

# Financial Report

Year Ended June 30, 2020



**BALL STATE  
UNIVERSITY**

**FILED**

12/17/2020

Front Cover: Shafer Tower

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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, 2020  
and the results of activities for  
the year then ended.

Alan T. Finn  
Vice President for Business Affairs  
and Treasurer

Ball State University's Report Date.....October 23, 2020

# Report of the President

It is my privilege to present the *Annual Financial Report of Ball State University* for the year ended June 30, 2020. The University received an unmodified opinion on the audit letter from the Indiana State Board of Accounts, which is included in this annual report.

This report includes financial statements for the year ended June 30, 2020, with comparative information from the previous fiscal year. These statements, along with the Notes to the Financial Statements, Management's Discussion and Analysis, and Required Supplemental Information, present the financial activity as well as the financial strength and stability of the University. Our management team is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States.

More than 100 years ago, our University was founded by the five Ball brothers. They believed that higher education was the foundation of a fulfilling life and that well educated people were vital to building and sustaining a vibrant community. And the Ball brothers had the capacity and the courage to make the investments necessary to achieve that ambitious vision.

The seed that the Ball brothers planted and nurtured has matured into a comprehensive, public research university with more than 22,000 students and more than 200,000 living graduates. Today, in our second century, our University remains committed to providing a premier undergraduate experience and select graduate degrees. Symbolized by the statue Beneficence, our enduring values—excellence, innovation, courage, integrity, inclusiveness, social responsibility, and gratitude—guide us toward our bright future.

Ball State is designated as a Doctoral University: Higher Research Activity by The Carnegie Classification of Institutions of Higher Education. Our University is nationally recognized for the quality of our academic programs, our state-of-the-art facilities, our community engagement efforts, and our commitment to inclusive excellence. We are also proud to serve as a national model of sustainability. A few examples of how our momentum continues to be driven by our dedicated faculty and staff and by our talented students:

- As a result of coordinated and innovative recruitment strategies, Ball State received approximately 28,000 applications for undergraduate admission, setting an institutional record.
- We welcomed more than 4,050 young women and men to campus as members of our University's largest freshman class. The class was also the most diverse, with 23% identifying as underrepresented minorities, as well as the most academically prepared, with a median high school grade point average of 3.53 and 76.4% holding an Academic Honors Diploma.
- Our total enrollment for the 2019-20 academic year was a record-setting 22,443 students.

During the last few months of the 2019-20 academic year, our University experienced the impact of COVID-19's arrival on our campus. Despite the challenges presented by the pandemic, our University experienced a good year financially:

- Our University's total net position increased by \$52.9 million—approximately 7%—compared to last fiscal year.
- Our University's unrestricted net position increased by \$23.4 million—more than 11%—compared to last fiscal year.
- For the second year in a row, our alumni and benefactors memorialized more than \$30 million in new philanthropic commitments—the first time that we've reached this level in consecutive years.
- On April 7, 2020, we held our second annual One Ball State Day. Together, our faculty, staff, students, alumni, and friends contributed \$530,000. The 24-hour campaign resulted in more than 6,300 gifts from more than 4,300 donors.

As a result of the planning, diligence, and hard work of our employees who oversee the design, construction, and supervision of our building projects, our University is experiencing the largest concentrated five-year period of construction in the history of our institution. In this short period of time:

- We have built the Health Professions Building, we are constructing the Foundational Sciences Building, and in 2021, we will soon begin the extensive renovation of Cooper Science Complex. By 2023, these three facilities, which represent an extraordinary investment by the State of Indiana, will provide premier spaces and technology for students pursuing careers in science and health.
- We are demolishing the outdated LaFollette Complex and replacing it with the North Residential Neighborhood, providing our students with first-rate places to live and learn.
- We are also making progress on the new East Mall, a pathway that runs north from The Village to the Gora Student Recreation and Wellness Center on Neely Avenue. A significant step was to build the New York Avenue Parking Structure, demolish the Emens Parking Structure, and replace that space with the Grand Lawn. Just to the west of

the new lawn, we are constructing our new Multicultural Center, which will allow us to expand programming for all of our students.

