

Financial Report

Year Ended June 30, 2017



Ball State University



FILED

12/07/2017

Front Cover: Beneficence or "Benny"

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To
The President and Board of Trustees
Ball State University

This financial report presents
the financial position of
Ball State University at June 30, 2017
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.....November 7, 2017

Report of the Treasurer

On behalf of the Board of Trustees of Ball State University, I am pleased to submit the *Annual Financial Report of Ball State University* for the year ended June 30, 2017. The audit opinion letter from the Indiana State Board of Accounts which shows an unmodified opinion appears on the following pages.

This Annual Financial Report includes the financial statements for the year ended June 30, 2017, as well as other useful information that helps ensure the University's accountability to the public. 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 fairly presents the University's financial position, revenues, expenses, and other changes in net position.

About Us

Ball State University came into existence from the philanthropic ideals and generosity of the five Ball Brothers nearly a century ago. Their contribution to the University which bears their name is also symbolized in the pillars and statue of Beneficence, our institutional icon. The University and the Muncie community have prospered from the giving nature of this family and many others. However, our growth from a Teacher's College to a multi-disciplinary University with many nationally recognized programs would not have been possible without the support from the State of Indiana for which we are deeply grateful.

The University and the City of Muncie are committed to work together toward common goals. Each recognizes that the accomplishments and challenges facing each of us will in fact impact the other. The City of Muncie is a community of 70,000 residents, many with ties to the University. Together, we take pride in the upcoming centennial anniversary of the University in 2018. The University has gone through many changes during these 100 years, but our core values remain unchanged.

Mission and Vision

"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

"Ball State aspires to be the model of the most student-centered and community-engaged of the 21st century public research universities, transforming entrepreneurial learners into impactful leaders—committed to improving the quality of life for all." — Ball State University Vision

Finance and Facilities – A look to the past, a plan for the future

In order to offer top-notch educational opportunities to our students from high quality faculty using state-of-the-art facilities and equipment that will best position them for their future careers, we must strategically envision the needs of all our current programs as well as the future areas of growth. For almost a century, the stewards of Ball State University have made prudent and measured decisions to keep the University growing in a steady and stable pace. We operate in a lean and responsible manner and continue to be good stewards of the resources entrusted to us by families and taxpayers.

As regulation, technology and the needs of education change, so must our facilities and infrastructure. The University has been very fortunate to largely keep pace with the demands of repair and maintenance on our buildings in order to keep them in good shape. However, inevitably there are building renovations or replacements that are necessary. When renovations or new buildings are designed, it is done so with sustainability measures in mind. The University is committed to reducing its energy consumption, waste production and carbon footprint.

As evidenced by the information contained in this document, the University is in a strong financial position for the next century. Our budget is structurally balanced; our debt load is manageable; and we have a strong bond rating. We have positive financial ratios, bolstered by substantial unrestricted net assets. Most importantly, a Ball State education is highly valued as evidenced by near all-time highs in applications and in enrollment.

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 and diverse University community, and by providing a distinctive impact on the economic and social well-being of our community, the State of Indiana and, indeed, the world.

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 require 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 is committed to the principles of nondiscrimination and equal opportunity in education and employment. Further, the University is committed to the pursuit of excellence by prohibiting discrimination and being inclusive of individuals without regard to race, religion, color, sex (including pregnancy), sexual orientation, gender identity or gender expression, disability, genetic information, ethnicity, national origin or ancestry, age, or protected veteran status. This commitment enables the University to provide qualified individuals access to all academic and employment programs on the basis of demonstrated ability without regard to personal factors that are irrelevant to the program or job requirements involved.

The University assigns a high priority to the implementation of this equal opportunity policy and, through its affirmative action program, seeks to expand its efforts to guarantee equality of opportunity in employment. Affirmative action is taken to attract and recruit diversity, including underrepresented minority groups, females, protected veterans or individuals with disabled veteran status, and otherwise qualified persons with disabilities. Ball State will hire, transfer, recruit, train, promote, assign work, compensate, layoff and/or terminate based upon the tenets of this policy.

The University President affirms the commitment to equal opportunity and accepts responsibility for the implementation of the affirmative action program along with the vice presidents, deans, directors and heads of units. All persons involved in the decision-making process, including members of faculty and other employee committees, shall act in a nondiscriminatory manner. The Director of Employee Relations and Affirmative Action has been specifically designated to be responsible for overall compliance with all federal and state laws and regulations regarding nondiscrimination and for implementation and coordination of the University's affirmative action program. Information concerning the University's affirmative action program can be obtained from the Director of Employee Relations and Affirmative Action, Ball State University, Muncie, IN 47306.

To ensure equal employment opportunity and nondiscrimination, each member of the Ball State University community must understand the importance of this policy and his/her responsibilities to contribute to its success. This policy seeks to encourage the reporting of incidents so they may be addressed. Employees and applicants shall not be subjected to harassment, intimidation, threats, coercion, discrimination, or retaliation because they have engaged or may engage in any of the following: 1) filing a complaint; 2) assisting or participating in an investigation, compliance review, hearing, or any other activity related to the administration of any federal, state, or local law requiring equal employment opportunity; 3) opposing an act or practice deemed unlawful by a federal, state, or local law requiring equal employment opportunity; or 4) exercising any right according to this policy and/or any other lawfully protected right.

Complaints regarding unlawful discrimination or retaliation should be filed within 45 calendar days following the alleged act or incident giving rise to the complaint with the Director of Institutional Equity and Internal Investigations 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 Director of Institutional Equity and Internal Investigations. Any individual or group found to have violated this policy will be subject to disciplinary or remedial action, up to and including termination of employment or expulsion from the University.

The University maintains an audit and reporting system to determine overall compliance with its equal employment opportunity and affirmative action mandates. As a part of this system, the President will review the University's equal opportunity and affirmative action policy and program at least once each year, measure progress against the objectives stated in the affirmative action program, and report findings and conclusions to the Board of Trustees.

Revised by the Board of Trustees July 17, 2015

Ball State University Board of Trustees and President

2016-2017

Thomas C. Bracken, Muncie, IN

E. Renae Conley, Chicago, IL

R. Wayne Estopinal, Jeffersonville, IN

Brian Gallagher, Chevy Chase, MD
(appointed January 1, 2017)

Marianne Glick, Indianapolis, IN
(resigned July 7, 2016)

Richard J. Hall, Carmel, IN

Jean Ann Harcourt, Milroy, IN
(appointed July 8, 2016)

Frank Hancock, Indianapolis, IN
(resigned October 28, 2016)

Hollis E. Hughes Jr., South Bend, IN
(completed term December 31, 2016)

Mike McDaniel, Indianapolis, IN
(appointed November 29, 2016)

Matthew Momper, Fort Wayne, IN

Marlene Jacocks, Fishers IN
(appointed July 1, 2017)

Dustin Meeks, Fishers, IN
(completed term June 30, 2017)

Officers

Richard J. Hall	Chair
E. Renae Conley.....	Vice Chair
Thomas C. Bracken	Secretary
Matthew Momper	Assistant Secretary
Bernard M. Hannon	Treasurer

University President (interim ended May 14, 2017 – retired June 9, 2017)
Terry S. King

University President (began May 15, 2017)
Geoffrey S. Mearns

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ball State University Foundation (Foundation), a component unit of the University as discussed in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, 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. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2017 and 2016, 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 Insurance Plans, Schedule of Ball State University's Proportionate Share of the Net Pension Liability Public Employees' Retirement Fund (PERF), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' Retirement Fund 1996 Account (TRF 1996), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996), Schedule of University Contributions Public Employees' Retirement Fund (PERF), Schedule of University Contributions Teachers' Retirement Fund 1996 Account (TRF 1996), and Schedule of University Contributions Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

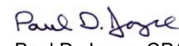
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The To the President and Board of Trustees, Report of the Treasurer, General Information, Board of Trustees and President of Ball State University, and Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The To the President and Board of Trustees, Report of the Treasurer, General Information, Board of Trustees and President of Ball State University, and Supplemental Information 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 November 7, 2017, 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, 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 the University's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

November 7, 2017

Ball State University Management's Discussion and Analysis June 30, 2017

The University

Ball State University, located in Muncie, Indiana was founded in 1918 as the Indiana State Normal School, Eastern Division. The Ball brothers, a prominent Muncie industrial family, had acquired the land and buildings of a private normal school and donated the property to the State of Indiana. In 1929, the Indiana General Assembly separated the Muncie campus from Indiana State Normal School, naming the Muncie campus Ball State Teachers College. In 1965, the General Assembly renamed the institution Ball State University, in recognition of its significant growth in enrollment and physical facilities, the variety and quality of its educational programs and services, and in anticipation of the much broader role it would be expected to assume in the future. The University is governed by a nine-member Board of Trustees, which includes a full-time student and two members nominated by the Ball State University Alumni Association. All members of the Board are appointed by the Governor of Indiana to four-year terms, except for the student member, who is appointed to a two-year term.

Ball State University's 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 2016 totaled 18,771 full-time equivalent students from a total headcount of 21,998. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 16,369 full-time equivalent students from a total headcount of 16,808. The University attracts students from a variety of backgrounds and geographical locations. As of fall 2016, approximately 82 percent of the University's students are characterized as Indiana residents; however, all 50 states and the District of Columbia and 69 foreign nations are represented in the student body. The University provides on-campus housing in residence halls and apartments for approximately 7,500 students. As of the beginning of the 2016-2017 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 3,131 full-time and 387 part-time personnel. The campus facilities include approximately 125 buildings totaling over seven million gross square feet on over 1,000 acres.

Using this Report

This section of Ball State University's (University) annual report presents management's discussion and analysis of the financial performance of the University for the year ended June 30, 2017, with selected comparative information for the two fiscal years ended June 30, 2016, and 2015. The financial statements, note disclosures and this discussion are the responsibility of University management. This information is presented to assist the reader in understanding the University's financial position and operating activities.

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 principles from the Governmental Accounting Standards Board (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.
- Net pension liability and related deferred inflows and outflows of defined benefit pension plans administered by the Indiana Public Retirement System (INPRS) are included in the University's financial statements beginning with the fiscal year ended June 30, 2015. Prior to this date, the information was presented in the Notes to Financial Statements.

This financial report also includes the financial statements and significant notes to the financial statements for the Ball State University Foundation. The Ball State University Foundation is a legally 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 \$2.4 million compared to the fiscal year 2015-2016, primarily due to a \$2.8 million increase in net position restricted for external grants. The issue of student fee bonds to finance the new Health Professions Building accounted for an offsetting decrease in investment in capital assets, net of accumulated depreciation and related debt, an increase in net position restricted for construction, and a decrease in unrestricted net position due to the premium on the bonds. A more detailed discussion of the change in net position can be found later in this report. For fiscal year 2015-2016, the total net position of the University increased by \$11.5 million as compared to 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 now completed renovation of Schmidt/Wilson Residence Hall.

The current ratio for the University, which is calculated by dividing current assets by current liabilities, increased from 4.01 to 1 at June 30, 2016, to 4.87 to 1 at June 30, 2017. The June 30, 2015, ratio was 4.11 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, 2017, the University's viability ratio was 1.24 to 1, compared to 1.28 to 1 at June 30, 2016, which was down slightly from the June 30, 2015, viability ratio of 1.36 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.



Studebaker Hall West

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, 2017, 2016, and 2015		
		2017	2016	2015
Assets:				
Current Assets		\$ 242,597,539	\$ 197,933,498	\$ 186,001,562
Noncurrent Assets:				
Capital Assets, Net of Depreciation		667,350,402	664,658,279	644,270,731
Other		172,495,176	166,161,888	158,624,055
Deferred Outflows of Resources		26,628,804	25,062,319	7,589,809
Total Assets and Deferred Outflows of Resources		\$ 1,109,071,921	\$ 1,053,815,984	\$ 996,486,157
Liabilities:				
Current Liabilities		\$ 49,774,724	\$ 49,411,657	\$ 49,078,031
Noncurrent Liabilities		327,311,261	273,716,582	227,290,917
Deferred Inflows of Resources		4,681,084	5,825,411	6,759,333
Total Liabilities and Deferred Inflows of Resources		\$ 381,767,069	\$ 328,953,650	\$ 283,128,281
Net Position:				
Net Investment in Capital Assets		\$ 416,710,402	\$ 452,598,279	\$ 452,275,434
Restricted		77,536,738	29,598,161	20,239,087
Unrestricted		233,057,712	242,665,894	240,843,355
Total Net Position		\$ 727,304,852	\$ 724,862,334	\$ 713,357,876
Total Liabilities, Deferred Inflows of Resources and Net Position		\$ 1,109,071,921	\$ 1,053,815,984	\$ 996,486,157

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 \$44.7 million, or 22.6 percent, from the previous year, primarily due to a net increase in cash and cash equivalents and short term investments of \$43.4 million. The net increase can be attributed primarily to market forces favoring shorter duration assets and the issuance of new bonds in fiscal year 2016-2017. Deposit with bond trustee increased by \$3.5 million, also a result of the issuance of new bonds. The remaining current asset line items showed minimal variance to the prior fiscal year.

In fiscal year 2015-2016, current assets increased \$11.9 million, or 6.4 percent, from the previous year primarily due to an increase in cash and cash equivalents of \$6.2 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.

Noncurrent assets primarily consist of investments and capital assets, net of depreciation. Noncurrent assets at June 30, 2017, showed a \$9.0 million, or 1.1 percent, increase over the previous year. The increase included a \$5.7 million increase in investments and a \$2.7 million increase in capital assets, net of depreciation. Noncurrent assets at June 30, 2016, showed a \$27.9 million, or 3.5 percent, increase over the previous year, primarily due to a \$20.4 million increase in capital assets, net of depreciation. Investments also increased by \$7.3 million over the previous year.

The Capital Assets section of the Management's Discussion and Analysis provides greater detail of the projects and renovations addressed during the fiscal years ended June 30, 2017, and 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 Statement No. 68, Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27; and GASB Statement No. 71, Pension Transition for Contributions Made subsequent to the Measurement Date an amendment of GASB Statement No. 68*. 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, 2017, was a \$1.6 million, or 6.25 percent, increase, while changes and differences to deferred inflows was a \$1.1 million, or 19.6 percent, decrease. Changes and differences to deferred outflows at June 30, 2016, was much higher at \$17.5 million, related primarily to annual activity for pensions during fiscal year 2015-2016. The measurement date of the defined benefit pension plans that are administered by INPRS is June 30, 2016, for the 2016-2017 financial report, and June 30, 2015, for the 2015-2016 financial report.



