

# Financial Report

**Year Ended June 30, 2016**



Ball State University



Front Cover: The Alexander M. Bracken Library and Surrounding Campus

To  
The President and Board of Trustees  
Ball State University

This financial report presents  
the financial position of  
Ball State University at June 30, 2016  
and the results of activities for  
the year then ended.

Bernard M. Hannon  
Vice President for Business Affairs  
and Treasurer

Ball State University's Report Date.....October 26, 2016

## REPORT OF THE TREASURER

On behalf of the Board of Trustees of Ball State University, I am pleased to submit the *Comprehensive Annual Financial Report of Ball State University* for the year ended June 30, 2016. The audit opinion letter from the Indiana State Board of Accounts which shows an unmodified opinion appears on the following pages.

Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information presented is accurate in all material respects and necessary disclosures have been made which enable the reader to obtain an understanding of the University's financial activity.

### **About Us**

Ball State University is steeped in a rich philanthropic history and deeply rooted to the Muncie community of about 70,000 residents. As we look forward to our Centennial celebration in 2018, we reflect on the values and traditional ideals of the past that laid a strong foundation on which to build upon. While the University has grown over the last century, our mission has remained. We strive to provide an affordable exemplary education coupled with top-notch student learning experiences that will prepare our students to excel in their field of study.

"As a public research university, we focus on students and high-quality, relevant educational outcomes. Disciplinary knowledge is integrated with application. We do this in a manner that fundamentally changes students, researchers, and our external partners, who look to the University for guidance. We transform information into knowledge, knowledge into judgement, and judgement into action that addresses complex problems." -- Ball State University Mission.

The University is home to eight colleges with more than 3,300 faculty members who deliver high-quality instruction, pursue world class research and creative endeavors, and provide exemplary service. Our students have numerous opportunities to engage in entrepreneurial learning and participate in immersive learning projects that partner with community members and organizations.

### **Strategic Plan**

In anticipation of Ball State's coming centennial milestone, the University's strategic plan was refreshed to focus on 18 major goals to achieve by our centennial year. *The Centennial Commitment (18 by '18)*, Ball State's strategic plan, is comprised of 18 goals, divided into three primary themes. By our centennial anniversary, Ball State will be recognized as: 1) Student-Centered; 2) Community-Engaged; and 3) A Model 21<sup>st</sup> Century Public Research University. This refreshed strategic plan was thoughtfully crafted and led by a diverse team of faculty, staff, students, administrators, alumni, and community leaders who have partnered in this endeavor with an unwavering commitment to Ball State and its future.

The success of our strategic plan is not only measured by the awards and esteemed acclaim received by our departments, programs, faculty, and students, it is also measure by our by our quantitative outcomes. The total enrollment for fall 2015 was 21,196. Of the 3,527 freshmen enrolled, 74.6 percent earned the Academic Honors Diploma, an average SAT of 1,638 and an average GPA of 3.47. The University also administered more than \$200.0 million in merit- and need-based aid. In 2014, our first-year retention rate was 81.6 percent while our four-year graduation rates increased to 44.7 percent. In 2015, our online distance education increased by 15.0 percent over the previous year. Our May 2015 graduates also reported the following placement outcomes: 93.0 percent employed within the first six months; 81.0 percent employed in their field of study; and 74.0 percent work in Indiana.

### **National recognition**

Ball State University is classified as an "R2: Doctoral University: Higher Research Activity" in The Carnegie Classification of Institutions of Higher Education. Respected organizations have recognized the university's academic programs, cutting-edge facilities and technology, and commitment to sustainability. Here is a sampling:

- The Princeton Review has named Ball State one of the best universities in the Midwest for 11 years.
- Ball State earned the Community Engagement Classification from the Carnegie Foundation for the Advancement of Teaching.

- *U.S. News & World Report* ranked three graduate programs among the top 25 in the country in its 2016 “Best Online Programs”: education was 11<sup>th</sup>, MBA was 12<sup>th</sup> and nursing was 23<sup>rd</sup>. *U.S. News* also ranked the online bachelor’s programs 34<sup>th</sup>.
- *Design Intelligence* has consistently ranked our landscape architecture programs in the top 15 in the country. In 2015, the undergraduate program was ranked No. 8 and our graduate program, No. 12.
- Ball State students and faculty have won 54 Emmys. Our honors also include two gold Student Academy Awards.
- Since 2004, students from the Department of Theatre and Dance have been invited as national qualifiers to the yearly Kennedy Center American College Theater Festival (KCACTF), one of the nation’s premier events for collegiate theatre programs.
- The Department of Chemistry has been ranked by the American Chemical Society (ACS) as one of the largest producers of ACS-accredited chemistry majors in Indiana and in the top ten percent in the nation in the number of graduating ACS-accredited chemistry majors.
- Ball State students in the residential property management (RPM) program have consistently achieved 100.0 percent pass rates on two national certification exams.
- The University Professional & Continuing Education Association bestowed the Division of Online and Distance Education a UPCEA Strategic Innovation in Online Education Award in 2014.
- The Princeton Review named Ball State to its “Top 50 Green Colleges” list, part of its *Guide to 353 Green Colleges: 2015 Edition*. Recognized for the sixth year, Ball State is the first public institution in Indiana to be listed among the most environmentally responsible colleges and universities in the U.S. and Canada.
- The University earned a STARS Gold rating from the Association for the Advancement of Sustainability in Higher Education (AASHE). STARS—for Sustainability, Tracking, Assessment & Rating System—takes into account, among many other factors, social responsibility and an institution’s overall environmental stewardship.
- Ball State’s commitment to sustainability has also been recognized by the National Wildlife Federation, *Kiwi* magazine, *Sierra* magazine, and International Sustainable Campus Network and its council on the Environmental (COTE), the longest standing green committee in Indiana’s higher education community, received a Lugar Energy Patriot Award.
- Victory Media, publisher of *G.I. Jobs*, *STEM Jobs*, and *Military Spouse*, has named Ball State a Military Friendly School for seven years.
- *Campus Technology* honored Ball State with two Innovator Awards in 2015. The Achievements app was recognized in the student systems and services category while The Traveler was honored in the education futurist category. The Traveler also was named the large organization winner in the PACT Wayfinding App Challenge.
- Ball State’s honors for providing a healthy workplace include Health Champion designation in 2016 from the American Diabetes Association, a November 2014 Gold Award from the American Heart Association, and Five Star AchieveWELL recognition from the Wellness Council of Indiana.

## **Conclusion**

Ball State will continue its efforts to differentiate from other public institutions by enhancing the quality of the academic experiences to all students, by attracting students of even higher quality, by supporting strong faculty and academic programs, by enhancing a vibrant University community, and by providing a distinctive impact on the economic well-being of the state of Indiana. As the following financial reports indicate, the University is on solid financial ground, and we will continue to advance Indiana through the relentless execution of our Strategic Plan and distinctive educational opportunities.

Bernard M. Hannon

Vice President for Business Affairs and Treasurer

*\* This report has been prepared in accordance with United States generally accepted accounting principles (GAAP) for governmental colleges and universities as put forth by the Governmental Accounting Standards Board (GASB). See the accompanying Notes to Financial Statements for a full disclosure of the accounting principles observed.*

*\* GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor’s Report.*

This financial report has been prepared

By the Office of University Controller

Ball State University, Muncie, Indiana 47306

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

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

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

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

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

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

Ball State University

2015-2016

Thomas C. Bracken, Muncie, IN

E. Renae Conley, Chicago, IL

R. Wayne Estopinal, Jeffersonville, IN

Marianne Glick, Indianapolis, IN

Richard Hall, Carmel, IN

Frank Hancock, Indianapolis, IN

Hollis E. Hughes Jr., South Bend, IN

Matthew Momper, Fort Wayne, IN

Dustin Meeks, Fishers, IN

Officers

Richard Hall .....Chair  
E. Renae Conley..... (elected January 29, 2016) Vice Chair  
Frank Hancock..... (ended term January 29, 2016) Vice Chair  
Thomas C. Bracken..... Secretary  
Matthew Momper ..... (elected January 29, 2016) Assistant Secretary  
Marianne Glick..... (ended term January 29, 2016) Assistant Secretary  
Bernard M. Hannon ..... Treasurer

University President (resigned March 25, 2016)  
Paul W. Ferguson

University President (interim effective March, 26, 2016)  
Terry S. King



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows of the business-type activities and the discretely presented component unit of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ball State University Foundation (Foundation), a component unit of the University as discussed in Note A, which represents 100 percent of the total 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 from 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 also 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

*Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

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

*Other Information*

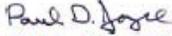
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University basic financial statements. The Introductory Section, Report of the Treasurer, and Supplemental Information Sections are presented for purposes of additional analysis and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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, 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, CPA  
State Examiner

October 26, 2016

# Ball State University Management's Discussion and Analysis June 30, 2016

## The University

Ball State University, located in Muncie, Indiana was founded in 1918 as the Indiana State Normal School, Eastern Division. The Ball brothers, a prominent Muncie industrial family, had acquired the land and buildings of a private normal school and donated the property to the State of Indiana. In 1929, the Indiana General Assembly separated the Muncie campus from

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



Frank A. Bracken Administration Building

Ball State University's eight academic colleges offer six associate-level programs, 170 undergraduate degree programs, 88 masters-level programs, 16 doctoral-level programs and two education specialists programs. The University is fully accredited by the Higher Learning Commission. Various schools, departments and programs are also accredited by numerous other professional agencies, licensing boards, and state agencies. The University operates Indiana's only K-12 laboratory school, as well as the Indiana Academy for Science, Mathematics and Humanities, the state's only residential high school for gifted and talented students.

Enrollment for fall 2015 totaled 18,231 full-time equivalent students from a total headcount of 21,196. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 16,118 full-time equivalent students from a total headcount of 16,602. On-campus students come from 46 states, about 36 countries, and every county in Indiana. The University provides on-campus housing in residence halls and apartments for approximately 7,200 students. As of the beginning of the 2015-2016



Music Instruction Building

academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 3,097 full-time and 378 part-time personnel. The campus facilities include approximately 125 buildings totaling over seven million gross square feet on over 1,000 acres.

The following discussion provides an overview of the financial position of Ball State University (the "University") for the fiscal years ended June 30, 2016 and 2015, along with comparative financial information for the fiscal year ended June 30, 2014. This discussion and analysis is presented to provide a greater understanding of the University's financial position and operating activities, and should be read in conjunction with the financial statements and notes to the financial statements.

## Using this Report

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

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

In fiscal year 2014-2015, the University implemented *GASB Statement No.68, Accounting and Financial Reporting for Pensions*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. The effect of these two statements required the University to record the net pension liability associated with the defined benefit pension plans administered by the Indiana Public Retirement System (INPRS). This liability is comprised of the University's proportionate share of future retirement benefits. INPRS provides the information used to record all the entries related to the net pension liability. Prior to this implementation, these retirement benefits were only presented in the Notes to Financial Statements. With this implementation, additional information is now required in both the Notes to Financial Statements and the Required Supplemental Information. This financial report also includes, in addition to the basic financial statements referred to above, management's discussion and analysis, the report of independent auditors, notes to the financial statements and supplemental information. Included also, in accordance with *GASB Statement No. 39, Determining Whether Certain Organizations are Component Units-An Amendment of GASB Statement No. 14*, separately presented, are the financial statements and significant notes to the financial statements for the



Student studying between classes

Ball State University Foundation. The Ball State University Foundation is a separate, not-for-profit corporation which solicits, collects and invests donations for the sole benefit of Ball State University. The Foundation's financial statements are presented in accordance with the reporting principles of the Financial Accounting Standards Board and therefore are not comparable to those of the University.

## Financial Highlights

The total net position of the University increased by \$11.5 million compared to the fiscal year 2014-2015, and was driven primarily by increases in restricted expendable net position of \$9.4 million and unrestricted net position of \$1.8 million. The increase in restricted expendable net position was primarily a result of unspent proceeds from the issue of the bonds to finance the ongoing renovation of Schmidt/Wilson Residence Halls. For fiscal year 2014-2015, the total net position of the University decreased by \$12.6 million as compared to fiscal year 2013-2014, and unrestricted net position decreased by \$23.7 million. Both decreases were due primarily to the effect of new pension GASB standards. Other significant changes in net position included a decrease in restricted net position for construction of \$19.7 million and a related increase to net investment in capital assets of \$31.9 million

The current ratio for the University, which is calculated by dividing current assets by current liabilities, increased slightly from 4.11 to 1 at June 30, 2015, to 4.37 to 1 at June 30, 2016. The June 30, 2014, ratio was 4.08 to 1. This ratio measures the University's ability to meet short term obligations with short term assets. One of the most basic determinants of clear financial health is the availability of expendable net position to cover debt should it become necessary to settle those debt obligations. The viability ratio measures the University's ability to fund these long-term obligations. At June 30, 2016, the University's viability ratio was 1.28 to 1, down slightly from the June 30, 2015, viability ratio of 1.36 to 1, which was down slightly from the June 30, 2014, viability ratio of 1.45 to 1. A ratio above 1 to 1 indicates that the University is able to respond to adverse conditions as well as attract capital from external resources and fund new objectives.

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

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

The following is a summary of the University's assets, deferred outflows and inflows of resources, liabilities, and net position as of the end of the previous three fiscal years.

		Net Position		
		As of June 30, 2016, 2015, and 2014		
		2016	2015	2014
<b>Assets:</b>				
Current Assets	\$	197,320,056	\$ 184,617,839	\$ 191,275,076
<b>Noncurrent Assets:</b>				
Capital Assets, Net of Depreciation		664,658,279	644,270,731	630,215,193
Other		166,775,330	160,007,778	173,498,596
Deferred Outflows of Resources		25,062,319	7,589,809	-
Total Assets and Deferred Outflows of Resources	\$	1,053,815,984	\$ 996,486,157	\$ 994,988,865
<b>Liabilities:</b>				
Current Liabilities	\$	45,188,700	\$ 44,873,801	\$ 46,924,772
Noncurrent Liabilities		277,939,539	231,495,147	222,059,906
Deferred Inflows of Resources		5,825,411	6,759,333	-
Total Liabilities and Deferred Inflows of Resources	\$	328,953,650	\$ 283,128,281	\$ 268,984,678
<b>Net Position:</b>				
Net Investment in Capital Assets	\$	452,598,279	\$ 452,275,434	\$ 420,355,193
Restricted		29,598,161	20,239,087	41,061,296
Unrestricted		242,665,894	240,843,355	264,587,698
Total Net Position	\$	724,862,334	\$ 713,357,876	\$ 726,004,187
Total Liabilities, Deferred Inflows of Resources and Net Position	\$	1,053,815,984	\$ 996,486,157	\$ 994,988,865

## Current and Noncurrent Assets

Current assets, such as cash and cash equivalents, accounts receivable, and inventories, support the current operations of the University. Current assets increased \$12.7 million from the previous year primarily due to an increase in Cash and Cash Equivalents of \$6.8 million. Accounts Receivable, Net, and Unbilled Costs also increased by \$2.3 million while Prepaid Retiree Benefits increased by \$2.0 million. The remaining current asset line items showed minimal variance to the prior fiscal year.

In fiscal year 2014-2015, current assets decreased \$6.7 million from the previous year primarily due to a decrease in Accounts Receivable, Net, and Unbilled Costs in the amount of \$7.8 million and a decrease in Deposits with Bond Trustee of \$2.1 million. These decreases were offset in part by increases to Cash and Cash Equivalents and Short Term Investments totaling \$1.5 million and an increase to Prepaid Retiree Benefits of \$1 million. The remaining current asset line items showed minimal variance to the prior fiscal year.