These projects are visible examples of our University's bright future, as is our strategic plan, *Destination 2040: Our Flight Path*, which we continue to implement. During the 2019-20 academic year, we created the Strategic Imperative Fund, which allowed our University to award approximately \$2.2 million to support proposals that will expedite the implementation of our strategic plan.

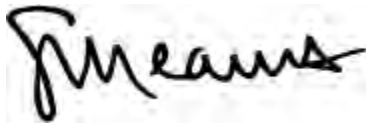
We also completed our first Strategic Plan Annual Report, which illustrates the progress our University is making in implementing the 2040 goals and 2024 strategic imperatives outlined in our strategic plan. The report provides several examples of how the members of our University community worked collaboratively throughout the 2019-20 academic year to advance progress toward achieving these strategic goals. Some of the highlights include our enhanced enrollment strategies to serve underrepresented students, our launch of several new programs to serve lifetime learners, and the release of our Inclusive Excellence Plan, the first of its kind for our University.

We remain proud of the progress we continue to make in our University's strategic partnership with Muncie Community Schools (MCS). Since the partnership began in 2018, our University has made significant strides to transform our local public schools. Enrollment has stabilized and, for the first time in almost a decade, teachers have received raises in consecutive years. Also, thanks to the generosity of community partners and competitive grants, MCS has received a total of \$6.6 million in philanthropic investments and external funding. Our University co-sponsored an innovation summit in September 2019, at which MCS administrators, teachers, and community stakeholders came together with nationally recognized educators to imagine the possibilities of the historic partnership. Outcomes from the summit informed the creation of the MCS Academic Innovation Plan, which describes how the district will collaborate with our University and with other community partners to implement an innovative, community-based education model that guides students from cradle to career.

The creation of this plan exemplifies how campus and community members are making a difference for MCS students and their families. These efforts demonstrate how, at Ball State, we are committed to preparing our graduates to have fulfilling careers and to lead meaningful lives, while also enhancing the economic and civic vitality of our community.

On behalf of the Board of Trustees of Ball State University and all those who contribute to the stewardship of the resources benefiting our great institution, I respectfully submit this *Annual Financial Report of Ball State University* for the year ended June 30, 2020.

Sincerely,



Geoffrey S. Mearns

President

Ball State University

*\* 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

## 2019-2020

Thomas C. Bracken, Muncie, IN  
(completed term December 31, 2019)

E. Renae Conley, Chicago, IL

Brian Gallagher, Chevy Chase, MD

Henry O. Hall, Fort Wayne, IN  
(appointed July 1, 2019)

Richard J. Hall, Carmel, IN

Jean Ann Harcourt, Milroy, IN

Mark Hardwick, Yorktown, IN  
(appointed January 1, 2020)

Mike McDaniel, Indianapolis, IN

Matthew Momper, Fort Wayne, IN

Rebeca Mena, Muncie, IN  
(appointed July 1, 2019)

### Officers

- E. Renae Conley.....Chair
- Matthew Momper.....Vice Chair
- Mike McDaniel.....Secretary
- Brian Gallagher.....Assistant Secretary
- Alan T. Finn.....Treasurer

**University President**  
Geoffrey S. Mearns



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2020 and 2019, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ball State University Foundation, Inc. (Foundation), a component unit of the University as described in Note A, which represent 75 percent, 96 percent, and 25 percent, respectively, of the total assets, net position, or fund balance, and revenues of the aggregately discretely presented component units. 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 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.