Students walking in front of David Letterman Communication and Media Building

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 2016-2017, the University's current liabilities increased by \$0.4 million, or 0.7 percent. The net increase was primarily due to a decrease in accounts payable of \$3.0 million and an increase in the current portion of bonds payable of \$2.9 million. For fiscal year 2015-2016, the University's current liabilities increased minimally by \$0.3 million, or 0.7 percent.

Noncurrent liabilities are predominantly comprised of bonds payable, pension liability, liability for compensated absences, and the Perkins loan program. Total noncurrent liabilities increased by \$53.6 million, or 19.6 percent, in fiscal year 2016-2017. Pension liability, recorded in accordance with *GASB Statements 68 and 71*, increased by \$6.7 million. Bonds payable (long

term liabilities, net) increased \$46.9 million over the previous fiscal year due to the issuance of new student fee bonds for the construction of the new Health Professions Building and the refunding of older student fee bonds at a lower rate.

In fiscal year 2015-2016, total noncurrent liabilities increased by \$46.4 million, or 20.4 percent. The effect of the GASB Standards for fiscal year 2015-2016 was an increase of \$20.1 million to pension liability. Bonds payable (long term liabilities, net) 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.

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, 2017, the University had \$250.6 million of capital-related bond indebtedness outstanding, compared to \$212.1 million and \$192.0 million outstanding as of June 30, 2016, and June 30, 2015, respectively. The increase in indebtedness is due, as noted above, to the issuance of new student fee 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.

Ball State University's rating of AA-/Stable by Standard & Poor's and Aa3/Stable by Moody's was reaffirmed in November 2016. S&P noted the University's solid operating performance, healthy financial resource ratios relative to the rating category, steady demand and stable enrollment, manageable debt burden, while Moody's called out the consistently strong capital and operating support from the State of Indiana, very good unrestricted liquidity, and the University's stature as a large provider of higher education within the state. More details regarding the University's bonds payable are presented in the Notes to Financial Statements.



Shafer Tower

Capital Assets

As of June 30, 2017, the University had \$416.7 million invested in capital assets, net of accumulated depreciation of \$419.0 million and related debt of \$250.6 million. Depreciation charges totaled \$27.4 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost. 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 fiscal year 2015-2016.

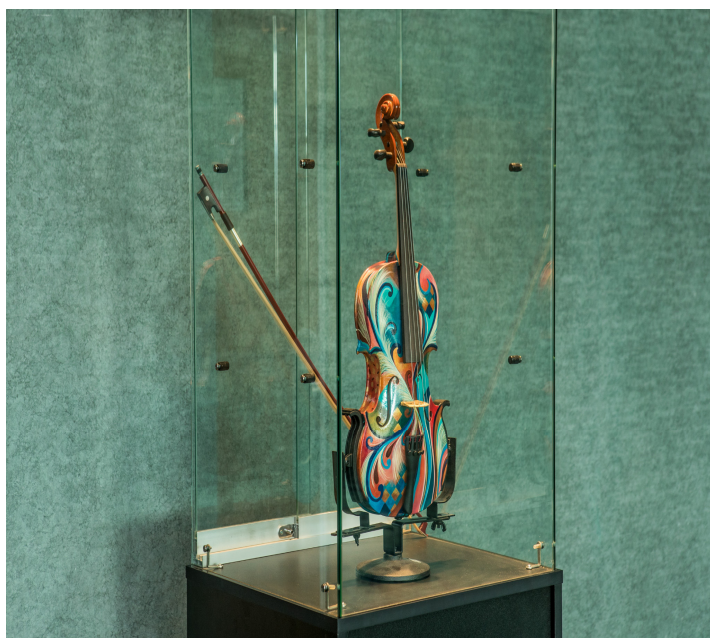
The renovation of Schmidt/Wilson Residence Hall, part of the Johnson Complex, was completed near the end of fiscal year 2016-2017 and will welcome students back in the fall semester of 2017. The renovation included a completely new building envelope, new elevators accessing all floors, and new mechanical, electrical, and plumbing systems. The renovated hall will serve as a living-learning community for the Department of Theatre and Dance students. Approximately \$11.8 million and \$23.7 million was spent on the project in the last two fiscal years, respectively.



Johnson Complex-Schmidt/Wilson Halls

Expansion and renovation of the lobby at the John R. Emens College-Community Auditorium Renovation was completed in the summer of 2017. The improvements include a 12,000 square foot addition to the venue to provide additional gathering space

for pre-event, intermission and post-event crowds, new restrooms adjacent to the lobby, relocation of the box office of the interior of the lobby, and new hospitality space, conference room and offices, and support space on the second story. Construction expenditures on this project totaled \$4.5 million during fiscal year 2016-2017 and \$0.7 million during fiscal year 2015-2016.



"No Boundaries" by Julie Borden, commemorating the 50th anniversary of John R. Emens College-Community Auditorium (1964-2014)

Design work for the new Health Professions Building, home to the recently formed College of Health, has been completed and sitework is underway. The building is expected to be open in the fall of 2019 and will include modern classrooms, teaching laboratories, and clinical spaces. Approximately \$2.1 million was expended on this project during fiscal year 2016-2017 and nearly \$0.4 million during fiscal year 2015-2016.



New College of Health Building rendering

With renovations to both Botsford/Swinford and Schmidt/Wilson Residence Halls of the Johnson Complex now complete, the focus now turns to the eventual replacement of the aging LaFollette Complex on the north side. Portions of LaFollette were demolished during fiscal year 2016-2017 at a cost of \$1.4 million. Meanwhile, designs for the first phase of the new North Residential Neighborhood are underway. Phase 1 will include a new stand-alone dining facility and a new residence hall, along with realignment of McKinley Avenue. Expenditures for this first phase of work totaled \$0.9 million during fiscal year 2016-2017.



LaFollette demolition

Current operating funds were utilized to purchase \$3.8 million in capital equipment in fiscal year 2016-2017 and \$6.3 million in fiscal year 2015-2016. Some of these purchases replaced mostly fully-depreciated equipment dispositions originally costing \$3.1 million in fiscal year 2016-2017 and \$3.0 million in fiscal year 2015-2016.

Net Position

At June 30, 2017, total net position for the University was \$727.3 million, up \$2.4 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 \$416.7 million as of June 30, 2017. 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 Assets section of this report as well as in the accompanying Notes to Financial Statements.

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 \$47.9 million in fiscal year 2016-2017, totaling \$76.6 million as of June 30, 2017. Of these restricted expendable funds, \$67.2 million are funds restricted for construction, such as the bond proceeds for the new Health Professions Building or state appropriations for repair and rehabilitation. \$6.8 million is restricted for external grants, and \$2.6 million is restricted for student loans. The overall change in restricted expendable net position was primarily due to unspent proceeds from the sale of student fee bonds offset by bond premiums on the same issue.



Johnson Complex-Schmidt/Wilson Halls with Botsford/Swinford Halls in foreground

Aside from capital assets and restricted net position, the remaining \$233.1 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, unforeseen contingencies, and other purposes. In addition, adjustments

to unrestricted net position are required each year for prepaid expense related to retiree benefits as calculated in accordance with *GASB Statement No. 45* (an increase to unrestricted net position), and pension liability as required by *GASB Statements No. 68 and 71* (a reduction to unrestricted net position). Additional information regarding *GASB Statements No. 68 and 71* are discussed within the Notes to Financial Statements. Overall, unrestricted net position decreased by \$9.6 million over the prior fiscal year primarily due to a \$8.8 million reclassification of negative restricted net position, a \$6.0 million decrease in operating fund surpluses, a \$4.0 million increase in the pension liability, and a \$2.2 million decrease in endowment funds. The decrease in unrestricted net position was partially offset by an \$11.1 million increase in internal reserves.

At June 30, 2016, the University's net position was \$724.9 million. Approximately \$452.6 million was comprised of net investment in capital assets. Additionally, the University had other net positions totaling \$272.3 million as of June 30, 2016, of which \$29.6 million was restricted net position. The \$29.6 million restricted net position was comprised of: \$0.9 million in nonexpendable endowment restricted for student scholarships, \$2.6 million restricted for student loans, \$22.1 million restricted for construction, and \$4.0 million restricted for external grants. Restricted net position increased by \$9.4 million, primarily due to unspent proceeds from the sale of housing and dining system revenue bonds offset by bond premiums on the same bond issue.

Unrestricted net position at June 30, 2016, was \$242.7 million, an increase of \$1.8 million over the prior fiscal year which was primarily attributable to increases in funds set aside for repair and rehabilitation of auxiliary buildings.

Change in Net Position

The following is a summary of the revenues and expenses resulting in the changes in net position as of the end of the previous three fiscal years. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

Change in Net Position			
Years Ended June 30, 2017, 2016, and 2015			
	2017	2016	2015
Operating Revenues	\$ 274,006,946	\$ 265,002,481	\$ 262,196,219
Operating Expenses	493,066,361	481,846,017	465,096,945
Net Operating Income/(Loss)	\$ (219,059,415)	\$ (216,843,536)	\$ (202,900,726)
Net Non-Operating Revenues	213,822,564	220,356,991	204,497,975
Other Revenue – Capital Appropriations and Gifts	7,679,369	7,991,003	14,790,813
Increase in Net Position	\$ 2,442,518	\$ 11,504,458	\$ 16,388,062
Net Position - Beginning of Year	724,862,334	713,357,876	726,004,187
Change in Accounting Policy	-	-	(29,034,373)
Net Position - End of Year	<u>\$ 727,304,852</u>	<u>\$ 724,862,334</u>	<u>\$ 713,357,876</u>

Operating Revenues

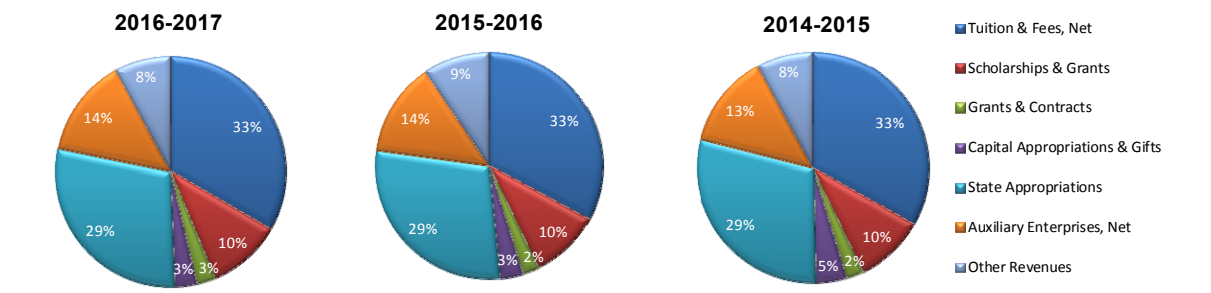
Operating revenues increase net position and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining, and athletics. In addition, federal, state, and private grants are considered operating if they are not for financial aid or capital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

Total operating revenues increased \$9.0 million, or 3.4 percent, in fiscal year 2016-2017. Gross revenue from student tuition and fees for fiscal year 2016-2017 increased 4.1 percent while scholarship allowances increased by 8.6 percent resulting in a net revenue increase of \$3.6 million. The rise in tuition and fees resulted from a modest rate increase of 1.65 percent coupled with increased enrollment of 3.0 percent. These increases were slightly offset by a decrease in course fee revenue associated with a decline in electronic textbook sales. Auxiliary enterprise revenue for residential life which includes housing and dining increased \$3.7 million, or 6.6 percent, after scholarship allowances.

In fiscal year 2015-2016, total operating revenues increased \$2.8 million, or 1.1 percent. Gross 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 increase in tuition and fees resulted from a modest rate increase and a slight enrollment upturn that was offset by an increase in student scholarship allowances. Auxiliary enterprise revenue for residential life stayed fairly flat with an increase of \$0.5 million, while other auxiliary enterprises including revenue from parking, athletic events, and cultural events saw an increase of \$2.3 million.

For fiscal year 2016-2017, grants and contracts revenue increased by \$1.1 million from the prior year to total \$13.2 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.

Total Revenues by Source



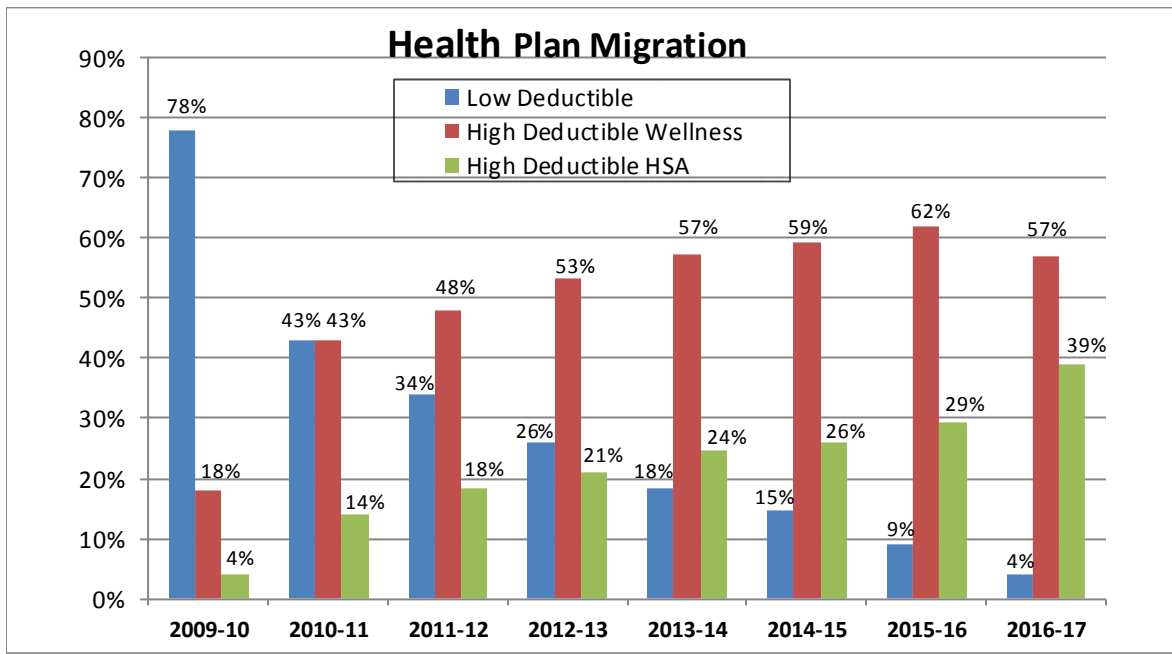
Operating Expenses

Operating expenses reduce net position and consist of all the costs necessary to perform and conduct the programs and primary purposes of the University. In fiscal year 2016-2017, operating expenses increased \$11.2 million, or 2.3 percent. Personnel services and benefits account for approximately 70 percent of total operating expenses. They increased collectively by 11.3 million, or 3.4 percent in fiscal year 2016-2017, due primarily to a 2.0 percent salary increase and an increase to benefits expense. Other supplies and expenses and repairs and maintenance decreased a combined \$2.0 million, while other operating expense components changed only slightly.