Noncurrent assets primarily consist of Other Long Term Investments and Capital Assets, net of depreciation. Noncurrent assets at June 30, 2016, showed a \$27.2 million increase over the previous year, primarily due to a \$20.4 million increase in Capital Assets, net of depreciation. Other Long Term Investments also increased by \$7.1 million over the previous year. Noncurrent assets showed a slight increase at June 30, 2015, over the previous year. However, there was a decrease in Other Long Term Investments of \$12.6 million that was offset by an increase of \$14.1 million in Capital Assets, net of depreciation. The decrease in long term investments was primarily due to a rebalancing of the portfolio to a more current and liquid strategy to allow the University to meet fiscal obligations while maintaining adequate cash flow. The increase in Capital Assets, net of depreciation for both years shows the University's continued commitment to enhance and improve the campus facilities which in turn, improves the campus life experience for the students. The Capital Asset section of the Management's Discussion and Analysis provides greater detail of the projects and renovations addressed during the fiscal year ended June 30, 2016.

## Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources and Deferred Inflows of Resources represent consumption or receipt of resources applicable to a future reporting period. The amounts recorded result from the implementation of *GASB Statements 68 and 71*. The balances reported on these line items represent changes of the net pension liability (total pension liability less the fiduciary net position). Most changes to net pension liability are to be included in pension expense in the period of the change. However, certain changes are required to be expensed over current and future periods. Changes of economic and demographic assumptions or of other inputs and differences between expected and actual experience are required to be recorded as Deferred Outflows of Resources or Deferred Inflows of Resources as appropriate. Changes and differences to Deferred Outflows at June 30, 2016, totaled \$17.8 million. Another major component of Deferred Outflows of Resources is the contributions that were made to the plans between the measurement date and the end of the fiscal year. These contributions amounted to \$7.3 million at June 30, 2016, and \$7.0 million at June 30, 2015. The measurement date of the defined benefit pension plans that are administered by INPRS is June 30, 2015, for the 2015-2016 financial report, and June 30, 2014, for the 2014-2015 financial report.

## Current and Noncurrent Liabilities

Current liabilities consist primarily of trade accounts and interest payable, accrued compensation and related benefits, deposits, unearned revenue, and the current portion of bonds that are payable within one year or less. Accounts payable and accrued liabilities may fluctuate from year to year based on timing of University initiatives and programmatic costs. For fiscal year 2015-2016, the University's current liabilities increased slightly. For fiscal year 2014-2015, the University's current liabilities showed only a \$2.1 million decrease which directly reflected a decrease in the current portion of bonds payable of \$1.7 million. All other components of the current liabilities showed insignificant changes for fiscal year 2014-2015.



Thomas J. Kinghorn Hall

Noncurrent liabilities are predominantly comprised of bonds payable, pension liability, liability for compensated absences, and the Perkins loan program. Total noncurrent liabilities increased by \$46.4 million or 20.1 percent in fiscal

year 2015-2016 from fiscal year 2014-2015. Bonds payable (long-term liabilities) increased \$27.0 million over the previous fiscal year due to the issuance of new Housing & Dining System Revenue Bonds for the renovation of Schmidt/Wilson Residence Hall and the refunding of older revenue bonds at a lower rate.

In fiscal year 2014-2015, total noncurrent liabilities increased by \$9.4 million or 4.2 percent. Bonds payable (long-term liabilities) decreased \$16.9 million over the previous fiscal year. Due to the new *GASB Statements 68 and 71*, a line item was added to noncurrent liabilities for pension liability. In prior years, the liability was only required to be disclosed in the notes to the financial statements. The balance was not required to be disclosed within the statements themselves. The effect of the GASB Standards was an increase of \$26.4 million to pension liability in fiscal year 2014-2015. The effect of the GASB Standards for fiscal year 2015-2016 was an increase of \$20.1 million to pension liability.

## Debt Administration

The University employs various sources such as philanthropy, internal cash reserves, cash appropriations from the State, and bond proceeds to fund new construction and large renovation projects on campus. As of June 30, 2016, the University had \$212.1 million of capital-related bond indebtedness outstanding, compared to \$192.0 million and \$209.9 million outstanding as of June 30, 2015, and June 30, 2014, respectively. The increase in indebtedness is due, as noted above, to the issuance of new Housing & Dining System Revenue Bonds, offset in part by regularly scheduled debt payments as well as refunding of older revenue bonds at a lower rate. All of the University's bonds are fixed-rate, tax-exempt issuances that are secured by student fees or auxiliary revenues, depending on the original purpose of the bond.



Schwartz Digital Center in Bracken Library

Ball State University's rating of AA-/Stable by Standard & Poor's and Aa3/Stable by Moody's was reaffirmed in December 2015. S&P noted the University's fundamental credit strengths, strong balance sheet ratios relative to the rating category, fairly stable enrollment, strong management team with good fiscal planning and policies, and consistently positive financial operations on a full-accrual basis, while Moody's called out the consistently strong capital and operating support from the State of Indiana and relatively good liquidity. More details regarding the University's bonds payable are presented in the Notes to Financial Statements.

## Capital Assets

As of June 30, 2016, the University had \$452.6 million invested in capital assets, net of accumulated depreciation of \$394.8 million and related debt of \$212.1 million. Depreciation charges totaled \$26.5 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost. As of June 30, 2015, the University had \$452.3 million invested in capital assets, net of accumulated depreciation of \$371.2 million and related debt of \$192.0 million. Depreciation charges totaled \$28.3 million for fiscal year 2014-2015.

The renovation of Schmidt/Wilson Residence Hall, part of the Johnson Complex, is also progressing on schedule and should be complete for the fall semester of 2017. Work includes a completely new building envelope, new elevators accessing all floors, and new mechanical, electrical, and plumbing systems. When complete, the renovated hall will serve as a living-learning community for the Theatre, Dance, and Design departments. Approximately \$23.7 million was spent on the project during fiscal year 2015-2016. Approximately \$2.1 million was spent on the design and demolition phases during fiscal year 2014-2015.

Conversion of the University's district heating and cooling system to a geothermal-based system is scheduled to be completed in the summer of 2017. Remaining work includes additional distribution piping and modifications of building systems. All well fields and district energy stations have been completed. Construction expenditures for the system during fiscal year 2015-2016 totaled \$3.6 million. Construction expenditures for the system during fiscal year 2014-2015 totaled \$12.0 million.

Renovation of the Applied Technology Building wrapped up during fiscal year 2014-2015. Along with North Quadrangle Building and Teachers College, Applied Technology was part of the University's Central Campus Academic Renovation and Utilities Improvement project. Construction expenditures on this project totaled \$3.2 million during fiscal year 2015-2016, and over \$7.5 million during fiscal year 2014-2015.



Schmidt/Wilson Residence Hall

Several projects made possible by the University's Cardinal Commitment: Developing Champions capital campaign, were underway during fiscal year 2015-2016. Phase II of projects at the softball and baseball complex concluded with \$1.6 million being spent on amenities such as an addition to the softball multi-use building, new press box, grandstands, and restrooms at the baseball field, and site work at both fields. In fiscal year 2014-2015, nearly \$2.5 million was spent on improvements to these facilities, including new artificial turf fields, dugouts, and support buildings. The Vanderly Football Team Complex was

completed this spring and will provide an auditorium for team meetings, coaches' offices, and a trophy room. Approximately \$2.4 million was expended on this project during fiscal year 2015-2016. Finally, the installation of new video boards, sound, and playing floor were completed in Worthen Arena, with over \$1.0 million being expended during fiscal year 2015-2016.



Scheumann Family Team Meeting Room in the Ron and Joan Venderly Football Center

Current operating funds were utilized to purchase \$6.3 million in capital equipment in fiscal year 2015-2016 and \$6.4 million in fiscal year 2014-2015. Some of these purchases replaced mostly fully-depreciated equipment dispositions originally costing \$3.0 million in fiscal year 2015-2016 and \$3.2 million in fiscal year 2014-2015.

## Net Position

At June 30, 2016, total net position for the University was \$724.9 million, up \$11.5 million over the previous year. Net position is classified into four categories: net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted. Net investment in capital assets accounted for approximately \$452.6 million as of June 30, 2016. This balance represents the University's investment in land, buildings, infrastructure, land improvements, and equipment, and is reported net of accumulated depreciation and related debt. Additional discussion of capital assets is available in the Capital Asset section of this report as well as in the accompanying Notes.

Restricted nonexpendable net position remained unchanged from the previous year and accounts for only \$0.9 million of net position. These funds represent permanent endowments received by donors, the principal of which must be held in perpetuity with only present and future income earnings being used to support the wishes of the donor. Restricted expendable net position represents funds that have restrictions imposed by third parties in their purpose. Restricted expendable net position increased by \$9.4 million in fiscal year 2015-2016, totaling \$28.7 million as of June 30, 2016. Of these restricted expendable funds, \$22.2 million are funds restricted for construction, such as bond proceeds or state appropriations for repair and rehabilitation, \$4.0 million is restricted for external grants, \$2.6 million is restricted for student loans, and \$11.7 million restricted for debt service, offset by unamortized bond premiums of \$16.7 million the balance of which was offset by unrestricted net position. The overall change in restricted expendable net position was primarily due to unspent proceeds from the sale of Housing and Dining System Revenue Bonds offset by bond premium on the same issue.

Aside from capital assets and restricted net position, the remaining \$242.7 million of net position is in unrestricted net position. Unrestricted net position is not subject to externally imposed restrictions. However, portions of the unrestricted net position are internally restricted for specific authorized purposes at the end of each fiscal year. The specific purposes for which these assets are internally restricted include the stewardship and renewal of capital assets, campus development and infrastructure, technological advancements, self-insurance reserves, prepaid expense for retiree benefits as calculated in accordance with *GASB Statement No. 45*, unforeseen contingencies, and other purposes. Additionally, the pension liability adjustment required by *GASB Statements No. 68 and 71* is recorded as a reduction to unrestricted net position beginning in fiscal year 2014-2015. Each year adjustments to the pension liability will be required and the effect will impact unrestricted net position. Additional information regarding *GASB Statements No. 68 and 71* are discussed above in Financial Highlights as well as within the Notes to Financial Statements. Unrestricted net position increased by \$1.8 million over the prior fiscal year primarily due to increases in funds set aside for repair and rehabilitation of auxiliary buildings.

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

Unrestricted Net Position at June 30, 2015, was \$240.8 million, a decrease of \$23.7 million over the prior fiscal year. The pension liability adjustment required by *GASB Statements No. 68 and 71* was recorded as a reduction to unrestricted net position.

## Change in Net Position

The following is a summary of the revenues and expenses resulting in the changes in net position for the year ended June 30, 2016. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

Change in Net Position			
Year Ended June 30, 2016, 2015, and 2014			
	2016	2015	2014
Operating Revenues	\$ 265,002,481	\$ 262,196,219	\$ 250,325,765
Operating Expenses	481,846,017	465,096,945	444,560,887
Net Operating Income/(Loss)	\$ (216,843,536)	\$ (202,900,726)	\$ (194,235,122)
Net Non-Operating Revenues	220,356,991	204,497,975	193,985,205
Other Revenue – Capital Appropriations and Gifts	7,991,003	14,790,813	18,347,004
Increase in Net Position Before Extraordinary Item	\$ 11,504,458	\$ 16,388,062	\$ 18,097,087
Loss from Extraordinary Item	-	-	(10,022,705)
Increase in Net Position After Extraordinary Item	\$ 11,504,458	\$ 16,388,062	\$ 8,074,382
Net Position - Beginning of Year	713,357,876	726,004,187	717,929,805
Change in Accounting Policy	-	(29,034,373)	-
Net Position - End of Year	<u>\$ 724,862,334</u>	<u>\$ 713,357,876</u>	<u>\$ 726,004,187</u>

## Operating Revenues

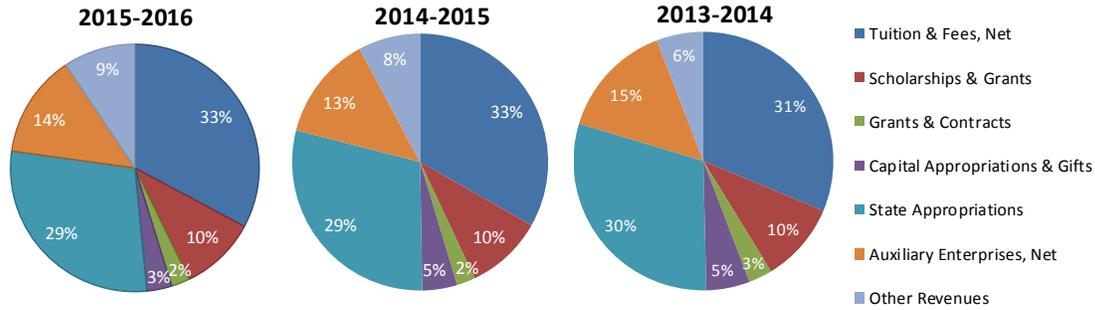
Operating revenues increase net position and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining and athletics. In addition, federal, state and private grants are considered operating if they are not for financial aid or capital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

Total operating revenues increased \$2.8 million, or 1.1 percent from fiscal year 2014-2015 to fiscal year 2015-2016. Gross revenue from student tuition and fees for fiscal year 2015-2016 increased 2.5 percent while scholarship allowances increased by 5.8 percent resulting in a net revenue increase of \$2.0 million. The small rise in tuition and fees resulted from a modest rate increase with a slight enrollment upturn that was offset by an increase in student scholarship and allowances. Auxiliary enterprise revenue for residential life which includes housing and dining increased \$0.5 million after scholarship allowances. Revenues, from other auxiliary enterprises, which includes parking, athletic events, and cultural events, increased by \$2.3 million.

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

For fiscal year 2015-2016, grants and contracts revenue increased by a modest \$0.6 million from the prior year to total \$12.1 million. For fiscal year 2014-2015, grants and contracts revenue decreased by \$2.3 million from the prior year to total \$11.5 million. The combined balances for sales and services of educational departments and other operating revenue resulted in a \$2.6 million decrease for fiscal year 2015-2016 while fiscal year 2014-2015 showed a \$2.5 million increase.

## Total Revenues by Source

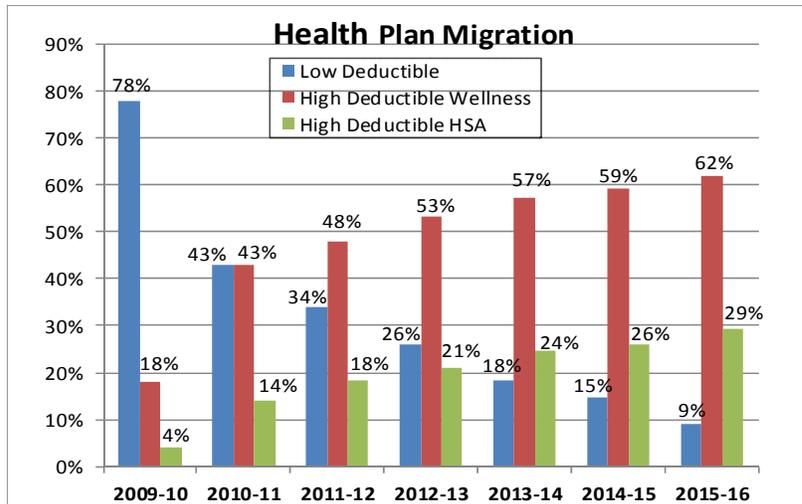


## Operating Expenses

Operating expenses reduce net position and consist of all the costs necessary to perform and conduct the programs and primary purposes of the University. Included in this total are student aid payments of \$15.4 million, which are in addition to \$68.2 million and \$10.2 million in scholarships and auxiliary fee allowances netted against tuition and fees revenue and room and board revenues, respectively. Overall, operating expenses increased \$16.8 million, or 3.6 percent over last year. Personnel services increased 2.8 percent or \$6.4 million due largely from a 2.0 percent salary increase as well as adding new positions. Benefits increased by \$13.5 million (17.7 percent) over the previous year. This large increase was primarily due to the mandatory posting of \$15.7 million for pension benefits relating to the Teachers' Retirement Pre-1996 plan that was paid by the State of Indiana on the University's behalf compared to \$7.2 million in fiscal year 2014-2015; and posting of \$7.0 million for contributions to Public Employees' Retirement Fund and Teachers' Retirement Fund 1996 for the fiscal year 2014-2015 measurement period, recorded as Deferred Outflow in fiscal year 2014-2015. However, the University's health care plans experienced a surplus of premiums in excess of claims which helped to offset the impact of the pension adjustments.