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 the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2020 and 2019, 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, Schedule of Ball State University's Proportionate Share of the Net Pension Liability Public Employees' Defined Benefit Account (PERF DB), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' 1996 Defined Benefit Account (TRF 1996 DB), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' Pre-1996 Defined Benefit Account (TRF Pre-1996 DB), Schedule of Ball State University's Contributions Public Employees' Defined Benefit Account (PERF DB), Schedule of Ball State University's Contributions Teachers' 1996 Defined Benefit Account (TRF 1996 DB), Schedule Ball State University's Contributions Teachers' Pre-1996 Defined Benefit Account (TRF Pre-1996), Schedule of Ball State University's Changes in Net OPEB Liability and Related Ratios Multi-year Health Care Plan, Schedule of Ball State University's Changes in Net OPEB Liability and Related Ratios Multi-year OPEB 115 Plan (Life), Schedule of the Net OPEB Liability Multiyear Health Care Plan, Schedule of the Net OPEB Liability Multiyear OPEB 115 Plan, Schedule of Ball State University's OPEB Contributions Multi-year Health Care Plan, Schedule of Ball State University's OPEB Contributions Multi-year OPEB 115 Plan (Life Insurance) 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 accompanying To the President and Board of Trustees; Report of the President; General Information; Board of Trustees and President of Ball State University; and Supplemental Information section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The To the President and Board of Trustees; Report of the President; General Information; Board of Trustees and President of Ball State University; and Supplemental Information section 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the University's 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

October 23, 2020

# Ball State University

## Management's Discussion and Analysis

### June 30, 2020

#### The University

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

Ball State University's seven academic colleges offer approximately 120 undergraduate majors and preprofessional options as well as multiple masters- and doctoral-level programs. In addition, the University offers specialists programs providing professional and pre-professional specialization as well as education in the liberal arts and sciences. 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, Burris, 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 2019 totaled 18,673 full-time equivalent students from a total headcount of 22,443. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 15,637 full-time equivalent students from a total headcount of 15,969. The University attracts students from a variety of backgrounds and geographical locations. As of fall 2019, approximately 75 percent of the University's students are characterized as Indiana residents; however, all 50 states and the District of Columbia and 63 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 2019-2020 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 3,118 full-time and 360 part-time personnel. The campus facilities include over 130 buildings totaling over seven million gross square feet situated 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, 2020, with selected comparative information for the two fiscal years ended June 30, 2019, and 2018. 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.
- Beginning with fiscal year ended June 30, 2018, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the University to include the net Other Postemployment Benefits (OPEB) liability, OPEB expense and related deferred inflows and outflows of the defined benefit OPEB plans in the University's financial statements. This presentation in the financial statements, notes to the financial statements and the required supplementary information is similar to the reporting for defined benefit pension plans.

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

Beginning with the 2018-2019 fiscal year, the legally separate Muncie Community Schools financial statements prepared in accordance with generally accepted accounting principles (GAAP) will be discretely presented within the University's Annual Financial Report. Due to legislative action, the University was given the authority to appoint the Muncie Community School Board of Trustees in May of 2018 and thereon.



Beneficence or "Benny"

## **Financial Highlights**

The total net position of the University increased by \$52.9 million compared to the fiscal year 2018-2019, due primarily to a \$23.4 million increase in unrestricted net position and a \$94.6 million increase in net investment in capital assets, partially offset by a \$66.2 million decrease in net position restricted for construction resulting from the spending of bond proceeds for the construction of the Foundational Sciences Building and Phase I of the North Residential Neighborhood. A more detailed discussion of the change in net position can be found later in this report. For fiscal year 2018-2019, the total net position of the University increased by \$21.5 million as compared to fiscal year 2017-2018, due primarily to a \$13.6 million increase in net position restricted for construction resulting from the issuance of student fee bonds for the construction of the Foundational Sciences Building, offset by spending of bond proceeds previously received for the Health Professions Building and Phase I of the North Residential Neighborhood.