Students dancing in the quad

Operating expenses for fiscal year 2015-2016 increased \$16.8 million, or 3.6 percent. Personnel services increased \$6.4 million, due primarily to a 2.0 percent salary increase as well as adding new positions, while benefits increased by \$13.5 million. The large benefits increase was primarily due to the mandatory posting of pension benefits as required by GASB Statements 68 and 71, discussed in the accompanying Pension Plans and Other Post-Employment Benefits Note.



Health care continues to be one of the largest areas of uncertainty when budgeting operating expenses. With personnel services and benefits accounting for approximately 70.0 percent of the total operating expenses each year and the University's cost of self-insured health care comprising roughly 9.0 percent of this total, the importance of managing health care is imperative. The University offers health insurance to both active employees and to qualified retirees. The health care plan design is evaluated and analyzed using information from several third party experts and consultants utilizing industry best practices. The uncertain and evolving regulatory landscape regarding the future of the Patient Protection and Affordable Care Act (PPACA) complicates this analysis. Attempting to forecast future health care costs is a challenge, but is necessary when developing plan designs and premiums.

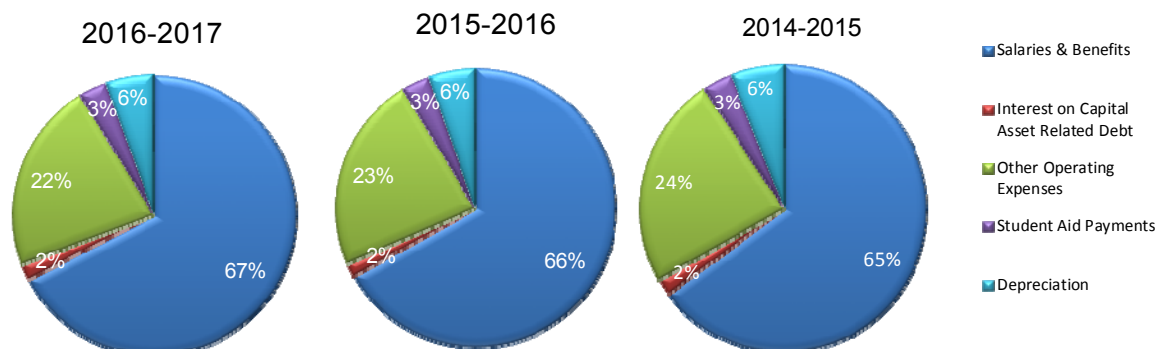
The University offers active employees a choice of three different plans: Low Deductible; High Deductible Wellness; and High Deductible Health Savings Account (HSA). Retirees are only offered the High Deductible Wellness plan option. The two high deductible plans are considered consumer-driven plans. Over the last eight years, the University has seen a tremendous migration out of the Low Deductible Plan and into the High Deductible Wellness and HSA plans as shown in the previous chart. This migration should be indicative of a population that is more engaged and aware of their own health and well-being. The HSA plan has the lowest premiums and the highest cost share. The consumer driven plans encourage participants to be conscientious about the cost of health care and to choose medical providers based on quality of care and competitive pricing.

The University is diligent in working to control costs and still provide competitive benefit rich plans. As a result, 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.

In an effort to promote healthy lifestyles and quality of life, members are encouraged to participate in the wellness initiatives. The University provides health enhancement program activities including free health risk assessments and screenings to employees and their spouses, incentives for participation in wellness activities, onsite workout facilities and classes, free tobacco cessation programs, and continues to work with employees on managing their chronic health conditions. Due to the University's efforts 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, the plan's performance has resulted in a surplus for the last few years. This surplus is held in reserve for one year and then contributed to the Voluntary Employee Beneficiary Association (VEBA) Trust. In order to adequately fund the VEBA Trust, the University must make payments that are equal to the Actuarial Required Contribution (ARC) each year. Since the University is operating the plan outside of the VEBA Trust, it has more than satisfied the ARC requirement. Although payments were 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 2016-2017 of \$4.0 million is held in reserve while the surpluses from fiscal years 2015-2016 and 2014-2015 in the amount of \$6.5 and \$1.6 million, respectively, have been contributed to the VEBA Trust during the last two years.

Total Expenses by Source



Non-Operating Revenues and Expenses

Non-operating revenues increase net position, and non-operating expenses decrease 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).

In fiscal year 2016-2017, net non-operating revenues and expenses decreased \$6.5 million, or 3.0 percent. Federal and state scholarships and state appropriations make up the majority of non-operating revenues. Federal and state scholarships and grants and state appropriations increased \$2.5 million and \$1.3 million, respectively. Decreases were seen in investment income and interest on capital asset related debt for \$1.4 million and \$1.6 million, respectively. State pension contributions revenue is the amount the State of Indiana pays on behalf of the University to INPRS for the Teachers' Retirement Fund Pre-1996 (TRF Pre-1996) Account. Since TRF Pre-1996 is a closed plan, the impact of any changes in actuarial assumptions or any differences between expected and actual results must be recognized in the current year. Therefore, the year to year contributions may vary widely. The amount of contributions decreased in fiscal year 2016-2017 by \$7.0 million over the prior fiscal year.

In fiscal year 2015-2016, net non-operating revenues and expenses increased by \$15.9 million, or 7.8 percent. Federal and state scholarship and grants increased by \$1.9 million, State appropriations increased by \$0.7 million, and state pension contributions (State of Indiana's payments to INPRS on behalf of the University for the TRF Pre-1996 Account) increased by \$8.5 million.

Other Revenues

Renewal and Replacement Appropriations (millions of dollars)					
2012	2013	2014	2015	2016	2017
\$4.3	\$0.0	\$14.2	\$13.8	\$3.6	\$5.4

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

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. For many years, the state has not allocated full funding for capital renewal and replacement appropriations due to the financial condition of the state. In 2013, the state also appropriated \$30.0 million in capital funds for the University's geothermal conversion project. These funds are remitted to the University on a reimbursement basis. Renewal and replacement appropriations received in fiscal year 2016-2017 include \$2.6 million (\$2.6 million for fiscal year 2015-2016 and \$2.4 million for fiscal year 2014-2015) in appropriations for general repair and rehabilitation and \$2.8 million (\$1.0 million in

fiscal year 2015-2016 and \$11.4 million in fiscal year 2014-2015) in draws against the geothermal appropriation. Capital gifts from the Ball State University Foundation totaled \$2.2 million (\$4.4 million for fiscal year 2015-2016 and \$1.0 million for fiscal year 2014-2015) for various capital projects.



Geothermal heat pump chillers

Statement of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of the University by presenting relevant information about the cash receipts and cash payments of the University during the fiscal year. It assists in determining the University's ability to generate future net cash flows to meet its obligations as they become due and to assess the University's need for external financing. The statement is divided into four sections based on major activity – operating, non-capital financing, capital financing, and investing. A fifth section reconciles the operating income or loss on the Statement of Revenues, Expenses, and Changes in Net Position to the net cash used in operations. A sixth section shows non-cash transactions.

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

	Cash Flows		
	Years Ended June 30, 2017, 2016, and 2015		
	2017	2016	2015
Cash and Cash Equivalents Provided By/(Used In):			
Operating Activities	\$ (178,673,202)	\$ (181,270,683)	\$ (178,932,726)
Non-Capital Financing Activities	212,301,949	211,362,907	220,292,407
Capital and Related Financing Activities	13,534,336	(19,726,858)	(55,061,543)
Investing Activities	(71,708,552)	(4,118,627)	(2,762,532)
Net Increase in Cash and Cash Equivalents	\$ (24,545,469)	\$ 6,246,739	\$ (16,464,394)
Cash and Cash Equivalents – Beginning of Year	112,402,255	106,155,516	122,619,910
Cash and Cash Equivalents – End of Year	\$ 87,856,786	\$ 112,402,255	\$ 106,155,516

The University's cash and cash equivalents decreased in fiscal year 2016-2017 by \$24.5 million, and increased in fiscal year 2015-2016 by \$6.2 million. Net cash flows from operating activities consist primarily of tuition and fees, grants and contracts, and auxiliary enterprise receipts. Payments to employees represent the largest use of cash for operating activities. Cash flows



Burriss Laboratory School K-12

provided from non-capital financing activities are primarily state appropriations and scholarships and grants from federal and state sources, such as Pell and 21st Century Scholarship. Changes in capital and related financing activities result from the University's capital plan. Details are provided in the Debt Administration and Capital Assets sections in the Management's Discussion and Analysis. Cash flows from investing activities primarily consist of reinvesting the proceeds from investments as they mature.

Economic Factors That Will Affect the Future

In its spring 2017 Fiscal Survey of States, the National Association of State Budget Officers stated that general fund spending is expected to increase just 1.0 percent in fiscal year 2017-2018 as compared to estimated spending levels for fiscal year 2016-2017. This would represent the smallest increase recommended by governors since fiscal year 2009-2010 when most states were heavily impacted by the Great Recession. The budget recommendations call for increased spending in K-12 education, Medicaid, corrections, higher education, public assistance, and transportation, while all other program areas are expected to see decreased spending. States continue to contend with slow revenue growth and limited budget flexibility as well as uncertainty at the federal level. Overall, general fund revenues are projected to increase 3.1 percent in fiscal year 2017-2018 as a result of continued job growth and modest recovery in energy-producing states.

According to their respective published 2017 outlooks for higher education, both Moody's Investors Service and Standard & Poor's Ratings Services announced a stable outlook for U.S. higher education. In its report, Moody's noted that all revenue streams are expected to grow over the next 12-18 months, with aggregate annual revenue growth at or above 3.0 percent. Standard & Poor's remarked that demand for higher education in the U.S. remains strong and continues to grow. Both agencies cited increases in pension and other post-employment benefit (OPEB) liabilities, affordability, and uncertainty regarding federal policies, including student loan and grant programs, as being factors that could negatively impact the higher

education market. The University's ratings for all outstanding debt were confirmed in November 2016 by Moody's (Aa3/stable outlook) and Standard & Poor's (AA-/stable outlook).

Ball State University, as a public university, relied on the State of Indiana for approximately 29.0 percent of the total financial resources in fiscal year 2016-2017. State revenues for fiscal year 2016-2017 were 0.7 percent above forecast and 3.1 percent above fiscal year 2015-2016, allowing the state to close the year with a \$42.0 million surplus. State reserves ended the year at \$1.8 billion despite \$427.9 million in appropriations for road funding. 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.

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 two constants in the funding formula have been to recommend increases in funding to campuses that increase the number of degrees awarded to resident undergraduate students, and to campuses that increase graduation rates. Due to deliberate actions by Ball State leadership, the University received a measurable operating increase during the 2017-2019 biennium.

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), and increases in the resident undergraduate four-year graduation rate. Ball State takes very seriously the goals set forth by ICHE in creating its 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. Due to Ball State's increasing selectivity in student admissions, and a concerted set of policy initiatives, the University's graduation and retention rates have been growing substantially. In a study conducted by ICHE, 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 1,611 above the national norm.



Orchid at Rinard Orchid Greenhouse

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.



David Letterman Communication and Media Building

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, 2017 and 2016

	2017	2016
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 87,856,786	\$ 112,402,255
Short Term Investments	88,059,379	20,080,737
Accounts Receivable, Net, and Unbilled Costs	28,254,050	31,135,451
Inventories	1,217,463	1,513,991
Deposit with Bond Trustee	20,116,185	16,595,802
Notes Receivable, Net	1,653,777	1,709,024
Prepaid Retiree Benefits	13,853,579	11,758,766
Prepaid Expenses	1,586,320	2,737,472
Total Current Assets	\$ 242,597,539	\$ 197,933,498
Noncurrent Assets:		
Accounts and Notes Receivable, Net	\$ 8,963,825	\$ 8,371,985
Investments	163,531,351	157,789,903
Capital Assets, Net	667,350,402	664,658,279
Total Noncurrent Assets	\$ 839,845,578	\$ 830,820,167
Total Assets	\$ 1,082,443,117	\$ 1,028,753,665
Deferred Outflows of Resources:		
Pension Contributions	\$ 26,628,804	\$ 25,062,319
Total Assets and Deferred Outflows of Resources	\$ 1,109,071,921	\$ 1,053,815,984
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 27,135,115	\$ 30,378,871
Deposits	7,348,237	6,465,722
Unearned Revenue	696,372	887,064
Long Term Liabilities – Current Portion	14,595,000	11,680,000
Total Current Liabilities	\$ 49,774,724	\$ 49,411,657
Noncurrent Liabilities:		
Liability for Compensated Absences	\$ 3,012,997	\$ 2,917,621
Pension Liability	53,221,971	46,473,866
Perkins Loan Program – Federal Capital Contribution	8,184,069	8,365,923
Long Term Liabilities, Net	262,892,224	215,959,172
Total Noncurrent Liabilities	\$ 327,311,261	\$ 273,716,582
Total Liabilities	\$ 377,085,985	\$ 323,128,239
Deferred Inflows of Resources:		
Pension Contributions	\$ 4,681,084	\$ 5,825,411
Total Liabilities and Deferred Inflows of Resources	\$ 381,767,069	\$ 328,953,650
Net Position:		
Net Investment in Capital Assets	\$ 416,710,402	\$ 452,598,279
Restricted for:		
Nonexpendable Scholarships	900,110	906,730
Expendable:		
Debt Service	-	-
Loans	2,608,693	2,571,716
Construction	67,246,654	22,158,027
External Grants	6,781,281	3,961,688
Unrestricted	233,057,712	242,665,894
Total Net Position	\$ 727,304,852	\$ 724,862,334
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,109,071,921	\$ 1,053,815,984