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

recent fiscal year. The University purchased stop loss insurance during the 2014-2015 fiscal year to help reduce the fluctuation and effect of large claims.



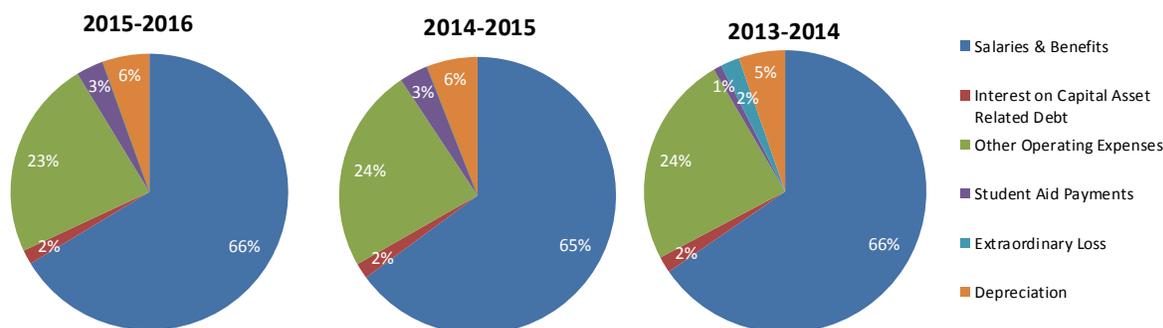
In fiscal year 2015-2016, Repairs and maintenance increased by \$2.2 million over the previous year, offset by a \$2.2 million decrease in other supplies and expenses. Depreciation expense decreased by \$1.9 million or 6.6 percent over the prior fiscal year, while utilities declined by \$0.8 million or 6.4 percent. Fiscal year 2014-2015 recorded a reduction of 3.1 percent or \$2.7 million decrease in other supplies

and expense. Depreciation expense increased by \$3.7 million or 15.1 percent compared to fiscal year 2013-2014. There were increases for repairs and maintenance of \$3.8 million due to an increase in improving and repairing our facilities to maximize utility potential and safety. Utilities posted a decrease of 2.7 percent due primarily to the geothermal energy efficiencies.

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

The University is committed to providing health enhancement wellness programs to employees to not only improve their level of health but also to improve their quality of life by expanding its health enhancement program activities, including offering free health risk assessments and screenings to employees and their spouses, incentives for participation in wellness activities, free tobacco cessation programs, and continuing to work with employees on managing their chronic health conditions. The University also continues to monitor and make appropriate changes to the various health plans to encourage good consumer behavior, such as use of generic drugs and preventative care to control costs, without adversely affecting medical care. Due to these cost saving measures, a contribution to the Voluntary Employee Beneficiary Association (VEBA) Trust was not necessary in fiscal year 2015-2016. Although a payment was not required to meet our baseline obligations, making payments to the VEBA Trust is necessary to ensure the continued growth and renewed commitment to provide Retiree Health Care to current and future retirees. Therefore, the surplus experienced during fiscal year 2014-2015 in the amount of \$1.6 million was contributed to the VEBA during the 2015-2016 fiscal year.

### Total Expenses by Source



### Non-Operating Revenues and Expenses

Non-operating revenues increase net position, and non-operating expenses reduce net position. Non-operating revenues and expenses are generated from transactions that are primarily non-exchange in nature, consisting mainly of state appropriations, federal and state scholarships and grants, private gifts, interest expense and investment income (interest and dividend income and realized and unrealized gains and losses). Overall, net non-operating revenues increased \$15.9 million or 7.8 percent.

For fiscal year 2015-2016, state operating appropriations distributed to the University increased by \$0.7 million from \$143.4 million to \$144.1 million. Revenues from private gifts increased 22.9 percent to \$8.3 million.

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

Federal and State Scholarships and Grants increased by 3.9 percent during fiscal year 2015-2016 to \$49.9 million from \$48.0 million in the previous year. Federal and State Scholarships and Grants increased by 1.8 percent during fiscal year 2014-2015 to \$48.0 million from \$47.2 million in the previous year. State Pension Contributions is related to the contributions the State of Indiana pays on behalf of the University to INPRS for the Teachers Retirement Plan Pre-1996 Account. The amount of these contributions for fiscal year 2015-2016 was \$15.7 million and \$7.2 million for fiscal year 2014-2015. Other

Non-Operating Income consists primarily of head count funds (formerly ADM receipts) for the Indiana Academy for Science, Mathematics and Humanities and for the Burriss Laboratory School, plus an insurance recovery for damage caused by a broken water line in Bracken Library. Other Non-Operating Income increased \$2.1 million over the previous year. Investment income may fluctuate from day to day as the amounts reported are tied to market fluctuations and unrealized losses at any given time. At June 30, 2016, investment income increased slightly to \$3.4 million from \$2.8 million. At June 30, 2015, investment income showed modest gains of \$2.8 million from \$2.4 million.

## Other Revenues

<b>Renewal and Replacement Appropriations</b> (millions of dollars)					
2011	2012	2013	2014	2015	2016
\$2.5	\$4.3	\$0.0	\$14.2	\$13.8	\$3.6

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

As discussed in the Net Position section, the State of Indiana's biennial appropriations to the University typically include an appropriation of

capital renewal and replacement funds for state-supported buildings. The funding amount is based on a formula that takes into account the age, condition, and use of the campus facilities. In recent years, the state has not allocated full funding for capital renewal and replacement appropriations due to the financial condition of the state. Renewal and replacement appropriations received between 2010 and 2012 were from federal stimulus funds, which were fully expended as of the end of fiscal year 2011-2012. Renewal and replacement appropriations received in fiscal year 2015-2016 include \$2.6 million (\$2.4 million for fiscal year 2014-2015) in appropriations for general repair and rehabilitation and \$1.0 million (\$1.4 million in fiscal year 2014-2015) in draws against the \$30.0 million appropriation for the University's geothermal conversion project. Capital gifts from the Ball State University Foundation totaled \$4.4 million (\$1.0 million for fiscal year 2014-2015) for various capital projects.

## Statement of Cash Flows

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

The following is a comparison of the University's changes in cash and cash equivalents for the previous three fiscal years.

### Cash Flows Year Ended June 30, 2016, 2015, and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and Equivalents Provided By/(Used In):			
Operating Activities	\$ (197,239,908)	\$ (178,932,726)	\$ (162,669,962)
Non-Capital Financing Activities	227,332,132	220,292,407	188,239,256
Capital and Related Financing Activities	(19,726,858)	(55,061,543)	(8,282,170)
Investing Activities	(3,600,884)	(4,459,029)	(39,448,352)
Net Increase in Cash and Equivalents	\$ 6,764,482	\$ (18,160,891)	\$ (22,161,228)
Cash and Equivalents – Beginning of Year	<u>104,459,019</u>	<u>122,619,910</u>	<u>144,781,138</u>
Cash and Equivalents – End of Year	<u>\$ 111,223,501</u>	<u>\$ 104,459,019</u>	<u>\$ 122,619,910</u>

The major components of cash flows provided from operating activities are tuition and fees, net of scholarship allowances and auxiliary enterprise activities (housing and dining fees). Tuition and fees, net of scholarship allowances increased \$2.4 million, and payments for scholarships and fellowships decreased by \$1.4 million. In fiscal year 2014-2015, tuition and fees, net of scholarship allowances increased \$16.5 million that was offset by an increase in payments for scholarships and fellowships of \$10.5 million. This shift resulted from a change in the calculation of scholarship allowances. Auxiliary enterprise activities for



Students interacting in Miller College of Business

room and board for fiscal year 2015-2016 showed a negligible increase while other auxiliary services increased \$2.3 million over the prior year due to an increase in utilization. In fiscal year 2014-2015, auxiliary enterprise activities showed a slight decrease of \$2.1 million than in the prior year due to a decrease in utilization. The major components of cash flows used in operating activities are payments for employees (including benefits) and payments to suppliers and service providers. Compared to the prior year, more cash was expended for personnel services and benefits for a combined total of \$17.6 million in fiscal year 2015-2016. This increase is largely due to the increase in pension expense required for the TRF Pre-1996 Plan of \$15.7 million. The payments for supplies decreased \$13.6 million for cash flow purposes. In fiscal year 2014-2015,

more cash was again expended for personnel services and benefits for a combined total of \$7.7 million or 2.5 percent increase over the previous year. The payments for supplies increased \$16.8 million for cash flow purposes.

Cash flows provided from non-capital financing activities primarily reflect state appropriations received of \$146.6 million, a decrease of \$6.1 million from the prior year. The University also received scholarships and grants from federal and state sources of \$49.9 million which closely tracks with the \$48.0 million from fiscal year 2014-2015. There was an increase of \$8.5 million for State provided pension payments that offset the increase shown above for benefits payments under the operating activities section of the cash flow. In fiscal year 2014-2015, cash flows provided from non-capital financing activities primarily reflect state appropriations received of \$152.7 million and scholarships and grants from federal and state sources of \$48.0 million.

Cash flows from capital financing activities reflect a decrease in cash of \$19.7 million for the year. The University had proceeds from capital debt of \$60.7 million which were offset by capital asset payments of \$47.0 million and principal payments on capital debt of \$33.2 million. In fiscal year 2014-2015, cash flows from capital financing activities reflect a decrease in cash for the year, due primarily to cash expenditures of \$44.5 million for capital assets in fiscal year 2014-2015. Debt service was \$27.5 million in fiscal year 2014-2015. Capital appropriations of \$13.8 million were also a major component in fiscal year 2014-2015.

Cash flows from investing activities, most of which consists of reinvesting the proceeds from investments as they mature, resulted in a net decrease in cash of \$3.6 million for fiscal year 2015-2016, and a decrease of \$4.5 million for fiscal year 2014-2015, while cash and cash equivalents were increased by \$6.8 million for fiscal year 2015-2016, and reduced by \$18.2 million in fiscal year 2014-2015.

## **Economic Factors That Will Affect the Future**

According to the National Association of State Budget Officers' Spring 2016 Fiscal Survey of States, estimated state general fund spending and revenues in fiscal 2015-2016, surpassed their fiscal 2007-2008, pre-recession peak levels in real terms for the first time, after adjusting for inflation. The study went on to point out that states across the country continue to face budgetary challenges, including: spending requirements on K-12 education, health care and other core service areas growing faster than state revenues; unfunded pension liabilities; a pent-up need for infrastructure investment; and the fiscal and economic impacts of declining oil prices.

In December 2015, Moody's Investors Service announced a stable outlook for U.S. higher education. In its report, Moody's noted that all revenue streams, including net tuition revenue, state funding, investment income, and philanthropy, are expected to rise modestly throughout 2016. Moody's says universities will continue to face challenges of containing expenses while attempting to invest sufficiently to remain competitive. Following a four-year stretch in which it issued more ratings downgrades than upgrades, Standard and Poor's announced a bifurcated outlook for 2016. Whereas the service expects institutions with strong demand, growing resources, and national or international reputations to improve their credit quality, it warned that smaller, regional institutions will continue to struggle to differentiate their brands, which will require additional investment and resources that could have a negative impact on their credit profiles. The University's ratings for all outstanding debt were confirmed in December 2015 by Moody's (Aa3/stable outlook) and Standard & Poor's (AA-/stable outlook).



Miller College of Business faculty and student interaction

Ball State University, as a public university, relied on the State of Indiana for less than 29.0 percent of the total financial resources in fiscal year 2015-2016. State revenues for fiscal year 2015-2016 were 0.7 percent below forecast and 0.5 percent below fiscal year 2014-2015, but the state was still able to close the year with a \$50.6 million surplus. State reserves of \$2.2 billion are the largest amount in state history. The State of Indiana is rated Aaa by Moody's and AAA by Standard & Poor's, making it one of only a handful of states with top rankings by both ratings agencies. State revenues are forecasted to grow by 1.5 percent in fiscal year 2015-2016 and an additional 2.4 percent in fiscal year 2016-2017.

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

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

The increase in selectivity of the University's student body is demonstrated in the fall 2016 freshman class who continue the tradition of strong academic abilities, posting an average GPA of 3.45. Also, 71.0 percent earned the Indiana Academic Honors Diploma or its equivalent, an eight point increase since 2012. The average SAT for the fall 2016 freshman class was 1611, above the national norm.

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

to any resident student who graduated in four calendar years or less.



Students in front of the Fine Arts Building which houses the David Owsley Museum of Art

These policies and initiatives are expected to increase the performance of the University as measured in the performance funding formula. Indeed, in the last budget cycle Ball State made progress on all but a single performance funding metric used by the state to fund research campuses. Furthermore, because of the lag in data used by the state of Indiana in the performance funding formula, Ball State already knows that it will show positive progress on the funding metrics when the 2017 Indiana General Assembly meets to pass the 2017-2019 biennial budget.

## Conclusion

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

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## Ball State University

### Statement of Net Position

As of June 30, 2016 and 2015

	2016	2015
<b>Assets:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 111,223,501	\$ 104,459,019
Short Term Investments	19,879,365	19,663,050
Accrued Interest Receivable – Investments	766,684	500,329
Accounts Receivable, Net, and Unbilled Costs	31,135,451	28,862,591
Inventories	1,513,991	1,254,194
Deposit with Bond Trustee	16,595,802	16,162,358
Notes Receivable, Net	1,709,024	1,862,104
Prepaid Retiree Benefits	11,758,766	9,799,088
Prepaid Expenses	2,737,472	2,055,106
Total Current Assets	\$ 197,320,056	\$ 184,617,839
Noncurrent Assets:		
Endowment Investments	\$ 906,730	\$ 1,512,221
Accounts and Notes Receivable, Net	8,371,985	8,126,153
Other Long Term Investments	157,496,615	150,369,404
Capital Assets, Net	664,658,279	644,270,731
Total Noncurrent Assets	\$ 831,433,609	\$ 804,278,509
Total Assets	\$ 1,028,753,665	\$ 988,896,348
<b>Deferred Outflows of Resources:</b>		
Pension Contributions	\$ 25,062,319	\$ 7,589,809
Total Assets and Deferred Outflows of Resources	\$ 1,053,815,984	\$ 996,486,157
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 26,155,914	\$ 25,406,353
Deposits	6,465,722	7,356,456
Unearned Revenue	887,064	505,992
Long Term Liabilities – Current Portion	11,680,000	11,605,000
Total Current Liabilities	\$ 45,188,700	\$ 44,873,801
Noncurrent Liabilities:		
Liability for Compensated Absences	\$ 7,140,578	\$ 7,210,059
Pension Liability	46,473,866	26,418,822
Perkins Loan Program – Federal Capital Contribution	8,365,923	8,898,835
Long Term Liabilities, Net	215,959,172	188,967,431
Total Noncurrent Liabilities	\$ 277,939,539	\$ 231,495,147
Total Liabilities	\$ 323,128,239	\$ 276,368,948
<b>Deferred Inflows of Resources:</b>		
Pension Contributions	\$ 5,825,411	\$ 6,759,333
Total Liabilities and Deferred Inflows of Resources	\$ 328,953,650	\$ 283,128,281
<b>Net Position:</b>		
Net Investment in Capital Assets	\$ 452,598,279	\$ 452,275,434
Restricted for:		
Nonexpendable Scholarships	906,730	908,931
Expendable:		
Debt Service	-	2,362,261
Loans	2,571,716	2,485,679
Construction	22,158,027	10,706,650
External Grants	3,961,688	3,775,566
Unrestricted	242,665,894	240,843,355
Total Net Position	\$ 724,862,334	\$ 713,357,876
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,053,815,984	\$ 996,486,157