North Residence Hall

## **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, 2020, 2019, and 2018		
		2020	2019	2018
<b>Assets:</b>				
Current Assets		\$ 220,317,042	\$ 249,497,935	\$ 281,523,471
<b>Noncurrent Assets:</b>				
Capital Assets, Net of Depreciation		821,050,246	749,180,530	691,999,162
Other		266,871,410	275,005,694	200,435,705
Deferred Outflows of Resources		49,846,117	39,620,129	38,496,737
<b>Total Assets and Deferred Outflows of Resources</b>		<b><u>\$1,358,084,815</u></b>	<b><u>\$1,313,304,288</u></b>	<b><u>\$1,212,455,075</u></b>
<b>Liabilities:</b>				
Current Liabilities		\$ 96,266,070	\$ 74,527,975	\$ 56,966,036
Noncurrent Liabilities		442,808,451	477,334,729	419,342,829
Deferred Inflows of Resources		33,390,434	28,703,841	24,944,386
<b>Total Liabilities and Deferred Inflows of Resources</b>		<b><u>\$ 572,464,955</u></b>	<b><u>\$ 580,566,545</u></b>	<b><u>\$ 501,253,251</u></b>
<b>Net Position:</b>				
Net Investment in Capital Assets		\$ 468,580,247	\$ 373,940,530	\$ 376,564,162
Restricted		84,920,092	150,106,804	135,664,529
Unrestricted		232,119,521	208,690,409	198,973,133
<b>Total Net Position</b>		<b><u>\$ 785,619,860</u></b>	<b><u>\$ 732,737,743</u></b>	<b><u>\$ 711,201,824</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>		<b><u>\$1,358,084,815</u></b>	<b><u>\$1,313,304,288</u></b>	<b><u>\$1,212,455,075</u></b>

## 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 decreased \$29.2 million, or 11.7 percent, from the previous year, primarily due to a net decrease in cash and cash equivalents and short term investments of \$25.6 million and a decrease in accounts receivable of \$3.0 million. The net decrease between cash and short term investments can be largely attributed to spending for capital projects including the ongoing North Residential Neighborhood project, the new Foundational Sciences Building, and the New York Avenue Parking Structure.

In fiscal year 2018-2019, current assets decreased \$32.0 million, or 11.4 percent, from the previous year primarily due to a net decrease in cash and cash equivalents and short term investments of \$38.2 million, a decrease in accounts receivable of \$3.9 million, and an increase in Deposit with Bond Trustee of \$9.8 million. The net decrease in cash and short term investments was attributed primarily to the existing market conditions and expectations in the fixed income market that favored longer duration assets, resulting in a rebalancing of funds between cash, short term, and long term investments. The increase in Deposit with Bond Trustee resulted primarily from initial debt service payments on the Housing & Dining System Revenue Bonds, Series 2018 and the Student Fee Bonds, Series S.

Noncurrent assets consist primarily of investments and capital assets, net of depreciation, but also includes Accounts and Notes Receivable, Net, and Net OPEB Asset. Noncurrent assets at June 30, 2020, showed a \$63.7 million, or 6.2 percent, increase over the previous year. The net increase is made up primarily of the combination of a \$2.2 million decrease in Accounts and Notes Receivable, Net, a \$5.6 million decrease in investments, and a \$71.9 million increase in capital assets, net of depreciation. The decrease in Accounts and Notes Receivable, Net is primarily due to a decrease in Perkins Loans, the decrease in investments is largely associated with capital expenditures during the year, shifting towards shorter duration instruments for future liquidity needs, and unrealized gains on investments incurred during the fiscal year, while the increase to capital assets is attributable to construction in progress of the ongoing North Residential Neighborhood project, the new Foundational Sciences Building, and the new New York Avenue Parking Structure. 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, 2020, and June 30, 2019.

Noncurrent assets at June 30, 2019, showed a \$131.8 million, or 14.8 percent, increase over the previous year. The increase included a \$76.7 million increase in investments and a \$57.2 million increase in capital assets, net of depreciation.