See accompanying Notes to Financial Statements

Ball State University Foundation, Inc.
Combined and Consolidated Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 2,314,000	\$ 2,825,081
Certificates of deposit	263,070	261,332
Contributions receivable, net	9,482,805	10,437,320
Investments	212,040,030	193,257,425
Investments held in split-interest agreements	1,720,560	1,821,156
Beneficial interest in remainder trusts	1,096,440	1,069,534
Other assets	743,851	711,661
Cash surrender value of life insurance	1,937,294	1,765,847
Property and equipment	9,215,502	9,818,314
Beneficial interest in perpetual trusts	2,556,014	2,377,444
Total assets	\$ 241,369,566	\$ 224,345,114
Liabilities		
Accounts payable	\$ 7,529,910	\$ 10,102,859
Accrued expenses	785,387	705,330
Line of credit	1,000,000	2,000,000
Notes payable	1,025,000	340,000
Term notes payable	11,300,000	12,300,000
Annuity obligations	1,865,323	2,133,484
Trust obligations	654,062	570,303
Total liabilities	24,159,682	28,151,976
Net Assets		
Unrestricted	(2,491,540)	(9,089,090)
Temporarily restricted	142,635,882	130,697,089
Permanently restricted	77,065,542	74,585,139
Total net assets	217,209,884	196,193,138
Total liabilities and net assets	\$ 241,369,566	\$ 224,345,114

See Note A in Notes to Financial Statements

Ball State University
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues:		
Student Tuition and Fees	\$ 242,310,313	\$ 232,846,880
Scholarship Allowances	(73,983,322)	(68,154,632)
Net Student Tuition and Fees	\$ 168,326,991	\$ 164,692,248
Federal Grants and Contracts	4,654,999	5,561,193
State & Local Grants and Contracts	2,432,258	2,584,002
Non-Governmental Grants and Contracts	6,126,332	3,972,010
Sales and Services of Educational Departments	9,141,266	9,094,559
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2017 - \$12,060,040; 2016 - \$10,226,374)	59,650,650	55,934,465
Other	10,899,429	11,535,834
Other Operating Revenues	12,775,021	11,628,170
Total Operating Revenues	\$ 274,006,946	\$ 265,002,481
Operating Expenses:		
Personnel Services	\$ 241,757,718	\$ 237,570,267
Benefits	96,879,658	89,808,828
Utilities	12,695,991	11,968,177
Repairs and Maintenance	16,841,701	19,432,632
Other Supplies and Expenses	81,739,709	81,160,280
Student Aid	15,711,576	15,417,584
Depreciation	27,440,008	26,488,249
Total Operating Expenses	\$ 493,066,361	\$ 481,846,017
Operating Income/(Loss)	\$ (219,059,415)	\$ (216,843,536)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarships and Grants	\$ 52,408,370	\$ 49,905,136
State Appropriations	145,366,234	144,084,123
Investment Income	2,011,538	3,403,502
Interest on Capital Asset Related Debt	(9,671,225)	(8,118,784)
Private Gifts	7,951,836	8,255,215
State Pension Contributions	8,760,094	15,717,760
Other Non-Operating Income	6,995,717	7,110,039
Net Non-Operating Revenues/(Expenses)	\$ 213,822,564	\$ 220,356,991
Income Before Other Revenues, Expenses, Gains or Losses	\$ (5,236,851)	\$ 3,513,455
Capital Appropriations	5,448,228	3,603,291
Capital Gifts	2,231,141	4,387,712
Increase in Net Position	\$ 2,442,518	\$ 11,504,458
Net Position – Beginning of Year	724,862,334	713,357,876
Net Position – End of Year	\$ 727,304,852	\$ 724,862,334

See accompanying Notes to Financial Statements

Ball State University
Statement of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Source / (Uses) of Cash:		
Operating Activities:		
Tuition and Fees	\$ 169,973,980	\$ 165,202,159
Grants and Contracts	12,866,431	3,537,766
Payments to Suppliers	(80,548,205)	(80,560,237)
Payments for Maintenance and Repair	(16,841,701)	(19,432,632)
Payments for Utilities	(12,695,991)	(11,968,177)
Payments for Personnel Services	(244,479,939)	(237,436,462)
Payments for Benefits	(85,368,695)	(75,790,026)
Payments for Scholarships and Fellowships	(15,652,429)	(14,980,396)
Auxiliary Enterprise Charges:		
Room and Board	59,277,554	55,459,438
Other	10,899,429	11,535,834
Sales and Services of Educational Activities	9,152,837	9,100,423
Other Receipts/Disbursements/Advances	14,743,527	14,061,627
Net Cash Provided/(Used) by Operating Activities	\$ (178,673,202)	\$ (181,270,683)
Non-Capital Financing Activities:		
Federal and State Scholarships and Grants	\$ 52,408,370	\$ 49,905,136
State Appropriations	145,366,234	146,596,782
William D. Ford Direct Lending Receipts	127,077,179	122,363,697
William D. Ford Direct Lending Disbursements	(127,188,361)	(122,616,497)
Private Gifts	7,642,810	8,003,750
Foundation Receipts	620,684	518,364
Foundation Disbursements	(620,684)	(518,364)
Other Non-Operating Revenue	6,995,717	7,110,039
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ 212,301,949	\$ 211,362,907
Capital Financing Activities:		
Proceeds from Capital Debt	\$ 134,781,892	\$ 60,687,295
Capital Appropriations	5,448,228	3,603,291
Capital Gifts	2,231,141	4,387,712
Purchases of Capital Assets	(31,895,699)	(47,046,373)
Principal Paid on Capital Debt	(84,445,000)	(33,165,000)
Interest Paid on Capital Debt	(9,065,843)	(7,760,339)
Deposits with Trustee	(3,520,383)	(433,444)
Net Cash Provided/(Used) by Capital Financing Activities	\$ 13,534,336	\$ (19,726,858)
Investing Activity:		
Proceeds from Sales and Maturities of Investments	\$ 105,424,198	\$ 101,031,887
Interest on Investments	3,702,083	2,760,033
Purchase of Investments	(180,834,833)	(107,910,547)
Net Cash Provided/(Used) by Investing Activities	\$ (71,708,552)	\$ (4,118,627)
Net Increase/(Decrease) in Cash	\$ (24,545,469)	\$ 6,246,739
Cash – Beginning of the Year	112,402,255	106,155,516
Cash – End of the Year	\$ 87,856,786	\$ 112,402,255

Ball State University
Statement of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Net Operating Revenues/(Expenses) to		
Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ (219,059,415)	\$ (216,843,536)
Adjustments to Reconcile Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities:		
Depreciation Expense	27,440,008	26,488,249
Equipment Retired	1,763,568	170,575
GIK Donations	309,026	251,465
Pensions Covered by State of Indiana	8,760,094	15,717,760
Changes in Assets and Liabilities:		
Operating Receivables, Net	2,992,583	(4,532,720)
Inventories	296,528	(259,797)
Other Assets	(943,661)	(2,642,044)
Accounts Payable	(4,337,978)	(64,440)
Unearned Revenue	(190,692)	381,072
Deposits Held for Others	700,661	(1,423,646)
Compensated Absences	95,376	(69,481)
Pension Liability	6,748,105	20,055,044
Deferred Outflows	(1,566,485)	(17,472,510)
Deferred Inflows	(1,144,327)	(933,922)
Long Term Accounts and Notes Receivable	(536,593)	(92,752)
Net Cash Provided/(Used) by Operating Activities	\$ (178,673,202)	\$ (181,270,683)
Non-Cash Transactions		
TRF Pre-1996 Pension Expense Covered by State of Indiana	\$ 8,760,094	\$ 15,717,760
Gifts in Kind Donations	\$ 309,026	\$ 251,465

See accompanying Notes to Financial Statements

Ball State University Foundation, Inc.
Combined and Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 21,016,746	\$ (17,176,301)
Items not requiring (providing) cash:		
Depreciation and amortization	262,530	293,789
Net realized and unrealized (gains) losses on investments	(28,253,038)	7,725,803
Gain on sale of property and equipment	(10,710)	(1,814)
Change in value of trusts	(205,476)	183,277
Contributions of marketable equity securities	(1,975,138)	(688,230)
Contributions restricted for long-term investment	(1,925,745)	(2,195,434)
Net change in value of split-interest agreements	(83,806)	526,934
Changes In		
Contributions receivable, including accretion of discount on pledges receivable	945,515	1,421,936
Other assets	(32,190)	(67,701)
Accounts payable and accrued expenses	(2,492,892)	5,833,902
Net cash used in operating activities	(12,754,204)	(4,143,839)
Investing Activities		
Purchase of property and equipment	(1,961,385)	(3,130,786)
Proceeds from property and equipment and sale of real estate	2,312,377	1,938,965
Purchase of investments and certificates of deposit	(13,896,178)	(20,501,774)
Sales and maturities of investments and certificates of deposit	25,340,011	24,242,135
Net (increase) decrease in cash surrender value of life insurance	(171,447)	1,065
Net cash provided by investing activities	11,623,378	2,549,605
Financing Activities		
Borrowings under line of credit agreement	9,050,000	6,850,000
Payments under line of credit agreement	(10,050,000)	(5,850,000)
Proceeds from term notes payable	1,025,000	-
Reduction of term notes payable	(1,340,000)	(1,000,000)
Proceeds from contributions restricted for investment in permanent endowment	1,925,745	2,195,434
Net cash provided by financing activities	610,745	2,195,434
Net Increase (Decrease) in Cash	(511,081)	601,200
Cash and Cash Equivalents, Beginning of the Year	2,825,081	2,223,881
Cash and Cash Equivalents, End of Year	\$ 2,314,000	\$ 2,825,081
Interest Paid	\$ 395,411	\$ 316,215

See Note A in Notes to Financial Statements

Ball State University

Notes to Financial Statements

June 30, 2017

Note A—Basis of Presentation and Summary of Significant Accounting Policies

Organization

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.

Reporting Entity

The financial reporting entity consists of the primary government, Ball State University, 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 aforementioned 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 following:

- Chair of the Ball State University Board of Trustees;
- President of Ball State University;
- Vice President for Business Affairs and Treasurer, Ball State University;
- President of the Ball State University Foundation;
- Two (2) additional members of the Ball State University Board of Trustees, as designated by the Board of Trustees;
- One (1) member of the Executive Committee of the Alumni Council of the Ball State University Alumni Association, as designated by the Alumni Council.

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 financial statements. Payroll and benefit expenses remain as expenses on the University's statements. The reorganization resulted in the Foundation combining the financial statement of the Ball State University Alumni Association, Inc. (Alumni Association) in their financial statements.

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 2018. At June 30, 2017 and 2016, there was \$1,000,000 and \$2,000,000, 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, 2017 and 2016.

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 \$1,300,000 and \$2,300,000 borrowed against this facility at June 30, 2017 and 2016, 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 2.44% and 1.68% at June 30, 2017 and 2016, 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.

Each 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, 2017 and 2016, management is not aware of any violations of the financial covenants.

On August 15, 2016, Cardinal Properties entered into a \$225,000 note payable. This note is secured by a mortgage on the related property and matures on August 1, 2019. The note bears interest at 8.00%, with interest only payments due August 1, 2017, 2018 and 2019.

On November 15, 2016, Cardinal Properties entered into an \$800,000 note payable. This note is secured by the related real estate and matures on January 1, 2025. The note bears interest at 7.00%, with interest only payments due January 1, 2018 – 2021. Beginning January 1, 2022 – 2025, principal and interest payments of \$36,182.

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

Basis of Presentation

The financial statements of the University are prepared in accordance with the principles contained in *GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by *GASB Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. 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’s 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.

During fiscal year 2015-2016, the University adopted *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 H – Deposits and Investments of this financial report.

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.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturities of ninety days or less as of June 30 for each fiscal year end, that bear little or no market risk. Amounts included are cash held in banks, revolving and change funds, cash in transit, interest due within ninety days, and investments with maturities of ninety days or less at June 30 for each fiscal year end.

Investments

Investments are reported at fair value. Investments with a maturity date of ninety-one days to one year are considered to be short term investments. Investments with a maturity date of greater than one year are considered to be noncurrent assets.

Accounts Receivable

Accounts receivable consists primarily of amounts due from students, grants and contracts, and auxiliary enterprises and are recorded net of a calculated reserve for uncollectible amounts. The reserves as of June 30, 2017, and June 30, 2016, were \$7,282,864 and \$6,604,671, respectively.

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.

Notes Receivable

Notes receivable consists primarily of student loan repayments due the University and are recorded net of a calculated reserve for uncollectible amounts. The reserves as of June 30, 2017, and June 30, 2016, were \$2,439,230 and \$2,478,230, respectively. Notes receivable due in greater than one year are classified as a noncurrent asset.

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, Accounting and Financial Reporting for Intangible Assets*, 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 is 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.

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period that will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. The deferred outflows of resources reported in both fiscal years are related to the University's net pension liability.

Unearned Revenue

Unearned revenue is recorded for current cash receipts for certain student fees and auxiliary goods and services, which will be recorded as revenue in future periods. Also included are amounts received from contract and grant sponsors that have not yet been earned.

Compensated Absences

Liabilities for compensated absences are recorded 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 with each job classification such as: years

of service, age, 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.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applied to a future period and so will not be recognized as an inflow or resources (revenue) until that time. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. The deferred inflows of resources reported in both fiscal years are related to the University's net pension liability.

Net Position

The University's net position is classified for financial reporting in the following categories:

- Net investment in capital assets: This component of net position includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- Restricted – nonexpendable scholarships: This includes endowments received by donors, for which the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be either expended or added to principal.
- Restricted – expendable: Resources classified as restricted and expendable are those for which the University is legally obligated to spend in accordance with externally imposed stipulations.
- Unrestricted: Unrestricted resources are not subject to externally imposed restrictions and are primarily used for meeting expenses for academic, capital and general operations of the University.

Intra-University Transactions

Intra-university transactions are eliminated from the statement to avoid double counting of certain activities. Examples of these transactions are sales and services between University departments.

Operating Revenues and 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.

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.

Non-Operating Revenues and Expenses

Revenues and expenses that do not meet the definition of operating or capital revenues are classified as non-operating. Examples are investment income, Ball State University Foundation donations, federal and state financial aid, and state appropriations.

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.

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, 2017.

New Accounting Pronouncements: Adoption of New Standard

GASB released very few standards with effective dates for the 2016-2017 fiscal year. Most of the statements were narrowly focused or were amending prior statements, and none of them were applicable to Ball State University except for one. GASB 82, *Pension Issues*, clarified the definition of "covered employee payroll" as it relates to the tables found in the Required Supplemental Information (RSI) section of the annual financial report. A minor adjustment was made to this calculation.