See accompanying Notes to Financial Statements

## Ball State University Foundation

### Combined and Consolidated Statements of Financial Position

As of June 30, 2016 and 2015

	2016	2015
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,825,081	\$ 2,223,881
Certificates of deposit	261,332	633,355
Contributions receivable, net	10,437,320	11,859,256
Investments	193,257,425	203,663,336
Investments held in split-interest agreements	1,821,156	2,460,829
Beneficial interest in remainder trusts	1,069,534	1,108,856
Other assets	711,661	643,960
Cash surrender value of life insurance	1,765,847	1,766,912
Property and equipment	9,818,314	8,918,468
Beneficial interest in perpetual trusts	2,377,444	2,521,399
Total assets	\$ 224,345,114	\$ 235,800,252
<b>Liabilities:</b>		
Accounts payable	\$ 10,102,859	\$ 4,770,886
Accrued expenses	705,330	203,401
Line of credit	2,000,000	1,000,000
Notes payable	340,000	340,000
Term notes payable	12,300,000	13,300,000
Annuity obligations	2,133,484	2,163,366
Trust obligations	570,303	653,160
Total liabilities	28,151,976	22,430,813
<b>Net Assets:</b>		
Unrestricted	(9,089,090)	1,512,927
Temporarily restricted	130,697,089	138,216,925
Permanently restricted	74,585,139	72,084,287
Total net assets	196,193,138	211,814,139
Total liabilities and net assets	\$ 224,345,114	\$ 234,244,952

See Note A in Notes to Financial Statements

## Ball State University

### Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015

	2016	2015
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 232,846,880	\$ 227,094,099
Scholarship Allowances	(68,154,632)	(64,402,799)
Net Student Tuition and Fees	\$ 164,692,248	\$ 162,691,300
Federal Grants and Contracts	5,561,193	5,561,137
State & Local Grants and Contracts	2,584,002	1,622,278
Non-Governmental Grants and Contracts	3,972,010	4,345,768
Sales and Services of Educational Departments	9,094,559	10,509,521
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2016 - \$10,226,374; 2015 - \$9,793,970)	55,934,465	55,414,926
Other	11,535,834	9,244,856
Other Operating Revenues	11,628,170	12,806,433
Total Operating Revenues	\$ 265,002,481	\$ 262,196,219
<b>Operating Expenses:</b>		
Personnel Services	\$ 237,570,267	\$ 231,215,375
Benefits	89,808,828	76,308,128
Utilities	11,968,177	12,791,665
Repairs and Maintenance	19,432,632	17,187,467
Other Supplies and Expenses	81,160,280	83,362,786
Student Aid	15,417,584	15,884,773
Depreciation	26,488,249	28,346,751
Total Operating Expenses	\$ 481,846,017	\$ 465,096,945
Operating Income/(Loss)	\$ (216,843,536)	\$ (202,900,726)
<b>Non-Operating Revenues/(Expenses):</b>		
Federal and State Scholarship and Grants	\$ 49,905,136	\$ 48,015,068
State Appropriations	144,084,123	143,352,066
Investment Income	3,403,502	2,834,541
Interest on Capital Asset Related Debt	(8,118,784)	(8,718,647)
Private Gifts	8,255,215	6,715,720
State Pension Contributions	15,717,760	7,249,126
Other Non-Operating Income	7,110,039	5,050,101
Net Non-Operating Revenues/(Expenses)	\$ 220,356,991	\$ 204,497,975
Income Before Other Revenues, Expenses, Gains or Losses	\$ 3,513,455	\$ 1,597,249
Capital Appropriations	3,603,291	13,780,490
Capital Gifts	4,387,712	1,010,323
Increase in Net Position	\$ 11,504,458	\$ 16,388,062
Net Position – Beginning of Year	713,357,876	726,004,187
Change in Accounting Policy	-	(29,034,373)
Net Position – End of Year	\$ 724,862,334	\$ 713,357,876

See accompanying Notes to Financial Statements

## Ball State University Foundation

## Combined and Consolidated Statements of Activities

Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains and Other Support</b>								
Contributions	\$ 1,374,038	\$ 11,192,284	\$ 2,195,434	\$ 14,761,756	\$ 1,881,775	\$ 9,907,271	\$ 600,739	\$ 12,389,785
Promotional activities and other revenue	373,760	-	-	373,760	280,364	-	-	280,364
Investment income, net of fees	(7,430,588)	(1,966,319)	238,006	(9,158,901)	(1,794,241)	8,249,966	216,992	6,672,717
Change in value of split-interest agreements	(48,331)	(45,864)	(129,762)	(223,957)	(20,785)	(132,976)	356,379	202,618
Rental and other income	769,578	-	-	769,578	817,644	-	-	817,644
Operating support fees	<u>1,626,804</u>	<u>(1,604,624)</u>	<u>(22,180)</u>	<u>-</u>	<u>1,567,998</u>	<u>(1,553,179)</u>	<u>(14,819)</u>	<u>-</u>
	(3,334,739)	7,575,477	2,281,498	6,522,236	2,732,755	16,471,082	1,159,291	20,363,128
Net assets released from restrictions	<u>14,575,959</u>	<u>(14,795,313)</u>	<u>219,354</u>	<u>-</u>	<u>7,777,752</u>	<u>(7,533,944)</u>	<u>(243,808)</u>	<u>-</u>
Total revenues, gains and other support	<u>11,241,220</u>	<u>(7,219,836)</u>	<u>2,500,852</u>	<u>6,522,236</u>	<u>10,510,507</u>	<u>8,937,138</u>	<u>915,483</u>	<u>20,363,128</u>
<b>Expenses</b>								
University programs	15,079,175	-	-	15,079,175	11,779,596	-	-	11,779,596
Management and general	4,664,533	-	-	4,664,533	2,586,200	-	-	2,586,200
Fund raising	<u>3,954,829</u>	<u>-</u>	<u>-</u>	<u>3,954,829</u>	<u>3,731,169</u>	<u>-</u>	<u>-</u>	<u>3,731,169</u>
Total expenses	<u>23,698,537</u>	<u>-</u>	<u>-</u>	<u>23,698,537</u>	<u>18,096,965</u>	<u>-</u>	<u>-</u>	<u>18,096,965</u>
<b>Change in Net Assets</b>	(12,457,317)	(7,219,836)	2,500,852	(17,176,301)	(7,586,458)	8,937,138	915,483	2,266,163
<b>Net Assets, Beginning of Year</b>	<u>3,368,227</u>	<u>137,916,925</u>	<u>72,084,287</u>	<u>213,369,439</u>	<u>10,954,685</u>	<u>128,979,787</u>	<u>71,168,804</u>	<u>211,103,276</u>
<b>Net Assets, End of Year</b>	<u>\$ (9,089,090)</u>	<u>\$ 130,697,089</u>	<u>\$ 74,585,139</u>	<u>\$ 196,193,138</u>	<u>\$ 3,368,227</u>	<u>\$ 137,916,925</u>	<u>\$ 72,084,287</u>	<u>\$ 213,369,439</u>

See Note A in Notes to Financial Statements

## Ball State University

### Statement of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
<b>Source / (Uses) of Cash:</b>		
<b>Operating Activities:</b>		
Tuition and Fees	\$ 165,202,159	\$ 162,817,975
Grants and Contracts	3,537,766	12,128,904
Payments to Suppliers	(80,811,702)	(94,395,770)
Payments for Maintenance and Repair	(19,432,632)	(17,187,467)
Payments for Utilities	(11,968,177)	(12,791,665)
Payments for Personnel Services	(237,436,462)	(231,274,876)
Payments for Benefits	(91,507,786)	(80,064,652)
Payments for Scholarships and Fellowships	(14,980,396)	(16,339,617)
Auxiliary Enterprise Charges:		
Room and Board	55,459,438	55,334,855
Other	11,535,834	9,244,856
Sales and Services of Educational Activities	9,100,423	10,679,712
Other Receipts/Disbursements/Advances	14,061,627	22,915,019
Net Cash Provided/(Used) by Operating Activities	\$ (197,239,908)	\$ (178,932,726)
<b>Non-Capital Financing Activities:</b>		
Federal and State Scholarships and Grants	\$ 49,905,136	\$ 48,015,068
State Appropriations	146,596,782	152,696,404
William D. Ford Direct Lending Receipts	122,363,697	121,579,718
William D. Ford Direct Lending Disbursements	(122,616,497)	(121,013,730)
Private Gifts	8,255,215	6,715,720
State Pension Contributions	15,717,760	7,249,126
Foundation Receipts	518,364	2,067,031
Foundation Disbursements	(518,364)	(2,067,031)
Other Non-Operating Revenue	7,110,039	5,050,101
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ 227,332,132	\$ 220,292,407
<b>Capital Financing Activities:</b>		
Proceeds from Capital Debt	\$ 60,687,295	\$ -
Capital Appropriations	3,603,291	13,780,490
Capital Gifts	4,387,712	1,010,321
Purchases of Capital Assets	(47,046,373)	(44,459,905)
Principal Paid on Capital Debt	(33,165,000)	(17,865,000)
Interest Paid on Capital Debt	(7,760,339)	(9,616,085)
Deposits with Trustee	(433,444)	2,088,636
Net Cash Provided/(Used) by Capital Financing Activities	\$ (19,726,858)	\$ (55,061,543)
<b>Investing Activity:</b>		
Proceeds from Sales and Maturities of Investments	\$ 101,815,981	\$ 143,011,563
Interest on Investments	2,493,682	2,215,661
Purchase of Investments	(107,910,547)	(149,686,253)
Net Cash Provided/(Used) by Investing Activities	\$ (3,600,884)	\$ (4,459,029)
Net Increase/(Decrease) in Cash	\$ 6,764,482	\$ (18,160,891)
Cash – Beginning of the Year	104,459,019	122,619,910
Cash – End of the Year	\$ 111,223,501	\$ 104,459,019

## Ball State University

### Statement of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
<b>Reconciliation of Net Operating Revenues/(Expenses) to</b>		
<b>Net Cash Provided/(Used) by Operating Activities:</b>		
Operating Income/(Loss)	\$ (216,843,536)	\$ (202,900,726)
Adjustments to Reconcile Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities:		
Depreciation Expense	26,488,249	28,346,751
Equipment Retired	170,575	2,057,616
Changes in Assets and Liabilities:		
Operating Receivables, Net	(4,532,720)	(2,080,230)
Inventories	(259,797)	9,141
Other Assets	(2,642,044)	(1,105,503)
Accounts Payable	(64,440)	130,508
Unearned Revenue	381,072	(32,600)
Deposits Held for Others	(1,423,646)	(222,716)
Compensated Absences	(69,481)	(147,303)
Pension Liability	20,055,044	(2,615,551)
Deferred Outflows	(17,472,510)	(7,589,809)
Deferred Inflows	(933,922)	6,759,333
Long Term Accounts and Notes Receivable	(92,752)	458,363
Net Cash Provided/(Used) by Operating Activities	\$ (197,239,908)	\$ (178,932,726)

*See accompanying Notes to Financial Statements*

## Ball State University Foundation

### Combined and Consolidated Statements of Cash Flows Years Ended June 30, 2016 and 2015

	2016	2015
<b>Operating Activities</b>		
Change in net assets	\$ (17,176,301)	\$ 2,266,163
Items not requiring(providing) cash:		
Depreciation and amortization	293,789	246,221
Bad debts	447,523	251,020
Net realized and unrealized (gains) on investments	7,725,803	(6,979,088)
Gain on sale of property and equipment	(1,814)	(298,028)
Change in value of trusts	183,277	124,126
Contributions of marketable equity securities	(688,230)	(675,644)
Contributions restricted for long-term investment	(2,195,434)	(600,739)
Net change in value of split-interest agreements	526,934	(323,884)
Changes In		
Contributions receivable, including amortization of discount on pledges receivable	974,413	333,137
Other assets	(67,701)	(177,446)
Accounts payable and accrued expenses	5,833,902	(2,443,813)
Net cash used in operating activities	(4,143,839)	(8,277,975)
<b>Investing Activities</b>		
Purchase of property and equipment	(3,130,786)	(966,969)
Proceeds from property and equipment and sale of real estate	1,938,965	2,108,882
Purchase of investments and certificates of deposit	(20,501,774)	(33,838,903)
Sales and maturities of investments and certificates of deposit	24,242,135	42,166,309
Net (increase) decrease in cash surrender value of life insurance	1,065	(86,175)
Net cash provided by investing activities	2,549,605	9,383,144
<b>Financing Activities</b>		
Borrowings under line of credit agreement	6,850,000	3,200,000
Payments under line of credit agreement	(5,850,000)	(3,400,000)
Proceeds from term notes payable	-	10,000,000
Reduction of term notes payable	(1,000,000)	(11,000,000)
Proceeds from contributions restricted for investment in permanent endowment	2,195,434	600,739
Net cash used in financing activities	2,195,434	(599,261)
<b>Net Increase in Cash</b>	601,200	505,908
<b>Cash and Cash Equivalents, Beginning of the Year</b>	2,223,881	1,717,973
<b>Cash and Cash Equivalents, End of Year</b>	\$ 2,825,081	\$ 2,223,881
Interest Paid	\$ 316,215	\$ 186,280

See Note A in Notes to Financial Statements

# Ball State University

## Notes to Financial Statements

### June 30, 2016

#### Note A – Significant Accounting Policies

##### Reporting Entity

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

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

##### Financial Statements

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

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

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

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

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

During fiscal year 2014-2015, the University adopted *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 required governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 was a clarification to *GASB Statement No. 68* requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhanced accountability and transparency through revised note disclosures and

required supplementary information (RSI) for material items. In accordance with the statement, the University reported a \$29.0 million change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014.

## Operating Revenues/Expenses

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

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

## Student Tuition and Fees

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

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

## Cash and Investments

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

## Accounts Receivable and Notes Receivable

Accounts Receivable and Notes Receivable are both reported net of a calculated reserve for uncollectible items. The reserves as of June 30, 2016, and June 30, 2015, were \$6,604,671 and \$5,812,926 respectively for accounts receivable. For notes receivable, the reserves were \$2,478,230 and \$2,372,230 for the same dates.

## Inventories

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

## Capital Assets

Capital assets consist of land and land improvements, infrastructure, buildings and building improvements, construction in progress, and equipment and are recorded at cost or, for contributed assets, at fair value at the date of acquisition. Additionally, in accordance with *GASB Statement No. 51*, intangible assets costing in excess of \$100,000 and having a life greater than one year are capitalized. All land and building acquisitions are capitalized. Capital assets also include land improvements and infrastructure costing in excess of \$100,000. Building improvements are capitalized if the project cost is more than \$100,000 or 20.0 percent of the building's replacement value and either extends the useful life of the building, changes the use or purpose

of the original building, or expands the total square footage of the building. The University capitalizes equipment with a cost of \$5,000 or more and a useful life in excess of one year. Construction costs that cross fiscal years are capitalized as Construction in Progress, but are not depreciated until the assets are placed in service. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year the expense was incurred.

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

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

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

## Component Unit

### Related Entities

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as required by *GASB Statement No. 14, The Financial Reporting Entity*. As additionally required by *GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units*, organizations that raise and hold economic resources for the direct benefit of the University are included in the reporting entity. The reporting entity is further clarified by the addition of *GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. A financial benefit or burden relationship must now also exist between the primary government and the component unit before it becomes part of the reporting entity. Based on these criteria, the financial report includes the University and our related entity, Ball State University Foundation which is discretely presented. Other related entities may meet the requirements for a blended presentation, but are not included in these financial statements as they are not material and their omission does not significantly impact the Ball State University financial statements. The University evaluates potential component units for inclusion in the reporting entity based on all of the afore mentioned criteria on an annual basis.

### Discrete Component Unit

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

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

Effective July 1, 2015, the Foundation was reorganized to include all Advancement functions, including development, alumni association, and advancement services. All non-payroll financial activity for these departments is reported by the Foundation in their June 30, 2016, financial statements. Payroll and benefit expenses remain as expenses on the University's statements.