Students walking near Frog Baby

### **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, Accounting for Pensions by State and Local Governmental Employers*; GASB Statement No. 71, *Pension Transition for Contributions Made subsequent to the Measurement Date—an amendment of GASB Statement No. 68*; and GASB Statement No. 75. The balances reported on these line items represent changes of the net pension liability (total pension liability less the fiduciary net position) and net Other Post-Employment Benefits (OPEB) liability (total OPEB liability less the fiduciary net position). Most changes to net pension OPEB liabilities are to be included in benefits 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, 2020, was a \$10.2 million increase, and changes and differences to deferred inflows was a \$4.7 million increase. Deferred outflows decreased for pensions and increased for OPEB, while deferred inflows increased for both pensions and OPEB. The changes and differences to deferred outflows at June 30, 2019, was a \$1.1 million increase, while changes and differences to deferred inflows was a \$3.8 million increase. For additional details see the Notes and Required Supplemental Information sections of the financial report. The measurement date of the defined benefit pension plans that are administered by Indiana Public Retirement System (INPRS), and the OPEB plans administered by the University, is June 30, 2019, for the 2019-2020 financial report, and June 30, 2018, for the 2018-2019 financial report.

## **Current and Noncurrent Liabilities**

Current liabilities consist primarily of accounts payable, interest payable, accrued compensation and related benefits, as well as 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 2019-2020, the University's current liabilities increased by \$21.7 million, or 29.2 percent. The net increase was primarily due to an increase in accounts payable and accrued liabilities of \$15.5 million, an increase in unearned revenue of \$8.1 million, and a decrease in the current portion of long term liabilities of \$1.9. The increase to accounts payable and accrued liabilities resulted from an increase to construction project accruals, an increase in accrued salaries primarily due to a new option for faculty pay deferral implemented in fiscal year 2019-2020, and the option to defer the deposit and payment of the employer's share of social security taxes to the IRS, as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The unearned revenue increase was due to student room and board paid for spring 2020, but credited to fall 2020 (fiscal year 2020-2021), as students vacated the residence halls prior to the completion of the spring 2020 semester due to the COVID-19 pandemic. In fiscal year 2018-2019, the University's current liabilities increased by \$17.6 million, primarily due to an increase in accounts payable and accrued liabilities of \$7.7 million, primarily related to construction project accruals, and an increase in the current portion of long term liabilities of \$8.0 million for bonds due before June 30, 2020.

Noncurrent liabilities are predominantly comprised of bonds payable, pension and OPEB liabilities, liability for compensated absences, and the Perkins loan program. Total noncurrent liabilities decreased by \$34.5 million, or 7.2 percent, in fiscal year 2019-2020. Bonds payable (long term liabilities, net) accounted for a decrease equal to \$23.7 million over the previous fiscal year due to regularly scheduled debt payments. Expected fluctuations in both the net pension and net OPEB liabilities amounted to a net decrease of \$10.0 million, while the Perkins loan program decreased by \$1.5 million, due to a required return of funds to the U.S. Department of Education.

In fiscal year 2018-2019, total noncurrent liabilities increased \$58.0 million. Bonds payable (long term liabilities, net) increased \$62.2 million over the previous fiscal year due to the issuance of new student fee bonds for the construction of the new Foundational Sciences Building, offset in part by regularly scheduled debt payments. Decreases in net pension liability were mostly offset by increases in net OPEB liability as each liability fluctuated as expected.

## **Debt Administration**

The University funds new construction and major renovation projects on campus through various sources such as philanthropy, internal cash reserves, cash appropriations from the state, and bond proceeds. As of June 30, 2020, the University had \$352.5 million of capital-related bond indebtedness outstanding, compared to \$375.2 million and \$315.4 million outstanding as of June 30, 2019 and June 30, 2018, respectively. The decrease in indebtedness is due, as noted above, to regularly scheduled debt payments. 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 credit rating was reaffirmed in April 2019 by both Standard & Poor's (AA-/Stable) and Moody's (Aa3/Stable). S&P once again noted the University's solid operating performance, healthy financial resource ratios relative to the rating category, above average selectivity, stable enrollment, and consistent financial support from the State of Indiana, while Moody's also noted the excellent capital and operating support from the State of Indiana, very good unrestricted liquidity, and the University's very good strategic position. Additional detail regarding the University's bonds payable are presented in the Notes to Financial Statements.