Statement Reclassifications

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

Reclassifications have been made to consolidate the accrued interest receivable and endowment investments line items into the appropriate classification of either cash and cash equivalents, short term investments, or investments. See reclassification details on the following tables:

Ball State University Statement of Net Position Reclassifications for June 30, 2016

	Reclassified 2016	Original 2016
Cash and Cash Equivalents	\$ 112,402,255	\$ 111,223,501
Short Term Investments	20,080,737	19,879,365
Accrued Interest Receivable - Investments	-	766,684
Endowment Investments	-	906,730
Investments	157,789,903	157,496,615
Totals	<u>\$ 290,272,895</u>	<u>\$ 290,272,895</u>

Ball State University Statement of Cash Flows for June 30, 2016

	Reclassified 2016	Original 2016
Investing Activity:		
Proceeds from Sales and Maturities of Investments	\$ 102,228,055	\$ 101,815,981
Interest on Investments	3,260,362	2,493,682

Reclassifications were made to move the current portion of liability for compensated absences to accounts payable and accrued liabilities. See reclassification details below:

Ball State University Statement of Net Position Reclassifications for June 30, 2016		
	Reclassified 2016	Original 2016
Accounts Payable and Accrued Liabilities	\$ 30,378,871	\$ 26,155,914
Liability for Compensated Absences	2,917,621	7,140,578
Totals	<u>\$ 33,296,492</u>	<u>\$ 33,296,492</u>

Reclassifications were made to the Statement of Cash Flow for gifts in kind and state pension contributions. Both are non-cash transactions reported under a different section on the Cash Flow as follows:

Ball State University Statement of Cash Flows for June 30, 2016		
	Reclassified 2016	Original 2016
Source/(Uses) of Cash:		
Operating Activities:		
Payments to Suppliers	\$ (80,560,237)	\$ (80,811,702)
Payments for Benefits	(75,790,026)	(91,507,786)
Non-Capital Financing Activities:		
Private Gifts	8,003,750	8,255,215
State Pension Contributions	-	15,717,760
Reconciliation of Net Operating Revenues/(Expenses) to Net Cash Provided/(Used) by Operating Activities:		
Adjustments to Reconcile Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
GK Donations	251,465	-
Pensions Covered by State of Indiana	15,717,760	-
Non-Cash Transactions		
TRF Pre-1996 Pension Expense Covered by State of Indiana	15,717,760	-
Gifts in Kind Donations	251,465	-

Note B – Capital Assets

	<u>Book Value</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>CIP Transfers</u>	<u>Book Value</u> <u>June 30, 2017</u>
Assets not Being Depreciated:					
Land	\$ 18,845,887	\$ 4,171,177	\$ -	\$ -	\$ 23,017,064
Construction in Progress	30,489,825	5,883,637	255,442	(27,949,349)	8,168,671
Total capital assets not being depreciated	<u>\$ 49,335,712</u>	<u>\$ 10,054,814</u>	<u>\$ 255,442</u>	<u>\$ (27,949,349)</u>	<u>\$ 31,185,735</u>
Other Capital Assets:					
Land Improvements	\$ 43,552,061	\$ 827,227	\$ 227,977	\$ 216,610	\$ 44,367,921
Infrastructure	96,511,066	1,094,764	-	1,746,955	99,352,785
Educational Buildings	353,528,993	192,545	606,653	-	353,114,885
Utility Buildings	42,605,940	9,342	230,122	-	42,385,160
Educational Equipment	53,249,562	3,205,880	2,789,110	-	53,666,332
Auxiliary Enterprise Buildings	383,973,195	15,169,270	195,375	25,985,784	424,932,874
Auxiliary Enterprise Equipment	16,335,768	585,721	329,255	-	16,592,234
Other Property	2,135,540	756,136	332,231	-	2,559,445
Software	18,196,922	-	-	-	18,196,922
Total Other Capital Assets	<u>\$ 1,010,089,047</u>	<u>\$ 21,840,885</u>	<u>\$ 4,710,723</u>	<u>\$ 27,949,349</u>	<u>\$ 1,055,168,558</u>
Less Accumulated Depreciation:					
Land Improvements	\$ 23,157,966	\$ 1,510,265	\$ 11,399	\$ -	\$ 24,656,832
Infrastructure	22,475,598	3,338,214	-	-	25,813,812
Educational Buildings	157,484,889	7,086,779	184,940	-	164,386,728
Utility Buildings	11,375,490	845,880	18,410	-	12,202,960
Educational Equipment	40,851,869	3,360,453	2,578,066	-	41,634,256
Auxiliary Enterprise Buildings	118,717,265	8,489,946	195,375	-	127,011,836
Auxiliary Enterprise Equipment	11,674,170	1,123,290	169,676	-	12,627,784
Other Property	267,417	50,289	44,731	-	272,975
Software	8,761,816	1,634,892	-	-	10,396,708
Total Accumulated Depreciation, Other Capital Assets	<u>\$ 394,766,480</u>	<u>\$ 27,440,008</u>	<u>\$ 3,202,597</u>	<u>\$ -</u>	<u>\$ 419,003,891</u>
Capital Assets, Net	<u>\$ 664,658,279</u>	<u>\$ 4,455,691</u>	<u>\$ 1,763,568</u>	<u>\$ -</u>	<u>\$ 667,350,402</u>
Assets not Being Depreciated:					
Land	\$ 17,914,243	\$ 931,644	\$ -	\$ -	\$ 18,845,887
Construction in Progress	7,444,680	27,983,849	-	(4,938,704)	30,489,825
Total Capital Assets Not Being Depreciated	<u>\$ 25,358,923</u>	<u>\$ 28,915,493</u>	<u>\$ -</u>	<u>\$ (4,938,704)</u>	<u>\$ 49,335,712</u>
Other Capital Assets:					
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
Other Property	1,909,745	225,795	-	-	2,135,540
Software	18,196,922	-	-	-	18,196,922
Total Other Capital Assets	<u>\$ 990,101,017</u>	<u>\$ 18,130,879</u>	<u>\$ 3,081,553</u>	<u>\$ 4,938,704</u>	<u>\$ 1,010,089,047</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 Accumulated Depreciation, Other Capital Assets	<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>

Note C – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Accrued Payroll	\$ 1,884,438	\$ 1,577,007
Accrual for Compensated Absences	4,012,332	4,222,957
Interest Payable	7,130,920	6,036,697
Vendor and Other Payables	14,107,425	18,542,210
Total Accounts Payable and Accrued Liabilities	<u>\$ 27,135,115</u>	<u>\$ 30,378,871</u>

Note D – Other Liabilities

Other liability activity for the fiscal years ended June 30, 2017 and 2016, is summarized below as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current
Long Term Liabilities	\$ 228,760,034	\$ 138,367,934	\$ 88,031,041	\$ 279,096,927	\$ 16,204,703
Liability for Compensated Absences	7,140,578	1,262,203	1,377,452	7,025,329	4,012,332
Pension Liability	46,473,866	25,753,374	19,005,269	53,221,971	-
Perkins Loan Program - Federal Capital Contribution	8,365,923	502,161	684,015	8,184,069	-
Total Other Liabilities	<u>\$ 290,740,401</u>	<u>\$ 165,885,672</u>	<u>\$ 109,097,777</u>	<u>\$ 347,528,296</u>	<u>\$ 20,217,035</u>

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current
Long Term Liabilities	\$ 201,237,739	\$ 62,113,293	\$ 34,590,998	\$ 228,760,034	\$ 12,800,862
Liability for Compensated Absences	7,210,059	1,465,144	1,534,625	7,140,578	4,222,957
Pension Liability	26,418,822	26,864,437	6,809,393	46,473,866	-
Perkins Loan Program - Federal Capital Contribution	8,898,835	469,918	1,002,830	8,365,923	-
Total Other Liabilities	<u>\$ 243,765,455</u>	<u>\$ 90,912,792</u>	<u>\$ 43,937,846</u>	<u>\$ 290,740,401</u>	<u>\$ 17,023,819</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 portion of net unamortized premium and deferred costs are reflected in the Statement of Net Position as accounts payable and accrued liabilities.

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Debt-Related Liabilities					
Bonds Payable					
Revenue Bonds	\$ 83,800,000	\$ -	\$ 3,280,000	\$ 80,520,000	\$ 3,795,000
Student Fee Bonds	128,260,000	123,025,000	81,165,000	170,120,000	10,800,000
Total Bonds Payable	212,060,000	123,025,000	84,445,000	250,640,000	14,595,000
Net Unamortized Premiums and Deferred Costs	16,700,034	15,342,934	3,586,041	28,456,927	1,609,703
Total Debt-Related Liabilities	<u>\$ 228,760,034</u>	<u>\$ 138,367,934</u>	<u>\$ 88,031,041</u>	<u>\$ 279,096,927</u>	<u>\$ 16,204,703</u>

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Debt-Related Liabilities					
Bonds Payable					
Revenue Bonds	\$ 54,840,000	\$ 53,230,000	\$ 24,270,000	\$ 83,800,000	\$ 3,280,000
Student Fee Bonds	137,155,000	-	8,895,000	128,260,000	8,400,000
Total Bonds Payable	191,995,000	53,230,000	33,165,000	212,060,000	11,680,000
Net Unamortized Premiums and Deferred Costs	9,242,739.00	8,883,293	1,425,998	16,700,034	1,120,862
Total Debt-Related Liabilities	<u>\$ 201,237,739</u>	<u>\$ 62,113,293</u>	<u>\$ 34,590,998</u>	<u>\$ 228,760,034</u>	<u>\$ 12,800,862</u>

When necessary, the University issues municipal bonds for purposes of construction and renovation of campus facilities. All outstanding bonds are tax-exempt with fixed rates and maturities of twenty years or less. The principal and interest on these bonds are payable from net revenues of specific auxiliary enterprises and/or from student fees. As part of each biennial budget, the Indiana General Assembly authorizes a state appropriation to the University for "fee replacement" of debt service payments on certain student fee bonds issued under IC 21-34-6. While state statutes prohibit a current General Assembly from binding future General Assemblies to provide fee replacement, the State of Indiana has never failed to fully fund fee replacement

obligations established by a prior General Assembly. In the table that follows, all student fee bonds with the exception of Series O (now a part of Series R) are eligible for fee replacement from the state.

Issue	Description	Interest Rates	Date of Issue	Final Maturity	Original Issue	Outstanding June 30, 2016	Retired 2016-2017	Outstanding June 30, 2017	Current Portion Outstanding June 30, 2017	
Revenue Bonds Issued Under Authority of IC 21-35-3:										
Housing and Dining Series 2013	Fund the renovation and expansion of Botsford/Swinford Residence Halls in Johnson Complex	3.00-5.00%	10/08/13	2034	\$ 33,160,000	\$ 30,570,000	\$ 1,100,000	\$ 29,470,000	\$ 1,145,000	
Housing and Dining Series 2016	Fund the renovation and expansion of Schmid/Wilson Residence Halls in Johnson Complex and to refund the outstanding Housing and Dining System Revenue Bonds, Series 2006.	2.00-5.00%	01/27/16	2036	53,230,000	53,230,000	2,180,000	51,050,000	2,650,000	
Student Fee Bonds Issued Under Authority of IC 21-34-6:										
Series L	Refund all of the outstanding Student Fee Bonds remaining in Series J	3.00-5.50%	7/21/04	2021	16,425,000	6,605,000	1,180,000	5,425,000	1,245,000	
Series N	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.	3.50-5.00%	01/30/08	2028	63,615,000	41,390,000	29,030,000	12,360,000	1,045,000	
Series O	Fund a portion of the construction and renovation of the Student Recreation and Wellness Center	3.00-5.25%	03/12/09	2017	29,175,000	22,890,000	22,890,000	-	-	
Series P	Fund Phase I of the Central Campus Renovation and Utilities Improvement Project	3.00-5.25%	03/15/11	2017	32,225,000	26,350,000	26,350,000	-	-	
Series Q	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	2.00-5.00%	10/21/13	2033	35,840,000	31,025,000	1,715,000	29,310,000	1,800,000	
Series R	Fund construction of the new Health Professions Building and to refund the portions of the outstanding Student Fee Bonds, Series N and all outstanding Student Fee Bonds, Series O and Series P	2.00-5.00%	01/26/17	2037	123,025,000	-	-	123,025,000	6,710,000	
					Subtotal Bonds Payable	\$ 386,695,000	\$ 212,060,000	\$ 84,445,000	\$ 250,640,000	\$ 14,595,000
					Net Unamortized Premiums and Costs	-	16,700,035	-	28,456,928	1,609,703
					Total Bonds Payable	\$ -	\$ 228,760,035	\$ 84,445,000	\$ 279,096,928	\$ 16,204,703

Future payments related to debt for the fiscal years ending June 30 are as follows:

Bonds Payable
As of June 30, 2017

Fiscal Year	Principal	Interest	Total
2018	\$ 14,595,000	\$ 11,168,554	\$ 25,763,554
2019	14,775,000	10,986,813	25,761,813
2020	15,415,000	10,332,813	25,747,813
2021	16,190,000	9,579,400	25,769,400
2022	15,460,000	8,786,850	24,246,850
2023-2027	79,875,000	32,309,425	112,184,425
2028-2032	59,215,000	15,095,663	74,310,663
2033-2037	35,115,000	3,673,325	38,788,325
Total	\$ 250,640,000	\$ 101,932,843	\$ 352,572,843

Note F – Defeased Bonds

Bonds are defeased by early redemption or refunding with an issuance of new debt. When the bonds are defeased, irrevocable escrow accounts are established with a trustee for purposes of satisfying all future obligations of the defeased debt. Federal, state, and local government securities are purchased in amounts sufficient to pay principal and interest payments through the call date.

Proceeds of Student Fee Bonds, Series R, dated January 26, 2017, were used to refund a portion of the outstanding Student Fee Bonds, Series N and all of the outstanding Student Fee Bonds, Series O and Series P and to provide funding for construction of the new Health Professions Building. The refunding of the impacted maturities of Series N, Series O, and Series P resulted in a net accounting loss of \$2,901,139, which is being amortized over the remaining life of the bonds.

Through the refunding, the University reduced its aggregate debt service payment by \$6,143,683, which will be realized over the next fourteen years. There was an economic gain (difference between the present values of the old and new debt service payments) of \$5,274,027 on the refinancing activity. The portion of the gain related to Student Fee Bonds, Series N and

Series P accrues to the State of Indiana in that it reduces the amount of fee replacement funds provided to the University by the state. The gain related to Student Fee Bonds, Series O accrues to the University.