The reorganization resulted in the Foundation combining the financial statements of the Ball State University Alumni Association, Inc. (Alumni Association) in their financial statements. The 2015 financial statements were re-stated by the Foundation to reflect the combination of the Alumni Association.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including *FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the BSUF's financial information in the University's annual report for these differences.

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

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

BSUF has a \$15,000,000 unsecured revolving line of credit with a group of banks expiring in June 2017. At June 30, 2016 and 2015, there was \$2,000,000 and \$1,000,000, respectively, borrowed against this line. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus 2.00%. There is a minimum interest rate of 3.25%, which was the interest rate in effect at June 30, 2016 and 2015.

BSUF also has a term loan facility that is due December 30, 2018. The line is unsecured, with a fixed interest rate of 3.30%. There was \$2,300,000 and \$3,300,000 borrowed against this facility at June 30, 2016 and 2015, respectively. Repayments are \$250,000 quarterly and extending through December 2018, when the remaining balance outstanding is due.

On May 13, 2015, BSUF entered into a \$10,000,000 term credit agreement with a bank that is due on March 31, 2022. The agreement is unsecured with an interest rate of 1.22% over 30 day LIBOR, which was 1.68% and 1.40% at June 30, 2016 and 2015, respectively. Interest only payments are due quarterly until March 31, 2020. Commencing on June 30, 2020, a principal payment of \$125,000 each quarter will also be due. On March 31, 2022, the remaining unpaid principal balance on the note, along with the accrued interest, will be due and payable. The proceeds of this note were used to retire the \$10,000,000 of variable rate demand notes that were outstanding since their issuance in 2001.

All of these agreements contain covenants, which include maintaining minimum net assets of \$100,000,000. Additionally, the term credit agreement requires BSUF to have liquid assets to funded long-term debt ratio of 2.50 to 1.0, as measured at the end of each fiscal year. As of June 30, 2016 and 2015, BSUF was in compliance with the financial covenants.

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

## Service Concession Agreements

The University has entered into agreements with various vendors. Some of these arrangements are considered to be Service Concession Agreements as Ball State University is the transferor and each of these entities is recognized as an operator under *GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Agreements*. However, none of the agreements have resulted in significant deferred inflows or outflows of resources that would require further disclosure as of June 30, 2016.

## New Accounting Pronouncements: Adoption of New Standard

The GASB issued *GASB Statement No. 72, Fair Value Measurement and Application Overview*, which requires governments to provide additional disclosures related to the methodology of deriving fair value for certain investments held primarily for income or profit. The intent of the additional disclosures is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The additional fair value disclosures help to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. In accordance with the statement, the University

has included the additional note disclosures along with other necessary disclosures pertaining to investments together in Note G of this financial report.

## Note B – Compensated Absences

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

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

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

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

ARRA funding concluded in fiscal year 2014-2015. The Accounts Receivable, Net and Unbilled Costs from the Statement of Net Position, includes \$0.00 of ARRA receivables at June 30, 2016, and there were no ARRA funds received in fiscal year 2015-2016.

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

	2016	2015
<b>Operating Revenues:</b>		
Federal Grants and Contracts	\$ -	\$ 63,899
Total ARRA Operating Revenues and Receivables	\$ -	\$ 63,899
<b>Non-Operating Revenues/(Expenses):</b>		
Federal and State Scholarship and Grants	\$ -	\$ -
State Appropriations	-	-
Other Non-Operating Income	-	-
Total ARRA Non-Operating Revenues	\$ -	\$ -
Capital Appropriations	\$ -	\$ -
Total ARRA Funding	\$ -	\$ 63,899

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

## Note D – Capital Assets

	<b>Book Value July 1, 2015</b>	Additions	Deductions	CIP Transfers	<b>Book Value June 30, 2016</b>
Land and Inexhaustible Improvements	\$ 17,914,243	\$ 931,644	\$ -	\$ -	\$ 18,845,887
Exhaustible Land Improvements	43,359,754	192,307	35,670	35,670	43,552,061
Infrastructure	91,847,059	2,900,532	-	1,763,475	96,511,066
Educational Buildings	350,010,767	2,981,018	-	537,208	353,528,993
Utility Buildings	41,983,953	413,627	-	208,360	42,605,940
Educational Equipment	52,606,225	3,470,424	2,827,087	-	53,249,562
Auxiliary Enterprise Buildings	376,437,188	5,142,016	-	2,393,991	383,973,195
Auxiliary Enterprise Equipment	13,749,404	2,805,160	218,796	-	16,335,768
Construction in Process (CIP)	7,444,680	27,983,849	-	(4,938,704)	30,489,825
Other Property	1,909,745	225,795	-	-	2,135,540
Software	18,196,922	-	-	-	18,196,922
Total	<u>\$ 1,015,459,940</u>	<u>\$ 47,046,372</u>	<u>\$ 3,081,553</u>	<u>\$ -</u>	<u>\$ 1,059,424,759</u>
Less Accumulated Depreciation:					
Exhaustible Land Improvements	\$ 21,685,275	\$ 1,472,691	\$ -	-	\$ 23,157,966
Infrastructure	19,262,763	3,212,835	-	-	22,475,598
Educational Buildings	150,388,618	7,096,271	-	-	157,484,889
Utility Buildings	10,525,195	850,295	-	-	11,375,490
Educational Equipment	40,387,538	3,228,141	2,763,810	-	40,851,869
Auxiliary Enterprise Buildings	111,000,163	7,717,102	-	-	118,717,265
Auxiliary Enterprise Equipment	10,888,055	925,249	139,134	-	11,674,170
Other Property	224,644	42,773	-	-	267,417
Software	6,826,958	1,942,892	8,034	-	8,761,816
Total	<u>\$ 371,189,209</u>	<u>\$ 26,488,249</u>	<u>\$ 2,910,978</u>	<u>\$ -</u>	<u>\$ 394,766,480</u>
Capital Assets, Net	<u>\$ 644,270,731</u>	<u>\$ 20,558,123</u>	<u>\$ 170,575</u>	<u>\$ -</u>	<u>\$ 664,658,279</u>

	<b>Book Value July 1, 2014</b>	Additions	Deductions	CIP Transfers	<b>Book Value June 30, 2015</b>
Land and Inexhaustible Improvements	\$ 15,818,531	\$ 2,095,712	\$ -	\$ -	\$ 17,914,243
Exhaustible Land Improvements	40,936,825	2,125,432	-	297,497	43,359,754
Infrastructure	76,944,315	6,641,568	-	8,261,176	91,847,059
Educational Buildings	336,735,962	8,790,712	66,008	4,550,101	350,010,767
Utility Buildings	23,979,832	4,064,113	-	13,940,008	41,983,953
Educational Equipment	49,976,371	5,687,044	3,057,190	-	52,606,225
Auxiliary Enterprise Buildings	350,397,002	8,240,435	10,092,673	27,892,424	376,437,188
Auxiliary Enterprise Equipment	13,212,271	675,657	138,524	-	13,749,404
Construction in Process (CIP)	56,944,180	5,614,390	-	(55,113,890)	7,444,680
Other Property	1,701,957	374,062	166,274	-	1,909,745
Software	18,046,142	150,780	-	-	18,196,922
Total	<u>\$ 984,693,388</u>	<u>\$ 44,459,905</u>	<u>\$ 13,520,669</u>	<u>\$ (172,684)</u>	<u>\$ 1,015,459,940</u>
Less Accumulated Depreciation:					
Exhaustible Land Improvements	\$ 20,222,834	\$ 1,462,441	\$ -	-	\$ 21,685,275
Infrastructure	16,160,492	3,102,271	-	-	19,262,763
Educational Buildings	143,375,156	7,018,742	5,280	-	150,388,618
Utility Buildings	9,687,340	837,855	-	-	10,525,195
Educational Equipment	40,044,288	3,390,484	3,047,234	-	40,387,538
Auxiliary Enterprise Buildings	110,204,521	9,232,245	8,436,603	-	111,000,163
Auxiliary Enterprise Equipment	9,993,619	1,021,102	126,666	-	10,888,055
Other Property	206,340	38,258	19,954	-	224,644
Software	4,583,605	2,243,353	-	-	6,826,958
Total	<u>\$ 354,478,195</u>	<u>\$ 28,346,751</u>	<u>\$ 11,635,737</u>	<u>\$ -</u>	<u>\$ 371,189,209</u>
Capital Assets, Net	<u>\$ 630,215,193</u>	<u>\$ 16,113,154</u>	<u>\$ 1,884,932</u>	<u>\$ -</u>	<u>\$ 644,270,731</u>

## Note E – Bonds Payable

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

	Long Term Liabilities			
	June 30, 2016		June 30, 2015	
	Current Portion	Noncurrent Portion	Current Portion	Noncurrent Portion
Outstanding Bonds Payable	\$ 11,680,000	\$ 200,380,000	\$ 11,605,000	\$ 180,390,000
Unamortized Premiums on Bonds	1,120,862	15,579,172	665,308	8,577,431
Unamortized Deferred Costs	-	-	-	-
Total	\$ 12,800,862	\$ 215,959,172	\$ 12,270,308	\$ 188,967,431

Housing and Dining System Revenue Bonds, Series 2006, in the amount of \$35,425,000 were dated and issued on January 19, 2006. Proceeds from the bonds were used to partially fund construction of Park Residence Hall and the expansion and renovation of Woodworth Dining Hall. The outstanding portion of the Series 2006 bonds were refunded on January 27, 2016, with the issue of the Housing and Dining System Revenue Bonds, Series 2016.

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

Housing and Dining System Revenue Bonds, Series 2016, in the amount of \$53,230,000 were dated and issued on January 27, 2016. Proceeds from the bonds were used to partially fund the renovation and expansion of Schmidt/Wilson Residence Halls in Johnson Complex and to refund the outstanding Housing and Dining System Revenue Bonds, Series 2006.

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

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

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

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

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

Long term bonds outstanding at June 30, 2016, were:

	Date of Issue	Original Issue	Retired 2015-2016	Outstanding June 30, 2016	Outstanding June 30, 2015
<b>Revenue Bonds:</b>					
Housing and Dining System Revenue Bonds of 2006:					
Current Interest Bonds, 3.50% to 5.00%	01/19/06	35,425,000	23,210,000	-	23,210,000
Housing and Dining System Revenue Bonds of 2013:					
Current Interest Bonds, 3.00% to 5.00%	10/08/13	21,940,000	1,060,000	19,350,000	20,410,000
Term Bonds, 4.00% to 5.00%	10/08/13	11,220,000	-	11,220,000	11,220,000
Housing and Dining System Revenue Bonds of 2016:					
Current Interest Bonds, 2.00% to 5.00%	01/27/16	48,075,000	-	48,075,000	-
Term Bonds, 5.00%	01/27/16	5,155,000	-	5,155,000	-
<b>Student Fee Bonds:</b>					
Student Fee Bonds, Series L:					
Current Interest Bonds, 3.00% to 5.50%	07/21/04	16,425,000	1,115,000	6,605,000	7,720,000
Student Fee Bonds, Series N:					
Current Interest Bonds, 3.50% to 5.00%	01/30/08	63,615,000	3,790,000	41,390,000	45,180,000
Student Fee Bonds, Series O:					
Current Interest Bonds, 3.00% to 5.25%	03/12/09	20,980,000	1,150,000	14,695,000	15,845,000
Term Bonds, 5.00%	03/12/09	8,195,000	-	8,195,000	8,195,000
Student Fee Bonds, Series P:					
Current Interest, 3.00% to 5.25%	03/15/11	32,225,000	1,190,000	26,350,000	27,540,000
Student Fee Bonds, Series Q:					
Current Interest, 2.00% to 5.00%	10/21/13	35,840,000	1,650,000	31,025,000	32,675,000
Total Bonds		\$ 299,095,000	\$ 33,165,000	\$ 212,060,000	\$ 191,995,000

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

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

	Principal	Interest and Capital Appreciation	Total
2017	\$ 11,680,000	\$ 9,771,042	\$ 21,451,042
2018	12,605,000	9,398,376	22,003,376
2019	13,235,000	8,758,926	21,993,926
2020	13,885,000	8,100,657	21,985,657
2021	14,595,000	7,410,194	22,005,194
2022-2026	72,495,000	26,445,856	98,940,856
2027-2031	51,395,000	10,858,287	62,253,287
2032-2036	22,170,000	2,122,013	24,292,013
Total	\$ 212,060,000	\$ 82,865,351	\$ 294,925,351

## Note F – Operating Leases

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. The total rental expense under these agreements was \$482,488 for the year ended June 30, 2016.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2016, are as follows:

	Future Lease Payments
2017	\$ 518,545
2018	356,117
2019	352,959
2020	77,280
2021	-
Total	\$ 1,304,901

## Note G – Investments

Investments held in the name of the University at June 30, 2016, and 2015, consisted of the following:

	2016 Market	2015 Market
U.S. Government Agency Securities	\$ 130,682,686	\$ 127,502,479
Certificate of Deposits	56,693,293	42,533,438
Demand Deposit Accounts	107,487,152	110,150,641
Total Investments	\$ 294,863,131	\$ 280,186,558

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

- Treasury Securities of the United States Government.
- Obligations of agencies of the United States Government. At June 30, 2016, and 2015, the University held Agency Securities totaling \$130.7 million comprised of the following:

	2016 Market	2015 Market
Federal Home Loan Bank	\$ 43,525,060	\$ 26,657,424
Federal National Mortgage Association	36,217,269	40,339,120
Federal Farm Credit Bank	21,747,397	45,214,185
Federal Home Loan Mortgage Corporation	16,001,510	5,378,850
Federal Agricultural Mortgage Corporation	8,245,600	5,058,600
Financing Corporation	4,945,850	4,854,300
Total Agency Securities	\$ 130,682,686	\$ 127,502,479

- Negotiable certificates of deposit insured by the FDIC up to \$250,000 and certificates of deposit with banks participating in the Public Deposit Insurance Fund (PDIF) for deposits over \$250,000. The University held the certificates of deposit totaling \$56.7 million at June 30, 2016, and \$42.5 million at June 30, 2015:

	2016 Market	2015 Market
First Financial Bank	\$ 31,500,000	\$ 35,500,000
Fifth Third Bank	13,500,000	1,500,000
Various Negotiable Certificate of Deposits	6,693,293	5,533,438
Mutual Bank	5,000,000	-
Total Certificate of Deposit Accounts	<u>\$ 56,693,293</u>	<u>\$ 42,533,438</u>

- Repurchase agreements collateralized at 105.0 percent of the par value with United States Treasury and Agency securities.
- Commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Money market mutual funds comprised of US Treasury and Agency securities and commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Interest-bearing deposit accounts at banks participating in the public deposit insurance fund for deposits over \$250,000. The University held the total demand deposits totaling \$107.5 million at June 30, 2016, and \$110.2 million at June 30, 2015:

	2016 Market	2015 Market
Mutual Bank	\$ 40,183,951	\$ 40,000,000
Regions Bank	24,000,714	-
First Merchants Bank, N.A.	22,268,019	13,640,435
PNC Bank	10,688,940	35,000,000
J.P. Morgan Chase	7,076,334	10,206
The Huntington National Bank	2,111,748	5,500,000
First Financial Bank	657,260	2,500,000
Fifth Third Bank	500,186	13,500,000
Total Demand Deposit Accounts	<u>\$ 107,487,152</u>	<u>\$ 110,150,641</u>

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

In accordance with *GASB Statement No. 72, Fair Value Measurement and Application Overview*, the University has categorized its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All University investments measured at fair value are valued by a pricing service which uses matrix pricing.

