Discount rate	6%
Mortality	SOA RPH-2014 Total Dataset Mortality Table fully generational using scale MP-2014

Healthcare Trend Rates

	Medical/Rx		
FYE	**Pre-65**	**Post-65**	**Dental**
2016	9.00%	7.00%	4.50%
2017	8.50%	6.75%	4.50%
2018	8.00%	6.50%	4.50%
2019	7.50%	6.25%	4.50%
2020	7.00%	6.00%	4.50%
2021	6.50%	5.75%	4.50%
2022	6.00%	5.50%	4.50%
2023	5.50%	5.25%	4.50%
2024+	5.00%	5.00%	4.50%

Methods

Actuarial cost method	Projected Unit Credit with linear proration to decrement age
Assets method	Market value
Amortization method	30 year level dollar
Accounting method	Unit credit
Actuarial gains/losses	Reflected immediately in cost method

Note 19. Subsequent Events

Housing and Dining System Revenue Bonds, Series 2015

Indiana State University issued $16,270,000 in Housing and Dining System Revenue Bonds, Series 2015, on August 6, 2015. These bonds will be used to finance the renovation of Blumberg Hall as the second phase of a comprehensive four phase renovation of Sycamore Towers. The overall cost of the renovation is estimated at $20.9 million. Approximately $4.15 million will be funded from system reserves and $16.78 million from the Series 2015 bond which included $0.5 million in bond premium. The project is expected to be completed for fall 2016 occupancy.

Schedule of Indiana 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)	0.36%	0.36%
Proportionate share of the net pension liability (asset)	$ 9,493,678	$ 12,387,141
Covered-employee payroll	$ 17,637,755	$ 17,363,787
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%

**Schedule is intended to show information for the last 10 years. Additional years will be displayed as they become available.*

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

	2014	2013
Contractually required contribution	$ 1,975,832	$ 1,671,880
Contributions in relation to the contractually required contribution	$ (1,975,832)	$ (1,671,880)
Contribution deficiency (excess)	$ —	$ —
Covered-employee payroll	$ 17,637,755	$ 17,363,787
Contributions as a percentage of covered-employee payroll	11.2%	11.4%

**Schedule is intended to show information for the last 10 years. Additional years will be displayed as they become available.*

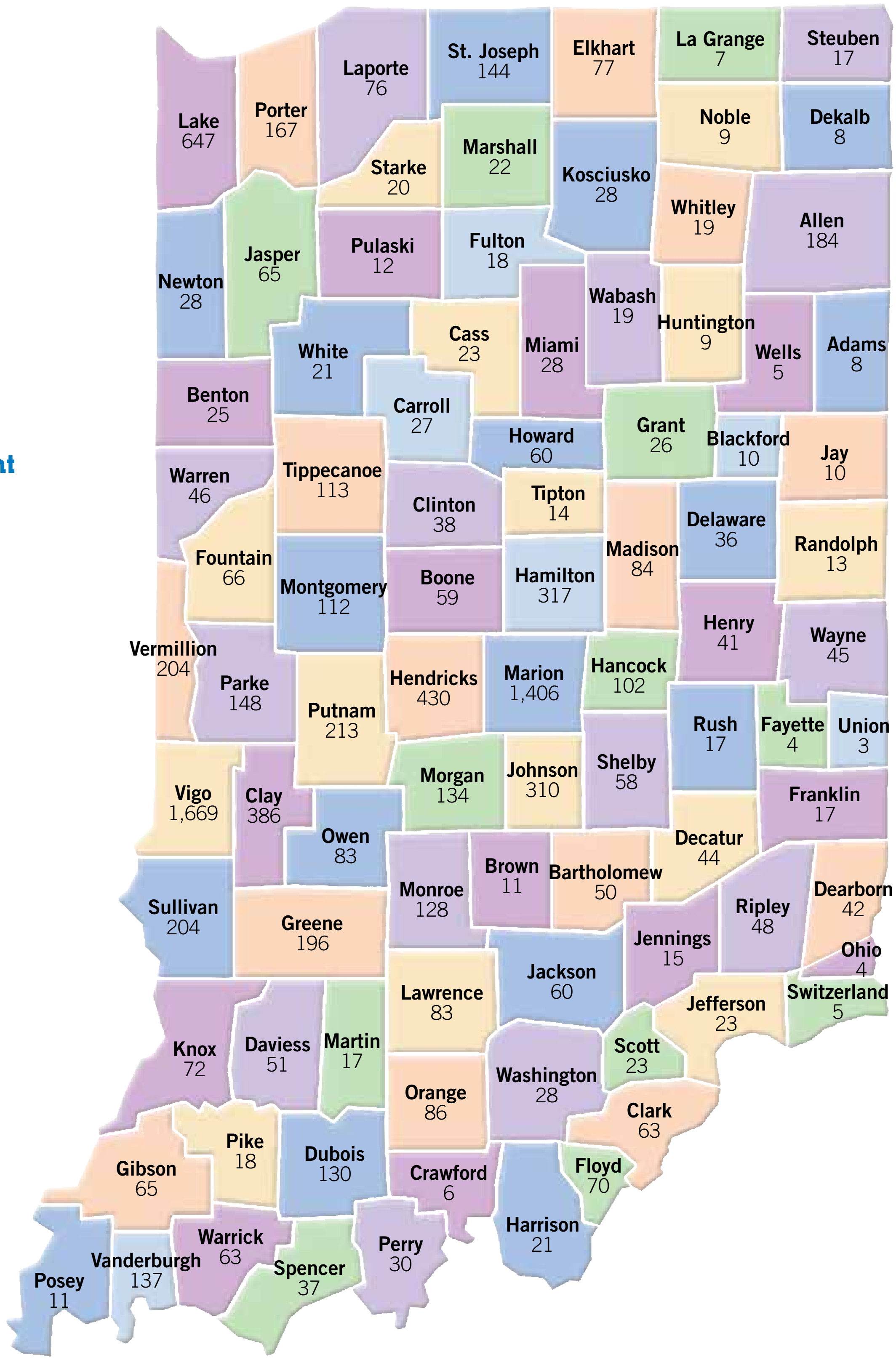
Home Counties of Indiana State Students
(Fall 2014) Unaudited

Indiana
(92 counties)
9,823

Out-of-State
(48 states)
2,263

International
(82 countries)
1,097

Total Enrollment
13,183



Board of Trustees and University Administration

University Officials
as of June 30, 2015

Daniel Bradley
President of the University

C. Jack Maynard
Interim Provost and Vice President for Academic Affairs

Diann McKee
Senior Vice President for Finance and Administration/University Treasurer

Willie Banks, Jr.
Vice President for Student Affairs and Dean of Students

John E. Beacon
Senior Vice President for Enrollment Management, Marketing, and Communications

Additional copies of the 2015 Financial Report may be obtained from:

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Parsons Hall, room P115
Indiana State University
Terre Haute, Indiana 47809

812-237-3513
www.indstate.edu/controller/

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