Under the terms of the escrow agreements, the University is relieved of all liability for the defeased issues. As such, neither the defeased bonds nor the related escrow accounts are reflected in the accompanying financial statements. The University's defeased debt is shown below:

Issue	Final Maturity/ Call Date	Amount Outstanding	
		June 30, 2017	June 30, 2016
Student Fee Bonds, Series N	7/1/2018	\$ 25,955,000	\$ -
Student Fee Bonds, Series O	1/1/2019	21,695,000	-
Student Fee Bonds, Series P	7/1/2020	25,115,000	-

Note G – 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 \$507,369 for the year ended June 30, 2017.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2017, are as follows:

Fiscal Year	Future Lease Payments
2018	\$ 494,086
2019	474,977
2020	70,117
2021	25,896
2022	25,013
Total	\$ <u>1,090,089</u>

Note H – Deposits and Investments

The Ball State University Board of Trustees (Trustees) have acknowledged responsibility as a fiduciary body for the invested assets of the University. Indiana Code 30-4-3-3 requires the Trustees to "exercise the judgment and care required by Indiana Code 30-4-3.5," the Indiana Uniform Prudent Investor Act. That act requires the Trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the Trustee shall exercise reasonable care, skill, and caution." The Trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the University's investment policy. The Trustees have delegated the day-to-day responsibilities for overseeing the investment program to the University Investment Committee which is overseen by the Vice President for Business Affairs and Treasurer.

As of June 30, 2017 and 2016, the University held deposits and investments, including endowment funds, as reflected below:

	June 30, 2017	June 30, 2016
Cash and Cash Equivalents	\$ 87,856,786	\$ 112,402,255
Short Term Investments	88,059,379	20,080,737
Investments	163,531,351	157,789,903
Total	\$ <u>339,447,516</u>	\$ <u>290,272,895</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely impact the fair value of individual investments. As interest rates rise the fair value of the underlying assets are reduced. Those assets with longer durations to maturity are the most susceptible to interest rate risk. The University has reduced its exposure to this risk by structuring subcomponents of the

portfolio to a range of targeted balances. The targeted balances are determined by each of the subcomponent's specific purposes.

The University held deposits and investments with the following maturities at June 30, 2017:

Investment Type	Fair Value June 30, 2017	Maturities (in years)	
		Less than 1	1 - 5
Money Market Funds	\$ 75,472,555	\$ 75,472,555	\$ -
Commercial Paper	9,381,609	9,381,609	-
Certificate of Deposits	47,875,392	13,511,766	34,363,626
US Treasury Bonds	4,531,349	11,108	4,520,241
US Agency Bonds	153,168,080	59,094,758	94,073,322
Corporate Debt	43,702,419	16,851,441	26,850,978
Municipal Bonds	5,257,657	1,534,473	3,723,184
All Other	58,455	58,455	-
Total Investments	\$ <u>339,447,516</u>	\$ <u>175,916,165</u>	\$ <u>163,531,351</u>

The University held deposits and investments with the following maturities at June 30, 2016:

Investment Type	Fair Value June 30, 2016	Maturities (in years)	
		Less than 1	1 - 5
Money Market Funds	\$ 102,081,085	\$ 102,081,085	\$ -
Certificate of Deposits	57,161,316	17,846,379	39,314,937
US Agency Bonds	130,975,089	12,500,123	118,474,966
All Other	55,405	55,405	-
Total Investments	\$ <u>290,272,895</u>	\$ <u>132,482,992</u>	\$ <u>157,789,903</u>

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As of June 30, 2017, the balance of the University's deposits were covered in full between the Federal Deposit Insurance Corporation (FDIC) and the Public Deposit Insurance Fund (PDIF), which covers all public funds held in approved depositories.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University manages custodial credit risk by identifying the types of investments permissible through its investment policy. The University also monitors the credit rating and other performance metrics of its custodian and commercial banks. All investments of the University are registered in the name of the University.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University addresses this risk by establishing an acceptable minimum credit rating by investment type. The minimum credit ratings do not permit ratings lower than BBB- or Baa3 thus maintaining an investment grade rating.

As of June 30, 2017 and 2016, University deposits and investments were held with the respective credit ratings as illustrated below:

Credit Quality Rating	Fair Value June 30, 2017		Percentage of Total Pool	Fair Value June 30, 2016		Percentage of Total Pool
	Maturities (in years)			Maturities (in years)		
	Less than 1	1-5		Less than 1	1-5	
Short Term Ratings						
A-1	\$ 6,687,630	\$ -	1.97%	\$ -	\$ -	0.00%
A-2	2,693,979	-	0.79%	-	-	0.00%
Long Term Ratings						
AAA	15,750	4,509,486	1.33%	-	-	0.00%
AA+	56,846,969	92,120,878	43.89%	12,262,341	108,771,713	41.70%
AA	1,566,963	2,718,414	1.26%	-	-	0.00%
AA-	8,477,249	18,597,166	7.98%	-	1,921,220	0.66%
A+	615,330	-	0.18%	-	-	0.00%
Not rated	99,012,295	45,585,407	42.60%	120,220,650	47,096,970	57.64%
Total	\$ 175,916,165	\$ 163,531,351	100.0%	\$ 132,482,991	\$ 157,789,903	100.00%

Credit Risk Concentration

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's investment practices require that deposits and investments are diversified to the extent that the securities of a single issuer are limited to less than 5% of the total portfolio market value. U.S. government securities and U.S. governmental agency securities are exempt from this requirement in practice as well as financial institutions demand deposit and other cash accounts covered by federal and state insurance.

Investments held at individual financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and the Public Deposit Insurance Fund (PDIF) and are limited to less than 20% of the total market portfolio per financial institution.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a government's deposits and investments. The University only invests in assets denominated in U.S. dollars and therefore has no direct exposure to foreign currency risk.

Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy as established by *GASB Statement No. 72, Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the underlying assets. 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.

The University had the following recurring fair value measurements as of June 30, 2017:

Investments by Fair Value Level	June 30, 2017	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Commercial Paper	\$ 9,381,609	\$ -	\$ 9,381,609
U.S. Treasuries	4,531,349	4,531,349	-
U.S. Government Agencies	153,168,080	-	153,168,080
Corporate Debt	43,702,419	-	43,702,419
Municipal Bonds	5,257,657	-	5,257,657
Total Investments by Fair Value Level	\$ 216,041,114	\$ 4,531,349	\$ 211,509,765
Non-Classified Assets			
Certificate of Deposits	\$ 47,875,392	\$ -	\$ -
Money Markets	75,472,555	-	-
All Other	58,455	-	-
Total Non-Classified Assets	\$ 123,406,402	\$ -	\$ -
Total Investments by Fair Value	\$ 339,447,516	\$ 4,531,349	\$ 211,509,765

The University had the following recurring fair value measurements as of June 30, 2016:

Investments by Fair Value Level	June 30, 2016	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Government Agencies	\$ 130,975,089	\$ -	\$ 130,975,089
Negotiable Certificate of Deposits	6,706,240	-	6,706,240
Total Investments by Fair Value Level	\$ 137,681,329	\$ -	\$ 137,681,329
Non-Classified Assets			
Certificate of Deposits	\$ 50,455,076	\$ -	\$ -
Demand Deposit Accounts	102,081,085	-	-
All Other	55,405	-	-
Total Non-Classified Assets	\$ 152,591,566	\$ -	\$ -
Total Investments by Fair Value	\$ 290,272,895	\$ -	\$ 137,681,329

Endowments

The majority of endowments pledged are held and reported by the Ball State University Foundation pursuant to Indiana Code 30-2-12, *Uniform Management of Institutional Funds*. This code sets forth the provisions governing the investment of endowment assets and the expenditure of endowment fund appreciation. The code requires that trustees and their agents act in good faith and with the care a prudent person acting in a like position would use under similar circumstances, with respect to the investment of endowment assets. The code also sets forth provisions governing the expenditure of endowment fund appreciation under which the trustees may authorize expenditures, consistent with donor intent. Complete financial statements for the BSUF can be requested from the Ball State University Foundation office at 2800 W Bethel Ave., Muncie, IN 47306.

While Ball State University Foundation holds most of the endowments, the University still has a handful of legacy endowments that were given to the University approximately fifty years ago. Endowment funds are to be held in perpetuity and may be invested in any investment type that is within the University's Investment policy including cash. The University held \$900,110 in endowment funds included as part of the cash and investment balances at June 30, 2017. At June 30, 2016, endowments held at the University were \$906,730.

Note I – Pension Plans and Other Post-Employment Benefits

Public Employees' Retirement Fund

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

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

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

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

Eligibility for Pension Benefit Payment

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

Contributions. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the investment earnings credited to the member's account. The University has elected to make the contributions on behalf of the member. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-1.1. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the year 2016, 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, 2016, there were 1,453 employees participating in PERF with an annual pay equal to \$50,958,452. In addition, there were 1,473 employees with an annual pay of \$51,878,741 participating in PERF for fiscal year ended June 30, 2017. The University's contribution to the PERF account for the years ended June 30, 2017 and 2016, were \$7,330,823 and \$7,206,871, 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
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.

Basis of the Allocation. The University's (an employer of the plan) proportion of the net pension liability for the 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, 2016.

Contributions. For the fiscal year ended June 30, 2016, there were 383 employees participating in TRF with annual pay equal to \$18,353,483. The University recorded 367 employees participating in the TRF 1996 Account with annual pay equal to \$20,822,068 for fiscal year ended June 30, 2017. 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, 2015, was \$1,697,009. The University's contribution to the Teachers' Retirement Fund 1996 account for the years ended June 30, 2017 and 2016, were \$2,173,276 and \$1,922,027, 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.

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, 2016.

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 \$887.5 million in fiscal year 2015-2016 to TRF Pre-1996. As part of the \$887.5 million contribution, the state pre-funded a one-time check (a.k.a. 13th check) of \$41.0 million in accordance with 2015 HEA 1001 for \$20.3 million and in accordance with 2016 HEA 1161 for \$20.7 million (which went into the Pension Stabilization Fund). Employers contributed \$5.0 million in fiscal year 2015-2016.

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*, the funds were reported separately starting June 30, 2015, and going forward. For the fiscal year ended June 30, 2016, the University showed 39 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to \$3,275,322. The University's contributions to the Teachers' Retirement Fund Pre-1996 for fiscal year ended June 30, 2016, was \$323,002. For the fiscal year ended June 30, 2017, the University shows 39 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to \$3,097,835. The University made contributions of \$311,060 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, 2017, the University reported a liability of \$53,221,971 for its proportionate share of the net pension liability, as compared to \$46,473,866 for the year ended June 30, 2016. The net pension liability reported by the University was measured as of June 30, 2016, for fiscal year 2016-2017, and as of June 30, 2015, for fiscal year 2015-2016 reporting. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates for all plans.

The University's proportionate percentage, deferred outflows of resources, deferred inflows of resources, net pension liability, and pension expense for each plan are shown in the following tables:

June 30, 2016:	PERF	TRF-1996	TRF Pre-1996	Aggregate
Proportionate Share	0.0106414	0.0063119	-	
Net Pension Liability/(Asset)	48,295,404	4,926,567	-	53,221,971
Deferred Outflow of Resources	14,947,941	4,124,280	-	19,072,221
Deferred Inflow of Resources	3,462,193	1,218,891	-	4,681,084
Pension Expense/(Income)	9,591,231	1,771,006	8,760,094	20,122,331

June 30, 2015:	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

The University recognized expenses of \$20,122,331 at June 30, 2017, and \$24,509,964 at June 30, 2016. For the TRF Pre-1996 plan, the University's proportionate share (amount) of the collective net pension liability was zero for both fiscal years. 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, 2016, was \$122,758,869, and \$115,339,633 at June 30, 2015. The total net pension liability for the TRF Pre-1996 Account at June 30, 2016, was \$12,052,671,460, compared to \$11,917,836,859 at June 30, 2015. 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 \$8,760,094 for June 30, 2017, and \$15,717,760 at June 30, 2016. An increase for these amounts was recorded as a state pension contribution to recognize the amount paid to INPRS by the state on behalf of the University.

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Average Remaining Service Life for 2016:	PERF 3.15 Years		TRF 1996 14 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	\$ 1,081,998	\$ 89,152	\$ 177,552	\$ 221,046	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	10,622,377	2,717,396	2,190,964	645,217	-
Change of Assumptions	2,130,831	-	1,428,244	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,112,735	655,645	327,520	352,628	-
Contributions Subsequent to the Measurement Date	5,782,058	-	1,552,340	-	222,186
Total	\$ 20,729,999	\$ 3,462,193	\$ 5,676,620	\$ 1,218,891	\$ 222,186

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 3.39 Years		TRF 1996 14 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
2017	\$ 4,476,737	\$ 425,877
2018	2,653,450	425,877
2019	3,070,198	748,485
2020	1,285,363	399,349
2021	-	113,460
Thereafter	-	792,341
Total	\$ 11,485,748	\$ 2,905,389

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 at June 30, 2017, and at June 30, 2016, can be seen in the actuarial valuations presented as follows:

Description	PERF	TRF Pre-1996 Account	TRF 1996 Account
Valuation Date:			
Assets	June 30, 2016		
Liabilities	June 30, 2015 - Member census data as of June 30, 2015, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015, and June 30, 2016. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2015, to the June 30, 2016 measurement date.		
Actuarial Cost Method (Accounting)	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 (Accounting)	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 2006	RE-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	

Description	PERF	TRF Pre-1996 Account	TRF 1996 Account
Valuation Date:			
Assets	June 30, 2015		
Liabilities	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.		
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.

	Geometric Basis at June 30, 2016		Geometric Basis at June 30, 2015	
	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation
Public Equity	5.7%	22.0%	5.3%	22.5%
Private Equity	6.2%	10.0%	5.6%	10.0%
Fixed Income - Ex Inflation-Linked	2.7%	24.0%	2.1%	22.0%
Fixed Income - Inflation-Linked	0.7%	7.0%	0.7%	10.0%
Commodities	2.0%	8.0%	2.0%	8.0%
Real Estate	2.7%	7.0%	3.0%	7.5%
Absolute Return	4.0%	10.0%	3.9%	10.0%
Risk Parity	5.0%	12.0%	5.0%	10.0%

Discount Rate. Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent at both June 30, 2016 and at June 30, 2015. 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 tables present the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent for the last two fiscal years, 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) at June 30, 2016
Pre-Funded Defined Benefit

PERF			TRF 1996		
1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 69,363,635	\$ 48,295,404	\$ 30,784,518	\$ 10,967,575	\$ 4,926,567	\$ 97,794

Discount Rate Sensitivity - Liability / (Asset) at June 30, 2015
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 in the Required Supplemental Information Section.