The University has the following recurring fair value measurements as of June 30, 2016 and 2015:

Investments Measured at Fair Value

	6/30/2016	2016	
		Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value			
Marketable Securities:			
U.S. Government Agencies	\$ 130,682,686	\$ -	\$ 130,682,686
Negotiable Certificate of Deposits	6,693,293	-	6,693,293
Total Marketable Securities	<u>\$ 137,375,979</u>	<u>\$ -</u>	<u>\$ 137,375,979</u>
Non-Marketable Investments:			
Certificate of Deposits	\$ 50,000,000	\$ -	\$ -
Demand Deposit Accounts	107,487,152	-	-
Total Non-Marketable Investments	<u>157,487,152</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value	<u>\$ 294,863,131</u>	<u>\$ -</u>	<u>\$ 137,375,979</u>

	6/30/2016	2015	
		Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value			
Marketable Securities:			
U.S. Government Agencies	\$ 127,502,479	\$ -	\$ 127,502,479
Negotiable Certificate of Deposits	5,533,438	-	5,533,438
Total Marketable Securities	<u>\$ 133,035,917</u>	<u>\$ -</u>	<u>\$ 133,035,917</u>
Non-Marketable Investments:			
Certificate of Deposits	\$ 37,000,000	\$ -	\$ -
Demand Deposit Accounts	110,150,641	-	-
Total Non-Marketable Investments	<u>147,150,641</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value	<u>\$ 280,186,558</u>	<u>\$ -</u>	<u>\$ 133,035,917</u>

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

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

## Disclosures Related to Interest Rate Risk

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

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

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

## Distribution of Investments

The following tables show the distribution of the University's investments by maturity for years ended June 30, 2016 and 2015:

Investment by Type	2016				Total Market Value
	Less than Three Months	Short-Term Inv Greater than or Equal to Three Months and Less than or Equal to One Year	Long-Term Inv Greater than One Year and Less than or Equal to Five Years		
Demand Deposit Accounts	\$ 107,487,152	\$ -	\$ -		\$ 107,487,152
Certificate of Deposits	10,000,000	7,671,644	39,021,649		56,693,293
U.S. Government Agency Securities	-	12,207,720	118,474,966		130,682,686
Total Investments	<u>\$ 117,487,152</u>	<u>\$ 19,879,364</u>	<u>\$ 157,496,615</u>		<u>\$ 294,863,131</u>

Investment by Type	2015				Total Market Value
	Less than Three Months	Short-Term Inv Greater than or Equal to Three Months and Less than or Equal to One Year	Long-Term Inv Greater than One Year and Less than or Equal to Five Years		
Demand Deposit Accounts	\$ 110,150,641	\$ -	\$ -		\$ 110,150,641
Certificate of Deposits	-	18,121,399	24,412,039		42,533,438
U.S. Government Agency Securities	-	1,517,670	125,984,809		127,502,479
Total Investments	<u>\$ 110,150,641</u>	<u>\$ 19,639,069</u>	<u>\$ 150,396,848</u>		<u>\$ 280,186,558</u>

## Note H – Pension Plans and Other Post-Employment Benefits

### Public Employees' Retirement Fund

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

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

**Benefits Provided.** PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan. As an instrumentality of the State of Indiana, Ball State University is allowed to participate in this plan. All full-time staff and service personnel are eligible to participate in the defined benefit plan. The benefit

formula for PERF is Lifetime Annual Benefit = (Years of Creditable Service x Average Highest 20 quarters of Salary x .011) + Annuity Savings Account. Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis.

#### Eligibility for Pension Benefit Payment

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

**Contributions.** The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the investment earnings credited to the member's account. The University has elected to make the contributions on behalf of the member. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-1.1. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the year 2015, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For the fiscal year ended June 30, 2015, there were 1,416 employees participating in PERF with an annual pay equal to \$49,414,500. In addition, there were 1,453 employees with an annual pay of \$50,958,452 participating in PERF for fiscal year ended June 30, 2016. The University's contribution to the PERF account for the years ended June 30, 2016 and 2015, were \$7,206,871 and \$6,986,996, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

### Teachers' Retirement Fund 1996 Account

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

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

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

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

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

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

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

service. Generally, the average annual compensation in this calculation is the average of the highest five years of annual compensation in a covered position.

Monthly pension benefits for members in pay status may be increased as COLA. Such increases are not guaranteed by statute and have historically been provided on an “ad hoc” basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2015.

**Contributions.** For the fiscal year ended June 30, 2015, there were 310 employees participating in TRF with annual pay equal to \$16,192,570.91. The University recorded 383 employees participating in the TRF 1996 Account with annual pay equal to \$18,353,483 for fiscal year ended June 30, 2016. The University contributes at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.5 percent of covered payroll. The annuity savings account consists of the member’s contributions, set by state statute at three percent of compensation, plus the interest credited to the member’s account. The University has elected to make the contributions on behalf of the member. The University’s contributions to both Teachers’ Retirement Plans combined, including those made to the annuities on behalf of the members, for the fiscal year ended June 30, 2014, was \$2,436,635. The University’s contribution to the Teachers’ Retirement Fund 1996 account for the years ended June 30, 2016 and 2015, were \$1,922,027 and \$1,697,009, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

### **Teachers’ Retirement Fund Pre-1996 Account**

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

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

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

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

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

Monthly pension benefits for members in pay status may be increased as COLA. Such increases are not guaranteed by statute and have historically been provided on an “ad hoc” basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2015.#

**Contributions.** The State of Indiana makes contributions as the sole non-employer contributing entity. State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three (3) percent year-over-year increase is being provided through State appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as part of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5. As a non-employer contributing entity, the State of Indiana contributed \$845.6 million in fiscal year 2015 to TRF Pre-1996. As part of the \$845.6 million contribution, the State pre-funded a one-time check (a.k.a. 13th check) of \$20.4 million in accordance with 2014 HEA 1074 (which went into the Pension Stabilization Fund).

TRF Pre-1996 Account members contribute three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to ten percent of their compensation into their annuity savings accounts. The University has elected to make three percent contributions on behalf of their participating employees. Prior to June 30, 2015, the University reported both Teachers' Retirement Funds as one fund. Due to the requirements of *GASB Statement No. 68* and *GASB Statement No. 71*, they will be reported separately starting June 30, 2015, and going forward. For the fiscal year ended June 30, 2015, the University showed 43 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to \$3,335,080. The University's contributions to the Teachers' Retirement Fund Pre-1996 for fiscal year ended June 30, 2015, was \$322,934. For the fiscal year ended June 30, 2016, the University shows 39 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to \$3,275,322. The University made contributions of \$323,002 which included payments for the annuity on behalf of the members.

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

At June 30, 2016, the University reported a liability of \$46,473,866 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans.

At June 30, 2015, the University's proportionate percentage, deferred outflows of resources, deferred inflows of resources, net pension liability, and pension expense for each plan is shown in the following table:

	PERF	TRF-1996	TRF Pre-1996	Aggregate
Proportionate Share	0.0106374	0.0059797	-	
Net Pension Liability/(Asset)	43,325,088	3,148,778	-	46,473,866
Deferred Outflow of Resources	14,715,817	3,058,616	-	17,774,433
Deferred Inflow of Resources	4,298,431	1,526,980	-	5,825,411
Pension Expense/(Income)	7,572,757	1,219,447	15,717,760	24,509,964

For the financial reporting year ended June 30, 2016, the University recognized an expense of \$24,509,964. For the TRF Pre-1996 plan, The University's proportionate share (amount) of the collective net pension liability for TRF Pre-1996 was zero. The portion of the non-employer contributing entity's (the State) total proportionate share (amount) of the collective net pension liability that was associated with the University was an amount equal to 100.0 percent of the net pension liability. The total of the University's proportionate share (amount) of the collective net pension liability, and the portion of the State's total proportionate share of the collective net pension liability associated with the University, reflects all of the net pension liability. The net pension liability associated with the University at June 30, 2015, was \$115,339,633. The total net pension liability for the TRF Pre-1996 Account at June 30, 2015, was \$11,917,836,859. Since the TRF Pre-1996 Account was a special funding situation, the University was not required to report the net pension liability in the financial statements as the University was not legally responsible for the net pension liability and contributions to the pension plan. The University was required to show the pension expense paid by the State that was associated with its proportionate share totaling \$15,717,760 for June 30, 2016. An increase for the same amount was recorded as a State grant to recognize the contribution by the State that was made on behalf of the University.

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Average Remaining Service Life for 2015:	PERF 4.5 Years		TRF 1996 13 Years		TRF Pre-1996
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences Between Expected and Actual Experience	\$ 1,859,715	\$ 89,600	\$ 2,551	\$ 226,863	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	7,305,150	4,074,562	1,323,043	916,888	-
Change of Assumptions	3,662,426	-	1,465,831	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,888,526	134,269	267,191	383,229	-
Contributions Subsequent to the Measurement Date	5,684,293	-	1,372,877	-	230,716
Total	\$ 20,400,110	\$ 4,298,431	\$ 4,431,493	\$ 1,526,980	\$ 230,716

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

Amortization of Net Deferred Outflows/(Inflows) of Resources - Debit/(Credit)	PERF	TRF 1996
2016	\$ 3,471,287	\$ 113,380
2017	3,471,287	113,380
2018	1,648,524	113,380
2019	1,826,288	419,010
2020	-	88,249
Thereafter	-	684,237
Total	\$ 10,417,386	\$ 1,531,636

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

Description	PERF	TRF Pre-1996 Account	TRF 1996 Account
Valuation Date:	June 30, 2015		
Assets	June 30, 2014 - Members census data as of June 30, 2014, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2014, and June 30, 2015. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2014, to June 30, 2015.		
Liabilities			
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)		
Actuarial Assumptions:			
Experience Study Date	Period of 4 Years Ended June 30, 2014	Period of 3 Years Ended June 30, 2014	
Investment Rate of Return	6.75%, Net of Investment Expense, Including Inflation		
Cost of Living Increases (COLA) or "Ad Hoc" COLA	1.0%	1.0%	
Future Salary Increases, Including Inflation	2.50% - 4.25%	2.5% - 12.5%	
Inflation	2.25%		
Mortality	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2016	

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	Target Asset Allocation	Geometric Basis
		Long-Term Expected Real Rate of Return
Public Equity	22.5%	5.3%
Private Equity	10.0%	5.6%
Fixed Income - Ex Inflation-Linked	22.0%	2.1%
Fixed Income - Inflation-Linked	10.0%	0.7%
Commodities	8.0%	2.0%
Real Estate	7.5%	3.0%
Absolute Return	10.0%	3.9%
Risk Parity	10.0%	5.0%

**Discount Rate.** Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from the members would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

**Sensitivity of the University's Proportionate Share of the Net Pension Liability.** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability

would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent), or one percentage point higher (7.75 percent) than the current rate:

Discount Rate Sensitivity - Liability / (Asset)					
Pre-Funded Defined Benefit					
PERF			TRF 1996		
1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
\$ 63,908,217	\$ 43,325,088	\$ 26,237,331	\$ 8,419,418	\$ 3,148,778	\$ (1,030,302)

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

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

## Required Supplementary Information and Other Supplementary Schedules

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

## Pension Plans - General Plan Information – Defined Contribution Plan

### Alternate Pension

Faculty and professional personnel of the University have the option, in accordance with IC 21-38-3-3 and IC 21-38-7-3, to participate in a defined contribution plan administered by Fidelity Investments Institutional Services Company, Inc., Voya Financial (formally ING Financial Advisors), Lincoln Financial Group, and Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) which are the same companies used for the TRF supplementary retirement contribution. Benefit provisions are established and/or amended by the University's Board of Trustees. These plans have no assets held in trust as the plan purchases individual annuity contracts for members and provides for immediate vesting. Any forfeiture is applied to reduce plan contributions. The University contributes 12.27 percent of each participating employee's base salary. For employees hired on or after October 1, 2010, the University contributes five percent of each employee's base salary for the first three years and 10.5 percent for each year thereafter. The table below shows the amounts contributed for our participating members:

	2016	2015	2014
Contributions	\$ 12,755,862	\$ 12,640,748	\$ 11,992,431
Number of Participating Members	1,720	1,799	1,546
Related Payroll	\$ 122,759,453	\$ 119,577,455	\$ 111,348,662

## Other Post-Employment Benefits

(Restated for Fiscal Year June 30, 2015)

In addition to providing pension benefits, the University, as authorized by the University's Board of Trustees, provides certain health care and life insurance benefits for retired employees. Substantially all of the University's regular employees may become eligible for those benefits if they retire from the University after accruing the required years of service (15 years at age 62; 15 years at age 50 for those hired before July 1, 2009; ten years at age 60 for those hired before September 1, 1999). As of June 30, 2015, approximately 2,007 (1,957 at June 30, 2014) participants were eligible and were receiving one or both of these benefits.

### Plan Description

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

### Funding Policy

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

### Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of *GASB Statement No 45*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation (asset) to the plan:

	2015	2014
Annual Required Contribution	\$ 7,346,354	\$ 9,015,032
Interest on Net OPEB Obligation	(732,994)	(681,032)
Adjustment to Annual Required Contribution	617,158	557,498
Annual OPEB Cost	\$ 7,230,518	\$ 8,891,498
Contributions Made	(9,216,039)	(9,584,320)
Increase (Decrease) in Net OPEB Obligation	\$ (1,985,521)	\$ (692,822)
Net OPEB Obligation (Asset), Beginning of Year	(9,773,243)	(9,080,421)
Net OPEB Obligation (Asset), End of Year	\$ (11,758,764)	\$ (9,773,243)

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

	Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
Health Insurance	6/30/2013	\$ 7,426,483	107.7%	\$ (8,275,837)
	6/30/2014	8,435,393	102.6%	(8,492,491)
	6/30/2015	6,896,136	119.0%	(9,805,524)
Life Insurance	6/30/2013	\$ 580,584	195.5%	\$ (804,585)
	6/30/2014	456,105	204.4%	(1,280,754)
	6/30/2015	334,382	301.1%	(1,953,242)

## Funded Status and Funding Progress

Valu- ation Date	Actuarial		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	Value of Assets	Accrued Liability (AAL)				
Health 7/1/15	\$ 226,660,904	\$ 259,673,454	\$ 33,012,550	87.3%	\$ 175,587,314	18.8%
Life 7/1/15	23,817,938	21,548,055	(2,269,883)	110.5%	\$ 175,587,314	-1.3%
Total	\$ 250,478,842	\$ 281,221,509	\$ 30,742,667	89.1%	\$ 175,587,314	17.5%
Health 7/1/14	\$ 218,357,824	\$ 216,334,018	\$ (2,023,806)	100.9%	\$ 167,849,364	-1.2%
Life 7/1/14	23,459,055	22,236,379	(1,222,676)	105.5%	\$ 167,849,364	-0.7%
Total	\$ 241,816,879	\$ 238,570,397	\$ (3,246,482)	101.4%	\$ 167,849,364	-1.9%

As of June 30, 2015, (while using the July 1, 2015, actuarial valuation report and the 30 year liability projections contained within), the health insurance plan was 87.3 percent funded. This is lower than the 89.4 percent from the previous July 1, 2013, actuarial report and reflects a change in actuarial cost method from Projected Unit Credit cost method in the 2013 valuation to the Entry Age Normal method in the current valuation which is also an acceptable cost method under *GASB Statement No. 43*, and *GASB Statement No. 45*. The actuarial accrued liability for benefits was \$259,673,454, and the actuarial value of assets was \$226,660,904, resulting in an unfunded actuarial accrued liability (UAAL) of \$33,012,550. The covered payroll (annual payroll of active employees covered by the plan) was \$175,587,314, and the ratio of UAAL to covered payroll was 18.8 percent. As of the same date, the life insurance plan was 110.5 percent funded. The actuarial accrued liability for benefits was \$21,548,055, and the actuarial value of assets was \$23,817,938, resulting in a surplus of funding equivalent to \$2,269,883. The covered payroll (annual payroll of active employees covered by the plan) was \$175,587,314, and the ratio of the UAAL to covered payroll was -1.3 percent which indicates the OPEB 115 Trust is over 100.0 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 as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical

pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are consistent with the long-term perspective of the calculations.

In the July 1, 2015, Actuarial Valuation Report, the Entry Age Normal cost method was used. The change in cost method from the Projected Unit Credit cost method was done in anticipation of a requirement contained in *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which is in effect for fiscal year ending June 30, 2017. As a result, the ARC, as calculated by the actuaries, is lower than was seen in previous valuations as this cost method shifts the payment responsibility into future periods thus increasing the Actuarial Accrued Liability (AAL). Another change that significantly impacted the July 1, 2015, actuarial study, and caused a lower funded percentage, was from the use of a new mortality table published in 2014. This study shows that both males and females are living longer and thus incurring health claims over a longer period of time that, in turn, drives up the liability projection.