## **Capital Assets**

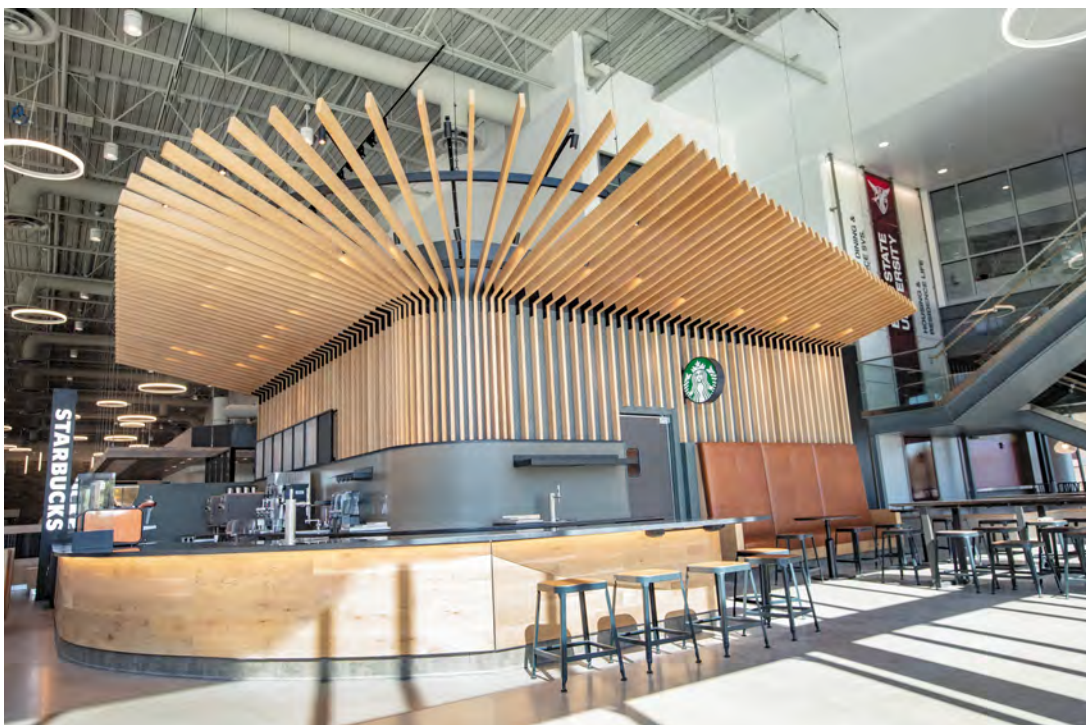
As of June 30, 2020, the University had \$468.6 million invested in capital assets, net of accumulated depreciation of \$482.5 million and related debt of \$352.5 million. Depreciation charges totaled \$30.8 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost. As of June 30, 2019, the University had \$373.9 million invested in capital assets, net of accumulated depreciation of \$467.0 million and related debt of \$375.2 million. Depreciation charges totaled \$28.5 million for fiscal year 2018-2019.

The Health Professions Building opened in the fall of 2019, serving as the new home to the College of Health. Approximately \$4.0 million was expended on this project during fiscal year 2019-2020 as well as nearly \$27.1 million during fiscal year 2018-2019.



Health Professions Building

The North Residential Neighborhood project is progressing on schedule. The new North Dining facility was completed and work is nearly complete on the new North Residence Hall. Expenditures for this first phase of work totaled \$32.7 million in fiscal year 2019-2020 and \$41.5 million during fiscal year 2018-2019. Phase II of the North Residential Neighborhood, which consists of demolition of Carmichael Hall and construction of a second new residence hall in its place, is also progressing towards its scheduled completion date in the summer of 2021. The next phase of the LaFollette Complex demolition is also underway as part of Phase II. Spending for Phase II amounted to approximately \$21.2 million during fiscal year 2019-2020 and \$2.1 million during fiscal year 2018-2019.