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, 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:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions	\$ 12,894,655	\$ 12,755,862	\$ 12,640,748
Number of Participating Members	1,694	1,720	1,799
Related Payroll	\$ 120,522,440	\$ 122,759,453	\$ 119,577,455

Other Post-Employment Benefits

In addition to providing pension benefits, the University, as authorized by the University's Board of Trustees, provides certain health care and life insurance benefits for retired employees. Substantially all of the University's regular employees may become eligible for those benefits if they retire from the University after accruing the required years of service (15 years at age 62 with 15 years in the plan; 15 years at age 50 and 15 years in the plan for those hired before July 1, 2009; and for those employees who were hired August 31, 1999 and prior may also retire with health and life insurance benefits at the earlier of age 50 with 15 years of service or age 60 with 10 years of service and only 12 months participation in the plans). 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, 2016, the University contributed \$7,591,506 (\$8,209,169 for 2015) for current claims and estimated applicable administrative costs and an additional \$1,924,605 (\$3,123,319 for 2015) 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 \$3,115,598 (\$3,035,939 for 2015) for health insurance and \$69,070 (\$67,805 for 2015) 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 \$100.97 to \$175.97 per month for single coverage and \$262.16 to \$337.16 for family coverage. For those eligible for Medicare, the monthly premiums remained

unchanged from prior year at \$109.92 for medical and prescription drug coverage and \$10.73 (\$10.52 for 2015) 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. Retirees are eligible to receive 50.0 percent of the amount of coverage they have immediately prior to retirement or prior to reaching age 66, whichever occurs first, up to a maximum of \$37,500. Retirees pay \$0.173 per \$1,000 of coverage per month, which means the maximum monthly premium paid by retirees is \$6.50.

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:

	2016	2015
Annual Required Contribution	\$ 8,361,558	\$ 7,346,354
Interest on Net OPEB Obligation	(881,907)	(732,994)
Adjustment to Annual Required Contribution	765,102	617,158
Annual OPEB Cost	\$ 8,244,753	\$ 7,230,518
Contributions Made	(10,339,568)	(9,216,039)
Increase (Decrease) in Net OPEB Obligation	\$ (2,094,815)	\$ (1,985,521)
Net OPEB Obligation (Asset), Beginning of Year	(11,758,764)	(9,773,243)
Net OPEB Obligation (Asset), End of Year	\$ (13,853,579)	\$ (11,758,764)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two previous years were as follows:

	Year	Annual	Percentage	Net OPEB
	Ending	OPEB Cost	of Annual	Obligation (Asset)
			OPEB Cost	
			Contributed	
Health Insurance	6/30/2014	\$ 8,435,393	102.6%	\$ (8,492,491)
	6/30/2015	6,896,136	119.0%	(9,805,524)
	6/30/2016	8,151,644	113.7%	(10,923,483)
Life Insurance	6/30/2014	\$ 456,105	204.4%	\$ (1,280,754)
	6/30/2015	334,382	301.1%	(1,953,242)
	6/30/2016	93,109	1149.2%	(2,930,096)

Funded Status and Funding Progress

	Valuation Date	Actuarial Value of Assets	Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/16	\$ 224,965,896	\$ 260,747,983	\$ 35,782,087	86.3%	\$ 181,818,904	19.7%
Life	7/1/16	23,246,027	22,593,209	(652,818)	102.9%	\$ 181,818,904	-0.4%
Total		\$ 248,211,923	\$ 283,341,192	\$ 35,129,269	87.6%	\$ 181,818,904	19.3%
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%

As of June 30, 2016, (while using the July 1, 2016, actuarial valuation report), the health insurance plan was 86.3 percent funded. This is lower than the 87.3 percent from the previous July 1, 2015, actuarial report and reflects a change in actuarial assumption for discount rate. The trust assets also experienced a dip in the market thus reducing our asset valuation from unrealized losses by \$14.9 million.

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 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. The change in AAL between the July 1, 2015, and July 1, 2016, actuarial studies was minimal.

The prior study used a 7.5 percent discount rate and the July 1, 2016, study is using a 7.0 percent discount rate. Most other actuarial assumptions remained unchanged. This lower rate more accurately portrays the experience of the investment trust asset growth over the last several years. It is the University's intent to make 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 2016 and 2015 also included an annual health care cost trend rate for medical and prescription drug to be 8.25 percent the first year and reduced to an ultimate 3.5 percent after ten years. The dental cost trend rate for 2016 increased to 4.5 percent from 4.0 percent and drops to 3.5 percent after ten years. Administrative costs relating to the healthcare trends are included. A payroll growth rate was reduced to 3.5 percent for 2016 as opposed to 4.0 percent. 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 years ended June 30, 2016 and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Fund Balance, Beginning of Year	\$ 226,660,904	\$ 218,409,567
Adjustment Due to Difference on Fund Manager Statement	-	(51,743)
Adjusted Market Value, Beginning of Year	\$ 226,660,904	\$ 218,357,824
Transfer from Ball State University	1,631,567	-
Reinvested Net Earnings	11,537,736	8,706,502
Unrealized (Loss)	(14,864,311)	(403,422)
Fund Balance, End of Year	<u>\$ 224,965,896</u>	<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 years ended June 30, 2016 and June 30, 2015:

	2016	2015
Fund Balance, Beginning of Year	\$ 23,883,938	\$ 23,466,229
Adjustment Due to Difference on Fund Manager Statement	-	(7,174)
Adjusted Market Value, Beginning of Year	\$ 23,883,938	\$ 23,459,055
Retiree Benefit Payments	(370,025)	-
Reinvested Net Earnings	555,777	584,969
Unrealized (Loss)	(619,163)	(160,086)
Fund Balance, End of Year	\$ <u>23,450,527</u>	\$ <u>23,883,938</u>

These funds cannot under any circumstances revert to the University.

Note J – Included Entities

The University operates Burriss Laboratory School (kindergarten through high school), and the Indiana Academy for Science, Mathematics, and Humanities (a residential high school), under the direction of the Teachers College. The financial activity for these entities is included in the required financial statements of this annual report.

Note K – 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 a loan guaranty agreement on one property as discussed below:

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 \$50,072,477 at June 30, 2017.

Note L – 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 has had no settlements in excess of insurance coverage for each of the past three fiscal years. 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, 2017, and June 30, 2016, was \$3.4 million and \$3.5 million, respectively, as determined by the University's actuarial consultants. Claims activity for each year was as follows:

June 30, 2017	
Unpaid Health Care Claims at July 1, 2016	\$ 3,521,278
Claims Incurred	44,390,356
Claims Paid	<u>44,531,571</u>
Unpaid Health Care Claims at June 30, 2017	<u>\$ 3,380,063</u>

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>

Note M – Functional Expenses

The University's operating expenses by functional classification were as follows for fiscal year ended June 30, 2017:

	Functional Classification						
	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	Total
Instruction	\$ 105,173,071	\$ 43,728,003	\$ 101,642	\$ 4,285	\$ 13,508,959	\$ -	\$ 162,515,960
Research	4,775,585	1,598,084	11,009	827	1,838,342	-	8,223,847
Public Service	5,618,018	2,249,113	-	35,716	4,591,737	-	12,494,584
Academic Support	27,103,580	12,339,628	26,125	8,969	8,866,029	-	48,344,331
Student Services	6,750,501	3,000,519	7,810	2,068	7,590,062	-	17,350,960
Institutional Support	44,984,249	14,055,729	7,971	(775,010)	22,589,321	-	80,862,260
Oper & Maint of Physical Plant	13,793,220	8,415,770	-	12,459,333	5,094,188	-	39,762,511
Scholarships & Fellowships	1,716,657	802,970	7,188,983	-	178,745	-	9,887,355
Auxiliary Enterprises	31,842,837	10,689,842	8,368,036	959,803	34,324,027	-	86,184,545
Depreciation	-	-	-	-	-	27,440,008	27,440,008
Total Operating Expenses	<u>\$ 241,757,718</u>	<u>\$ 96,879,658</u>	<u>\$ 15,711,576</u>	<u>\$ 12,695,991</u>	<u>\$ 98,581,410</u>	<u>\$ 27,440,008</u>	<u>\$ 493,066,361</u>

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

	Functional Classification						
	Personnel Services	Benefits	Student Aid	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
Institutional Support	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
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, 2017

Other Post-Employment Benefits Retiree Health and Life Insurance Plans

	Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/16	\$ 224,965,896	\$ 260,747,983	\$ 35,782,087	86.3%	\$ 181,818,904	19.7%
Life	7/1/16	23,246,027	22,593,209	(652,818)	102.9%	\$ 181,818,904	-0.4%
Total		<u>\$ 248,211,923</u>	<u>\$ 283,341,192</u>	<u>\$ 35,129,269</u>	87.6%	\$ 181,818,904	19.3%
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		<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	21,672,127	21,579,195	(92,932)	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	21,487,762	22,261,030	773,268	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	16,546,332	20,150,137	3,603,805	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	25,238,907	19,036,901	(6,202,006)	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*

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0106414	\$ 48,295,404	\$ 50,999,766	94.7%	75.3%
2015	0.0106374	\$ 43,325,088	\$ 50,950,992	85.0%	77.3%
2014	0.0099214	\$ 26,072,795	\$ 48,439,081	53.8%	84.3%
2013	0.0098422	\$ 33,710,313	\$ 47,254,108	71.3%	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*

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0063119	\$ 4,926,567	\$ 18,180,579	27.1%	87.79%
2015	0.0059797	\$ 3,148,778	\$ 16,389,126	19.2%	91.08%
2014	0.0072770	\$ 346,027	\$ 18,832,391	1.8%	99.1%
2013	0.0065355	\$ 2,055,229	\$ 15,926,895	12.9%	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*

Fiscal Year	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	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	\$ -	\$ -	100.00%	\$ 989,093,000	N/A	28.4%
2015	\$ -	\$ -	100.00%	\$ 1,074,827,000	N/A	30.0%
2014	\$ -	\$ -	100.00%	\$ 1,262,828,000	N/A	33.6%
2013	\$ -	\$ -	100.00%	\$ 1,383,428,000	N/A	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*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	\$ 5,689,277	\$ 5,689,277	\$ -	\$ 50,999,766	11.16%
2015	\$ 5,504,427	\$ 5,504,427	\$ -	\$ 50,950,992	10.80%
2014	\$ 5,409,794	\$ 5,409,794	\$ -	\$ 48,439,081	11.17%
2013	\$ 4,554,942	\$ 3,247,355	\$ -	\$ 47,254,108	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*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	\$ 1,366,970	\$ 1,366,970	\$ -	\$ 18,180,579	7.52%
2015	\$ 1,304,966	\$ 1,304,966	\$ -	\$ 16,389,126	7.96%
2014	\$ 1,321,375	\$ 1,321,375	\$ -	\$ 18,832,391	7.02%
2013	\$ 1,194,517	\$ 1,194,517	\$ -	\$ 15,926,895	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*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	\$ 230,716	\$ 230,716	\$ -	\$ 3,275,322	7.04%
2015	\$ 230,667	\$ 230,667	\$ -	\$ 3,335,080	6.92%
2014	\$ 441,356	\$ 441,356	\$ -	\$ 4,370,814	10.10%
2013	\$ 443,976	\$ 443,976	\$ -	\$ 4,274,503	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

Notes to Required Supplementary Information

To assist in the review of the PERF and TRF schedules please see actuarial assumptions per year on the table below, as reported on the Indiana Public Retirement System (INPRS) Comprehensive Annual Financial Reports (CAFR):

Actuarial Assumptions per Fiscal Year
PERF

Fiscal Year	Experience Study Date	Investment Rate of Return (Accounting)	Cost of Living Increases (COLA) or "Ad Hoc" COLA	Future Salary Increases, including Inflation	Inflation	Mortality	Source: INPRS CAFR
2016	Period of 4 Years ended June 30, 2014	6.75%, Net of Investment Expense, Including Inflation	1.00%	2.50% - 4.25%	2.25%	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	2016 Page 90
2015	Period of 4 Years Ended June 30, 2014	6.75%, Net of Investment Expense, Including Inflation	1.00%	2.50% - 4.25%	2.25%	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016	2015 Page 87
2014	Period of 5 Years Ended June 30, 2010	6.75%, Net of Investment Expense, Including Inflation	1.00%	3.25% - 4.5%	3.00%	N/A	2014 Page 87

Actuarial Assumptions per Fiscal Year
TRF 1996

Fiscal Year	Experience Study Date	Investment Rate of Return (Accounting)	Cost of Living Increases (COLA) or "Ad Hoc" COLA	Future Salary Increases, including Inflation	Inflation	Mortality	Source: INPRS CAFR
2016	Period of 3 years ended June 30, 2014	6.75%, net of investment expense, including inflation	1.00%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	2016 Page 90
2015	Period of 3 years ended June 30, 2014	6.75%, net of investment expense, including inflation	1.00%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2016	2015 Page 87
2014	Period of 4 years ended June 30, 2011	6.75%, net of investment expense, including inflation	1.00%	3.0% - 12.5%	3.00%	N/A	2014 Page 87