Most other actuarial assumptions remained unchanged from the prior valuation including a 7.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and is appropriate as long as the University makes annual contributions (through a combination of benefits paid from general assets and contributions to the VEBA Trust) that are at least as large as the ARC. If the plans were "unfunded," the ARC would be calculated using a discount rate reflective of the University's internal rates of return, which would result in a significantly larger ARC. The actuarial assumptions for 2015 and 2013 also included an annual healthcare cost trend rate for medical and prescription drug to be 8.25 percent the first year and reduced to an ultimate four percent after ten years. The dental cost trend rate for both valuations is a static four percent over the duration of the projection. Administrative costs relating to the healthcare trends are included. A payroll growth rate of four percent is assumed throughout. The actuarial value of the plan assets is market value for the VEBA Trust (Retiree Healthcare). The OPEB 115 Trust (Retiree Life Insurance) calculates actuarial value of the plan assets as market value adjusted for the value of the IBNP (Incurred But Not Processed claims) at year end. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2015, was 22 years.

## **Fund Balances and Activity**

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

Market Value at July 1, 2014	\$ 218,409,567
Adjustment Due to Difference on Fund Manager Statement	<u>(51,743)</u>
Adjusted Market Value at July 1, 2014	218,357,824
Transfer from Ball State University	-
Reinvested Net Earnings (Loss)	8,706,502
Unrealized Gain (Loss)	<u>(403,422)</u>
Fund Balance at June 30, 2015	<u>\$ 226,660,904</u>

These funds cannot under any circumstances revert to the University.

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

Fund Balance at July 1, 2014	\$ 23,466,229
Adjustment Due to Difference on Fund Manager Statement	<u>(7,174)</u>
Adjusted Market Value at July 1, 2014	23,459,055
Transfer from Ball State University	-
Reinvested Net Earnings (Loss)	584,969
Unrealized Gain (Loss)	<u>(160,086)</u>
Fund Balance at June 30, 2015	<u>\$ 23,883,938</u>

These funds cannot under any circumstances revert to the University.

## **Note I – Included Entities**

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

## **Note J – Commitments and Contingent Liability**

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

The University has entered into loan guaranty agreements on one property as discussed below:

Sigma Chi Fraternity, Epsilon Omega chapter in Muncie Indiana – The loan agreement provided for the refinancing of an existing mortgage to gain more favorable terms and to obtain additional funds for renovation of the fraternity house. The University was guarantor of the loan that was issued for \$460,000. This loan was paid in full effective June 30, 2016.

Sigma Phi Epsilon Alumni Corporation – The loan agreement allowed for the construction of a new fraternity house for Sigma Phi Epsilon Fraternity, Indiana Gamma chapter in Muncie, Indiana. On June 18, 2009, the University guaranteed a term loan in the amount of \$1,040,000 and a term note in the amount of \$559,000. On January 2, 2014, the loan and note were consolidated with a reduction in the original interest rate at the request of the housing corporation and the consent of the University for a total consolidated loan of \$1,068,957.13. Current financial statements provided by the chapter show the housing corporation has the ability to service the debt and meet its other financial obligations.

The University has outstanding commitments for capital construction contracts of \$16,346,463 at June 30, 2016.

## **Note K – Risk Management**

The University is exposed to risks of loss related to:

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

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

Separate funds and accounts have been established to measure the results of the various combinations of risk retention and commercial insurance. Periodically (in some cases annually), after reviewing exposures with insurance consultants and actuaries, adjustments are made to reflect potential liabilities arising from risk retention. The University accounts for incurred, but not reported, health care claims by calculating an amount based on a review of applicable claims submitted after year end, as well as past experience.

This estimated liability at June 30, 2016, and June 30, 2015, was \$3.5 million and \$5.4 million, respectively, as determined by our actuarial consultants. Claims activity for each year was as follows:

June 30, 2016	
Unpaid Health Care Claims at July 1, 2015	\$ 5,383,747
Claims Incurred	38,353,599
Claims Paid	<u>40,216,068</u>
Unpaid Health Care Claims at June 30, 2016	<u>\$ 3,521,278</u>

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

## Note L – Functional Expenses

The University's operating expenses by functional classification were as follows for fiscal year ended June 30, 2016:

	Functional Classification						
	Personnel Services	Benefits	Scholarships	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	Total
Instruction	\$ 102,280,018	\$ 42,203,632	\$ 135,103	\$ 3,887	\$ 14,771,206	\$ -	\$ 159,393,846
Research	4,826,468	1,586,267	19,528	1,576	2,016,618	-	8,450,457
Public Service	6,234,746	2,334,206	5,000	35,146	4,853,795	-	13,462,893
Academic Support	25,441,432	11,814,282	17,794	9,105	9,840,346	-	47,122,959
Student Services	6,712,393	2,976,048	7,700	2,006	8,670,350	-	18,368,497
Other Sources	44,814,946	13,887,280	7,162,098	(764,053)	19,331,359	-	84,431,630
Oper & Maint of Physical Plant	13,695,871	8,148,743	-	11,753,258	6,702,111	-	40,299,983
Scholarships & Fellowships	1,839,859	1,115,238	143,598	-	185,264	-	3,283,959
Auxiliary Enterprises	31,724,534	5,743,132	7,926,763	927,252	34,221,863	-	80,543,544
Deductions	-	-	-	-	-	-	-
Bond & Plant Funds	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	26,488,249	26,488,249
Total Operating Expenses	<u>\$ 237,570,267</u>	<u>\$ 89,808,828</u>	<u>\$ 15,417,584</u>	<u>\$ 11,968,177</u>	<u>\$ 100,592,912</u>	<u>\$ 26,488,249</u>	<u>\$ 481,846,017</u>

# Ball State University

## Required Supplemental Information

### June 30, 2016

#### Other Post-Employment Benefits Retiree Health and Life Insurance Plans

		Actuarial					UAAAL as a % of Covered Payroll
	Valu- ation Date	Value of Assets	Acrued Liability (AAL)	Unfunded AAL (UAAAL)	Funded Ratio	Covered Payroll	
Health	7/1/15	\$ 226,660,904	\$ 259,673,454	\$ 33,012,550	87.3%	\$ 175,587,314	18.8%
Life	7/1/15	<u>23,817,938</u>	<u>21,548,055</u>	<u>(2,269,883)</u>	110.5%	\$ 175,587,314	-1.3%
Total		<u>\$ 250,478,842</u>	<u>\$ 281,221,509</u>	<u>\$ 30,742,667</u>	89.1%	\$ 175,587,314	17.5%
Health	7/1/13	\$ 181,841,263	\$ 203,498,679	\$ 21,657,416	89.4%	\$ 161,541,171	13.4%
Life	7/1/13	<u>21,672,127</u>	<u>21,579,195</u>	<u>(92,932)</u>	100.4%	\$ 161,541,171	-0.1%
Total		<u>\$ 203,513,390</u>	<u>\$ 225,077,874</u>	<u>\$ 21,564,484</u>	90.4%	\$ 161,541,171	13.3%
Health	7/1/11	\$ 156,645,643	\$ 181,683,897	\$ 25,038,254	86.2%	\$ 157,397,746	15.9%
Life	7/1/11	<u>21,487,762</u>	<u>22,261,030</u>	<u>773,268</u>	96.5%	\$ 157,397,746	0.5%
Total		<u>\$ 178,133,405</u>	<u>\$ 203,944,927</u>	<u>\$ 25,811,522</u>	87.3%	\$ 157,397,746	16.4%
Health	7/1/09	\$ 114,147,732	\$ 192,195,650	\$ 78,047,918	59.4%	\$ 151,120,585	51.6%
Life	7/1/09	<u>16,546,332</u>	<u>20,150,137</u>	<u>3,603,805</u>	82.1%	\$ 151,120,585	2.4%
Total		<u>\$ 130,694,064</u>	<u>\$ 212,345,787</u>	<u>\$ 81,651,723</u>	61.5%	\$ 151,120,585	54.0%
Health	7/1/07	\$ 148,827,822	\$ 171,887,451	\$ 23,059,629	86.6%	\$ 136,645,256	16.9 %
Life	7/1/07	<u>25,238,907</u>	<u>19,036,901</u>	<u>(6,202,006)</u>	132.6%	\$ 136,645,256	(4.5)%
Total		<u>\$ 174,066,729</u>	<u>\$ 190,924,352</u>	<u>\$ 16,857,623</u>	91.2%	\$ 136,645,256	12.3 %

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	0.0106374	0.0099214	0.0098422
Proportionate Share of the Net Pension Liability (Asset)	\$ 43,325,088	\$ 26,072,795	\$ 33,710,313
Covered-Employee Payroll	\$ 50,950,992	\$ 48,439,081	\$ 47,254,108
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	85.0%	53.8%	71.3%
Plan Fidiciary Net Position as a Percentage of the Total Pension Liability	77.3%	84.3%	78.8%

\*The ten year schedule will be built over time. Measurement date is June 30 for each year.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	0.0059797	0.0072770	0.0065355
Proportionate Share of the Net Pension Liability (Asset)	\$ 3,148,778	\$ 346,027	\$ 2,055,229
Covered-Employee Payroll	\$ 16,389,126	\$ 18,832,391	\$ 15,926,895
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	19.2%	1.8%	12.9%
Plan Fidiciary Net Position as a Percentage of the Total Pension Liability	91.08%	99.1%	93.4%

\*The ten year schedule will be built over time. Measurement date is June 30 for each year.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -
Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -
Portion of the Non-Employer Contributing Entities Total Proportionate Share (Amount) of the Collective NPL Associated with the University	100.00%	100.00%	100.00%
Covered-Employee Payroll	\$ 1,074,827,000	\$ 1,262,828,000	\$ 1,383,428,000
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30%	33.6%	31.7%

\*The ten year schedule will be built over time. Measurement date is June 30 for each year.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 5,504,427	\$ 5,409,794	\$ 4,554,942
Contributions in Relation to the Contractually Required Contribution	\$ 5,504,427	\$ 5,409,794	\$ 3,247,355
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 50,950,992	\$ 48,439,081	\$ 47,254,108
Contributions as a Percentage of Covered-Employee Payroll	10.80%	11.17%	6.87%

\*The ten year schedule will be built over time. Measurement date is June 30 for each year.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 1,304,966	\$ 1,321,375	\$ 1,194,517
Contributions in Relation to the Contractually Required Contribution	\$ 1,304,966	\$ 1,321,375	\$ 1,194,517
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 16,389,126	\$ 18,832,391	\$ 15,926,895
Contributions as a Percentage of Covered-Employee Payroll	7.96%	7.02%	7.50%

\*The ten year schedule will be built over time. Measurement date is June 30 for each year.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 230,667	\$ 441,356	\$ 443,976
Contributions in Relation to the Contractually Required Contribution	\$ 230,667	\$ 441,356	\$ 443,976
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 3,335,080	\$ 4,370,814	\$ 4,274,503
Contributions as a Percentage of Covered-Employee Payroll	6.92%	10.10%	10.39%

\*The ten year schedule will be built over time. Measurement date is June 30 for each year.

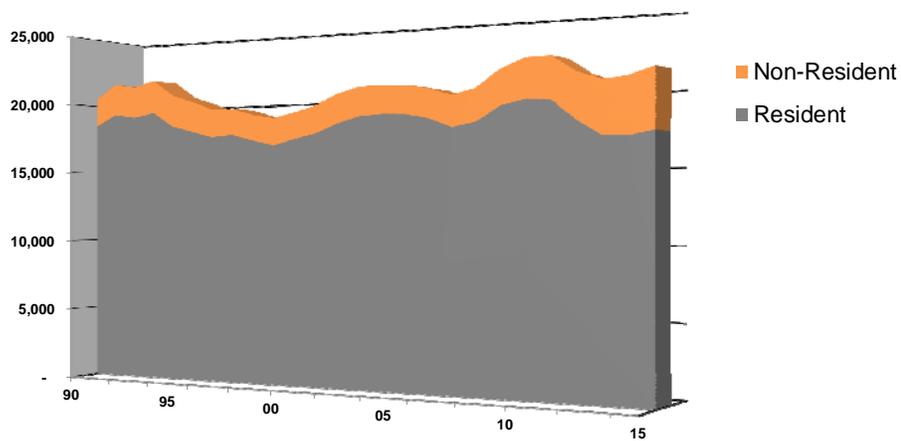
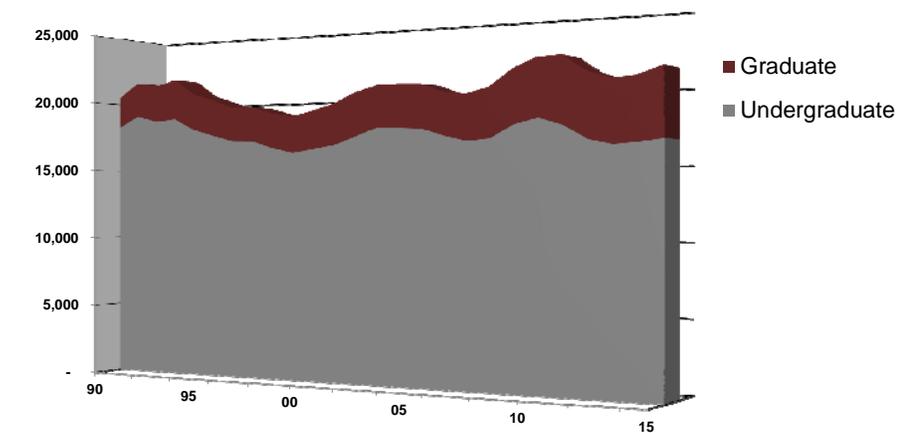
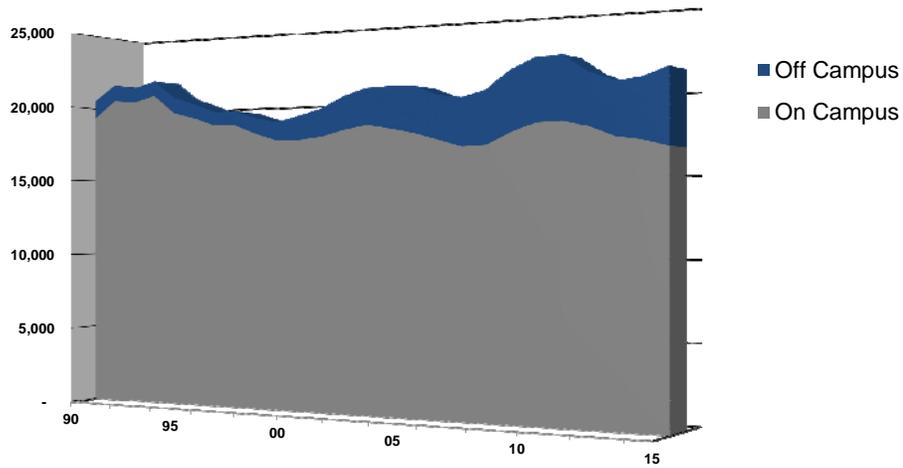
Closed plan - the contributions would need to be calculated and provided by the actuaries

# *Supplemental Information*

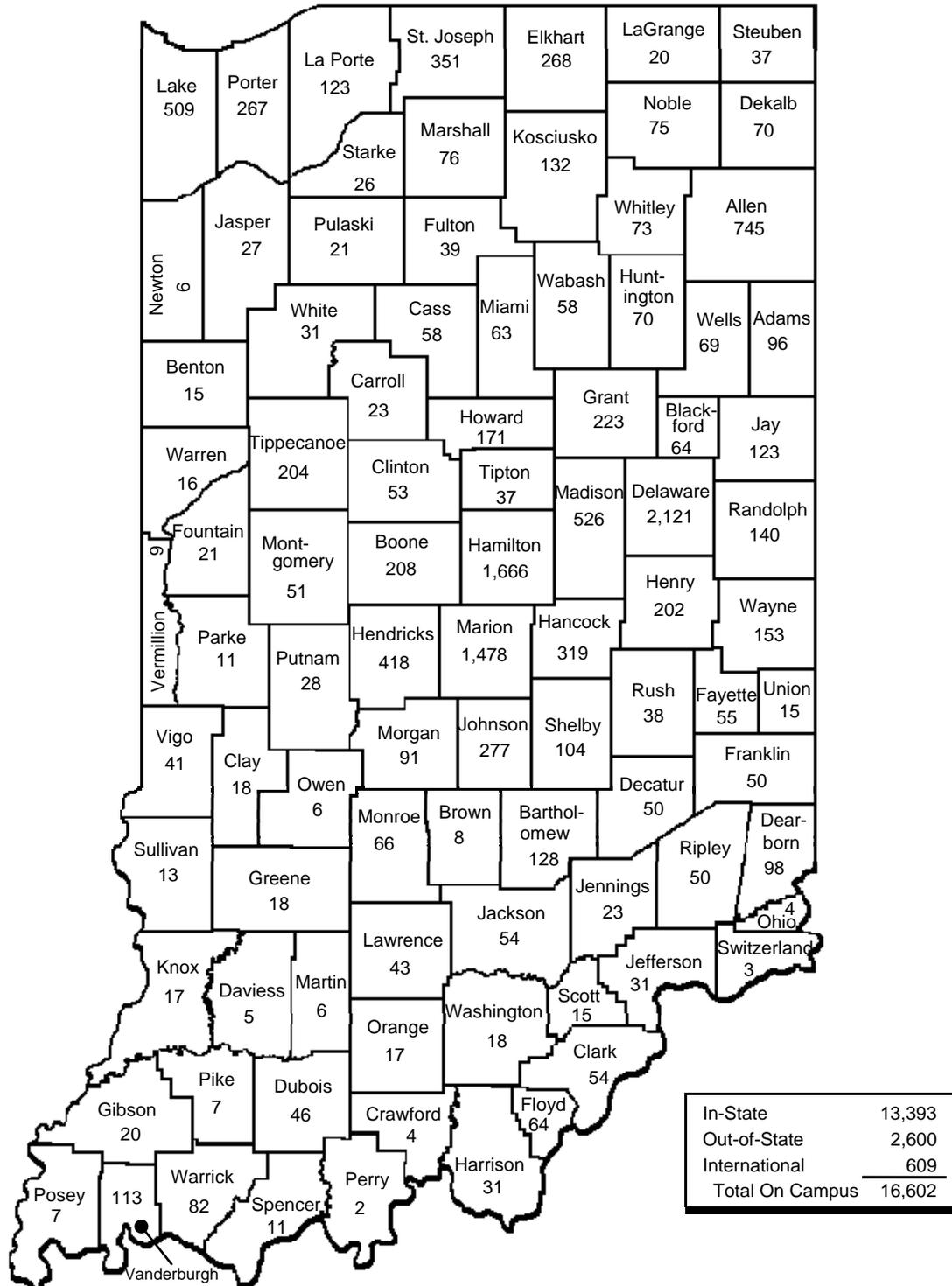


The following supplemental information has not been subjected to the auditing procedures applied to the basic financial statements and accordingly, the State Board of Accounts expresses no opinion thereon.

## Student Enrollment Fall Headcount 1990-2015

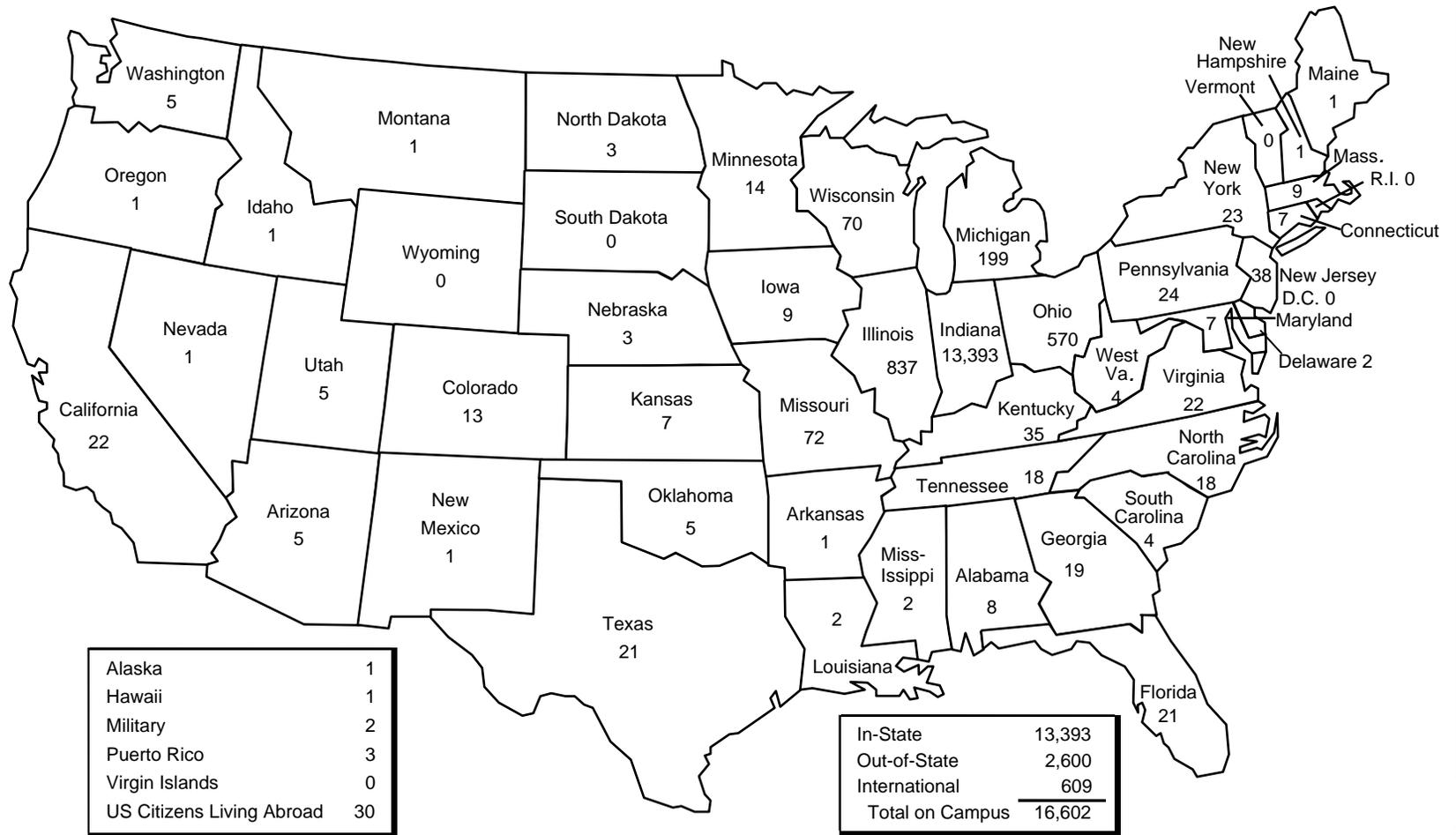


## Campus Enrollment by County Fall 2015



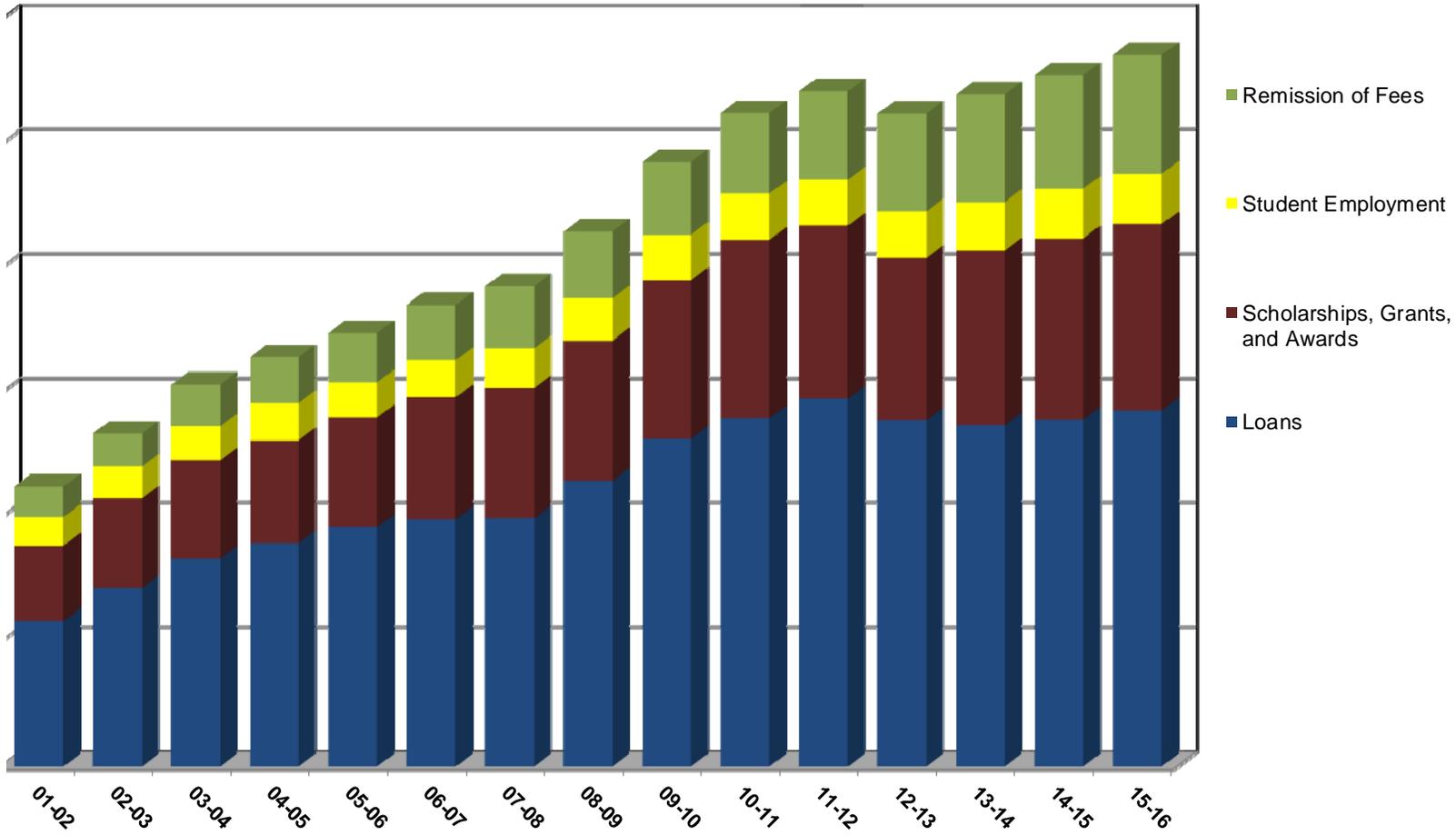
## Campus Enrollment by State

### Fall 2015



# Student Financial Assistance

2001-2002 through 2015-2016  
(in millions of dollars)



Ball State University  
**Schedule of Annual  
Requirements for Principal and Interest**

**Revenue Bonds—Housing and Dining**

Year Ended June 30, 2016

June 30	Principal	Interest	Total	Unliquidated Balance
2016				\$ 83,800,000
2017	\$ 3,280,000	\$ 3,795,028	\$ 7,075,028	80,520,000
2018	3,795,000	3,840,325	7,635,325	76,725,000
2019	3,995,000	3,645,575	7,640,575	72,730,000
2020	4,190,000	3,440,950	7,630,950	68,540,000
2021	4,410,000	3,225,950	7,635,950	64,130,000
2022	4,635,000	2,999,825	7,634,825	59,495,000
2023	4,865,000	2,762,325	7,627,325	54,630,000
2024	5,100,000	2,513,200	7,613,200	49,530,000
2025	5,365,000	2,251,575	7,616,575	44,165,000
2026	5,625,000	1,976,825	7,601,825	38,540,000
2027	3,515,000	1,748,325	5,263,325	35,025,000
2028	3,685,000	1,568,325	5,253,325	31,340,000
2029	3,870,000	1,379,450	5,249,450	27,470,000
2030	4,065,000	1,191,375	5,256,375	23,405,000
2031	4,250,000	1,004,500	5,254,500	19,155,000
2032	4,440,000	797,950	5,237,950	14,715,000
2033	4,665,000	570,325	5,235,325	10,050,000
2034	4,895,000	355,725	5,250,725	5,155,000
2035	2,515,000	194,875	2,709,875	2,640,000
2036	2,640,000	66,000	2,706,000	-
Total	\$ 83,800,000	\$ 39,328,428	\$ 123,128,428	

Ball State University  
**Schedule of Annual  
Requirements for Principal and Interest**

**Student Fee Bonds**  
Year Ended June 30, 2016

June 30	Principal	Interest	Total	Unliquidated Balance
2016				\$ 128,260,000
2017	\$ 8,400,000	\$ 5,976,014	\$ 14,376,014	119,860,000
2018	8,810,000	5,558,051	14,368,051	111,050,000
2019	9,240,000	5,113,351	14,353,351	101,810,000
2020	9,695,000	4,659,707	14,354,707	92,115,000
2021	10,185,000	4,184,244	14,369,244	81,930,000
2022	9,140,000	3,713,888	12,853,888	72,790,000
2023	9,590,000	3,255,163	12,845,163	63,200,000
2024	10,065,000	2,772,050	12,837,050	53,135,000
2025	8,840,000	2,316,169	11,156,169	44,295,000
2026	9,270,000	1,884,838	11,154,838	35,025,000
2027	8,180,000	1,465,450	9,645,450	26,845,000
2028	8,555,000	1,070,581	9,625,581	18,290,000
2029	5,580,000	739,600	6,319,600	12,710,000
2030	5,860,000	462,656	6,322,656	6,850,000
2031	3,835,000	228,025	4,063,025	3,015,000
2032	1,475,000	102,488	1,577,488	1,540,000
2033	1,540,000	34,650	1,574,650	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
Total	\$ 128,260,000	\$ 43,536,922	\$ 171,796,922	

Ball State University  
**Schedule of Annual  
Requirements for Principal and Interest**

**Total Revenue and Student Fee Bonds**

Year Ended June 30, 2016

June 30	Principal	Interest	Total	Unliquidated Balance
2016				\$ 212,060,000
2017	\$ 11,680,000	\$ 9,771,042	\$ 21,451,042	200,380,000
2018	12,605,000	9,398,376	22,003,376	187,775,000
2019	13,235,000	8,758,926	21,993,926	174,540,000
2020	13,885,000	8,100,657	21,985,657	160,655,000
2021	14,595,000	7,410,194	22,005,194	146,060,000
2022	13,775,000	6,713,712	20,488,712	132,285,000
2023	14,455,000	6,017,488	20,472,488	117,830,000
2024	15,165,000	5,285,250	20,450,250	102,665,000
2025	14,205,000	4,567,744	18,772,744	88,460,000
2026	14,895,000	3,861,662	18,756,662	73,565,000
2027	11,695,000	3,213,775	14,908,775	61,870,000
2028	12,240,000	2,638,906	14,878,906	49,630,000
2029	9,450,000	2,119,050	11,569,050	40,180,000
2030	9,925,000	1,654,031	11,579,031	30,255,000
2031	8,085,000	1,232,525	9,317,525	22,170,000
2032	5,915,000	900,438	6,815,438	16,255,000
2033	6,205,000	604,975	6,809,975	10,050,000
2034	4,895,000	355,725	5,250,725	5,155,000
2035	2,515,000	194,875	2,709,875	2,640,000
2036	2,640,000	66,000	2,706,000	-
Total	\$ 212,060,000	\$ 82,865,351	\$ 294,925,351	

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