Actuarial Assumptions per Fiscal Year
TRF Pre-1996

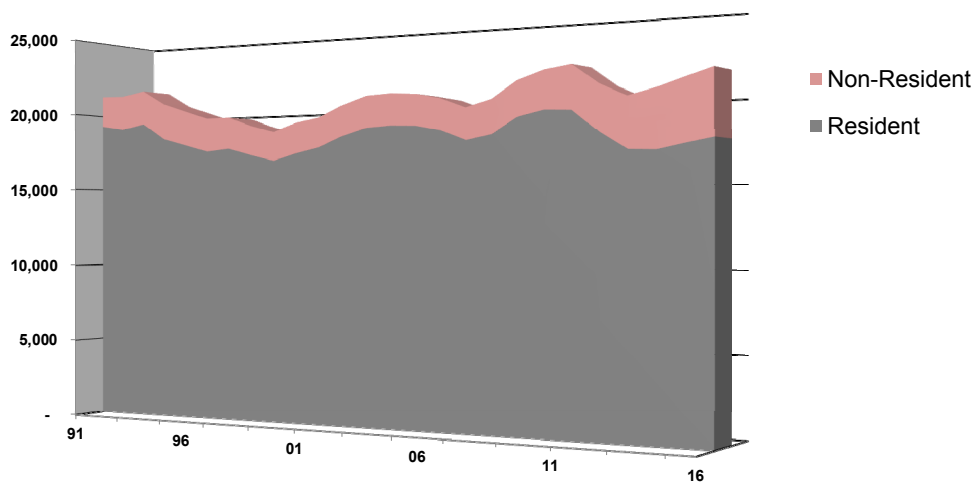
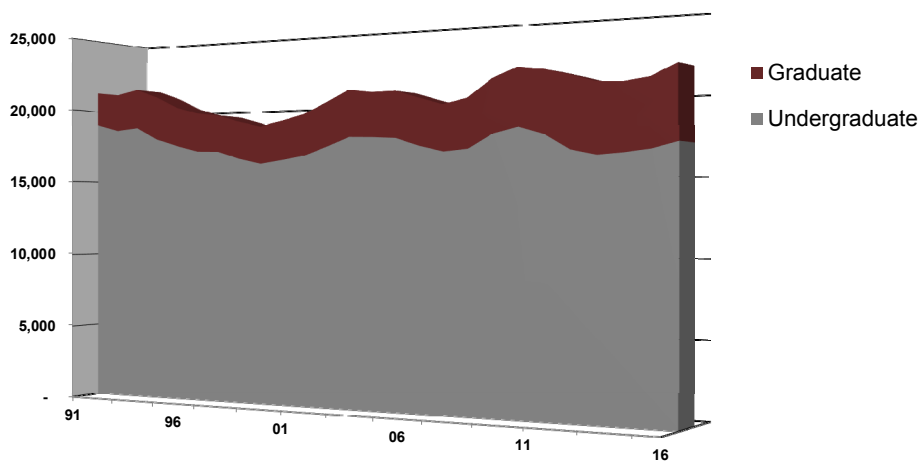
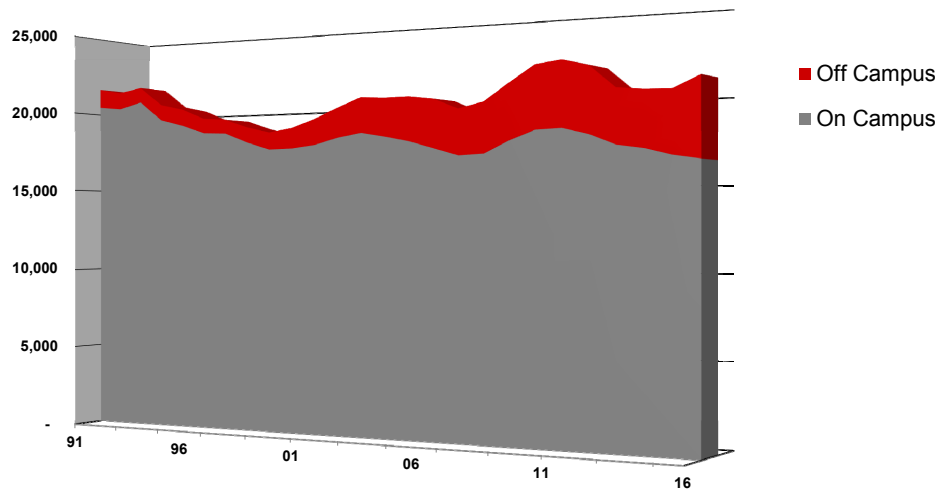
Fiscal Year	Experience Study Date	Investment Rate of Return (Accounting)	Cost of Living Increases (COLA) or "Ad Hoc" COLA	Future Salary Increases, including Inflation	Inflation	Mortality	Source: INPRS CAFR
2016	Period of 3 years ended June 30, 2014	6.75%, net of investment expense, including inflation	1.00%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	2016 Page 90
2015	Period of 3 years ended June 30, 2014	6.75%, net of investment expense, including inflation	1.00%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2016	2015 Page 87
2014	Period of 4 years ended June 30, 2011	6.75%, net of investment expense, including inflation	1.00%	3.0% – 12.5%	3.00%	N/A	2014 Page 87

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 1991-2016

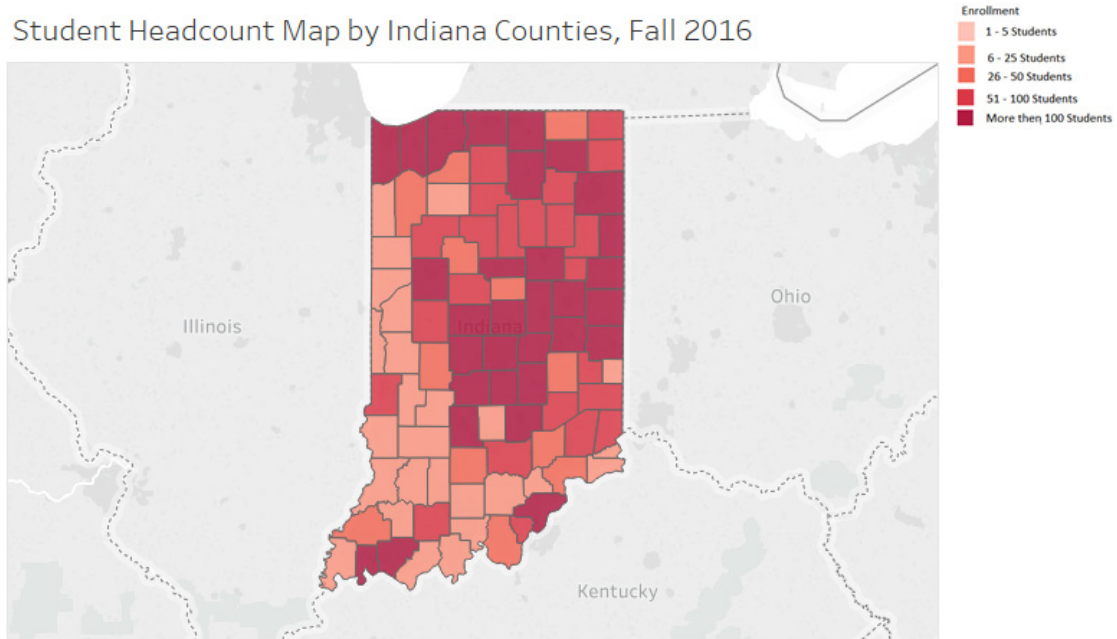


Ball State University

FACT BOOK 2016-17



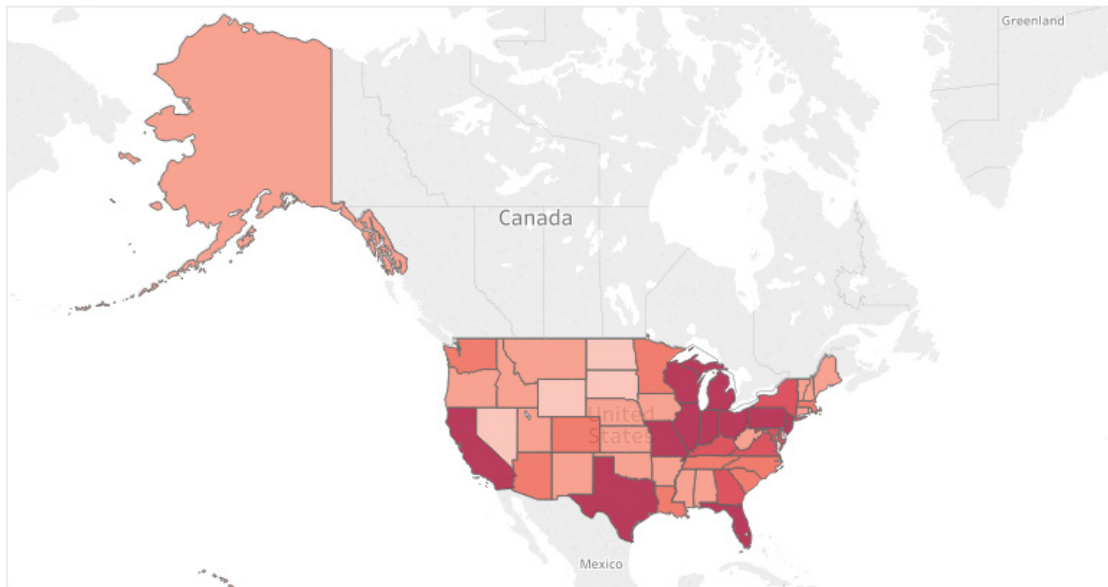
Student Headcount Map by Indiana Counties, Fall 2016



Adams	150	Dubois	64	Jasper	43	Newton	13	Unknown	2
Allen	872	Elkhart	322	Jay	185	Noble	103	Starke	30
Bartholomew	158	Fayette	79	Jefferson	49	Ohio	6	Steuben	52
Benton	10	Floyd	96	Jennings	27	Orange	16	Sullivan	14
Blackford	90	Fountain	20	Johnson	396	Owen	11	Switzerland	6
Boone	257	Franklin	71	Knox	23	Parke	15	Tippecanoe	309
Brown	10	Fulton	56	Kosciusko	166	Perry	6	Tipton	48
Carroll	29	Gibson	27	La Porte	165	Pike	11	Union	17
Cass	75	Grant	239	Lagrange	31	Porter	308	Vanderburgh	161
Clark	113	Greene	19	Lake	609	Posey	13	Vermillion	7
Clay	17	Hamilton	2,201	Lawrence	50	Pulaski	23	Vigo	67
Clinton	73	Hancock	490	Madison	699	Putnam	36	Wabash	59
Crawford	6	Harrison	42	Marion	1,948	Randolph	185	Warren	14
Daviess	10	Hendricks	511	Marshall	90	Ripley	60	Warrick	127
De Kalb	99	Henry	246	Martin	11	Rush	44	Washington	19
Dearborn	98	Howard	289	Miami	59	Scott	23	Wayne	196
Decatur	57	Huntingt...	78	Monroe	130	Shelby	117	Wells	86
Delaware	2,506	Jackson	77	Montgomery	63	Spencer	11	White	54
				Morgan	124	St Joseph	486	Whitley	89



Undergraduate and Graduate Unduplicated Headcount by State, Fall 2016



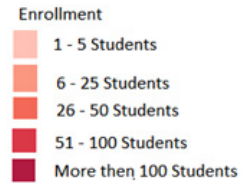
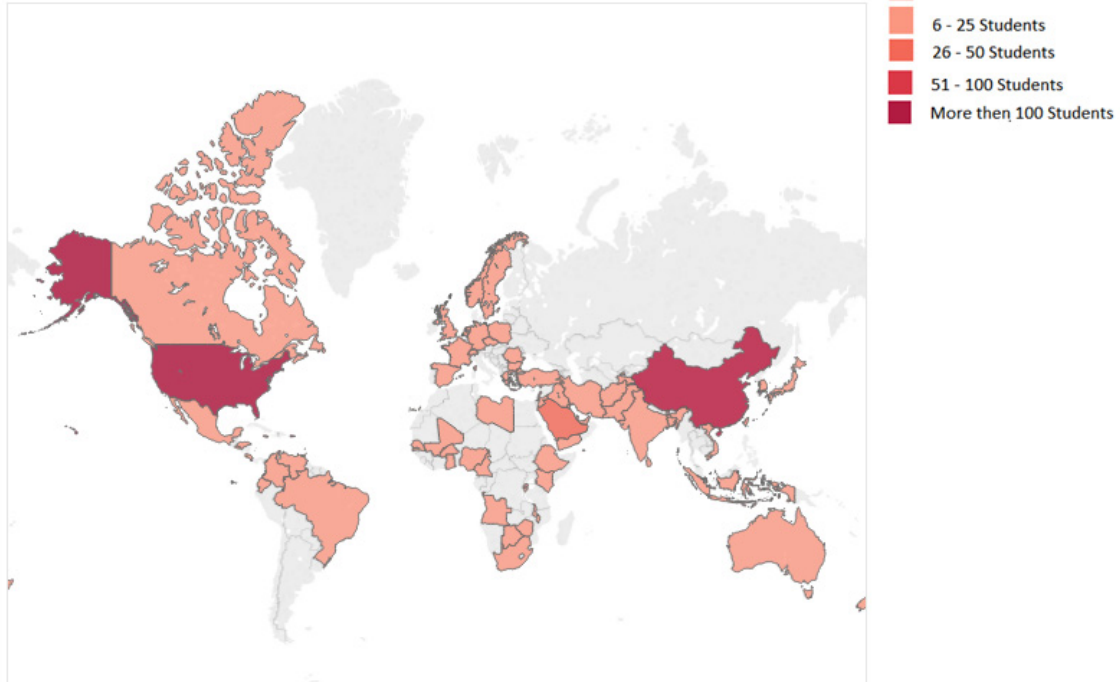
Alabama	19	Indiana	17,269	Nevada	5	South Carolina	34	Enrollment 1 - 5 Students 6 - 25 Students 26 - 50 Students 51 - 100 Students More than 100 Students
Alaska	6	Iowa	20	New Hamps..	12	South Dakota	3	
Arizona	33	Kansas	17	New Jersey	124	Tennessee	48	
Arkansas	7	Kentucky	71	New Mexico	8	Texas	115	
California	220	Louisiana	29	New York	65	U.S. Armed Fo..	8	
Colorado	45	Maine	8	North Carol..	43	Unknown	30	
Connecticut	23	Maryland	58	North Dako..	4	Utah	22	
Delaware	3	Massachus..	32	Ohio	710	Vermont	7	
District of C..	4	Michigan	366	Oklahoma	14	Virginia	74	
Florida	142	Minnesota	29	Oregon	11	Washington	32	
Georgia	76	Mississippi	11	Pennsylvan..	106	West Virginia	9	
Hawaii	11	Missouri	109	Puerto Rico	3	Wisconsin	115	
Idaho	9	Montana	6	Rhode Island	2	Wyoming	3	
Illinois	1,193	Nebraska	8					

Ball State University

FACT BOOK 2016-17



Student Headcount by Country, Fall 2016



Afghanistan	2	Czech Republic	1	Isle of Man	1	Norway	1	Sweden	1
Angola	1	Ecuador	1	Jamaica	1	Pakistan	2	Switzerland	1
Australia	9	El Salvador	1	Japan	13	Poland	2	Taiwan	6
Bangladesh	11	Ethiopia	1	Jordan	3	Qatar	1	Tajikistan	4
Botswana	1	France	1	Kenya	1	Romania	1	Trinidad an..	4
Brazil	5	Germany	5	Kuwait	2	Rwanda	2	Turkey	1
Bulgaria	1	Ghana	4	Lebanon	1	Saint Vincent and the ..	1	United Arab..	3
Burkina Faso	1	Greece	1	Libya	5	Saudi Arabia	109	United King..	6
Burundi	1	Honduras	1	Malawi	1	Senegal	1	United Stat..	21,431
Cameroon	1	Hong Kong	1	Mali	1	Singapore	2	Venezuela	2
Canada	23	India	21	Mexico	2	South Africa	1	Vietnam	4
China	233	Indonesia	2	Netherlands	2	South Korea	20	West Bank	1
Colombia	1	Iran	2	New Zealand	1	Spain	5	Yemen	1
Costa Rica	2	Iraq	8	Nigeria	6	Sri Lanka	2	Zimbabwe	1

Student Financial Assistance 2006-2007 through 2016-2017 (in millions of dollars)