North Dining Hall

Construction of the new Foundational Sciences Building in the East Quadrangle began in summer of 2019 and is proceeding on schedule. Once completed, the Departments of Biology and Chemistry will be relocated to the new facility from Cooper Science Complex. Expenditures for this project totaled \$27.4 million during fiscal year 2019-2020 and \$2.8 million during fiscal year 2018-2019.



Foundational Sciences Building groundbreaking

The New York Avenue Parking Structure near Studebaker East residence hall will open in fall 2020. The aging Emens Parking Structure has already been demolished, opening up space in the University's East Mall. Expenditures in fiscal year 2019-2020 totaled \$11.6 million while fiscal year 2018-2019 included \$2.6 million.

Current operating funds were utilized to purchase \$3.4 million in capital equipment in fiscal year 2019-2020 and \$6.3 million in fiscal year 2018-2019. Some of these purchases were to equip the new Health Professions Building while others replaced mostly fully-depreciated equipment dispositions originally costing \$4.0 million in fiscal year 2019-2020 and \$2.5 million in fiscal year 2018-2019.

### **Net Position**

At June 30, 2020, total net position for the University was \$785.6 million, up \$52.9 million from the previous year, including an increase to unrestricted net position of \$23.4 million. 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 \$468.6 million as of June 30, 2020. 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 \$1.0 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 decreased by \$65.2 million in fiscal year 2019-2020, totaling \$83.9 million as of June 30, 2020. Of these restricted expendable funds, \$72.9 million are funds restricted for construction, such as the bond proceeds for the Phase I of the North Residential Neighborhood and the new Foundational Sciences Buildings or state appropriations for repair and rehabilitation. Approximately

\$8.3 million is restricted for external grants, and \$2.7 million is restricted for student loans. The overall change in restricted expendable net position was primarily due to spending of proceeds related to previously issued bonds.

Aside from capital assets and restricted net position, the remaining \$232.1 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 to record the effect of GASB Statements No. 68, 71, and 75 for the University's pension and OPEB plans. Additional information regarding the adjustments required by the GASB Statements are discussed within the Notes to Financial Statements.

At June 30, 2019, the University's net position was \$732.7 million. Approximately \$373.9 million was comprised of net investment in capital assets, net of accumulated depreciation and related debt. Additionally, the University had other net positions totaling \$358.8 million as of June 30, 2019, of which \$150.1 million was restricted net position. The \$150.1 million restricted net position was comprised of: \$0.9 million in nonexpendable endowment restricted for student scholarships, \$2.5 million restricted for student loans, \$139.1 million restricted for construction, and \$7.6 million restricted for external grants. Unrestricted net position at June 30, 2019 was \$208.7 million, an increase of \$9.7.

### 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.

Changes in Net Position			
Years Ended June 30, 2020, 2019, and 2018			
	2020	2019	2018
Operating Revenues	\$ 256,012,592	\$ 281,179,839	\$ 274,775,505
Operating Expenses	480,073,994	510,293,441	483,568,353
Net Operating Income/(Loss)	\$ (224,061,402)	\$ (229,113,602)	\$ (208,792,848)
Net Non-Operating Revenues	271,208,033	243,733,397	232,342,886
Other Revenue – Capital Appropriations and Gifts	5,735,486	6,916,124	9,125,282
Increase in Net Position	\$ 52,882,117	\$ 21,535,919	\$ 32,675,320
Net Position - Beginning of Year	732,737,743	711,201,824	727,304,852
Change in Accounting Policy	—	—	(48,778,348)
Net Position - End of Year	<u>\$ 785,619,860</u>	<u>\$ 732,737,743</u>	<u>\$ 711,201,824</u>

### Operating Revenues

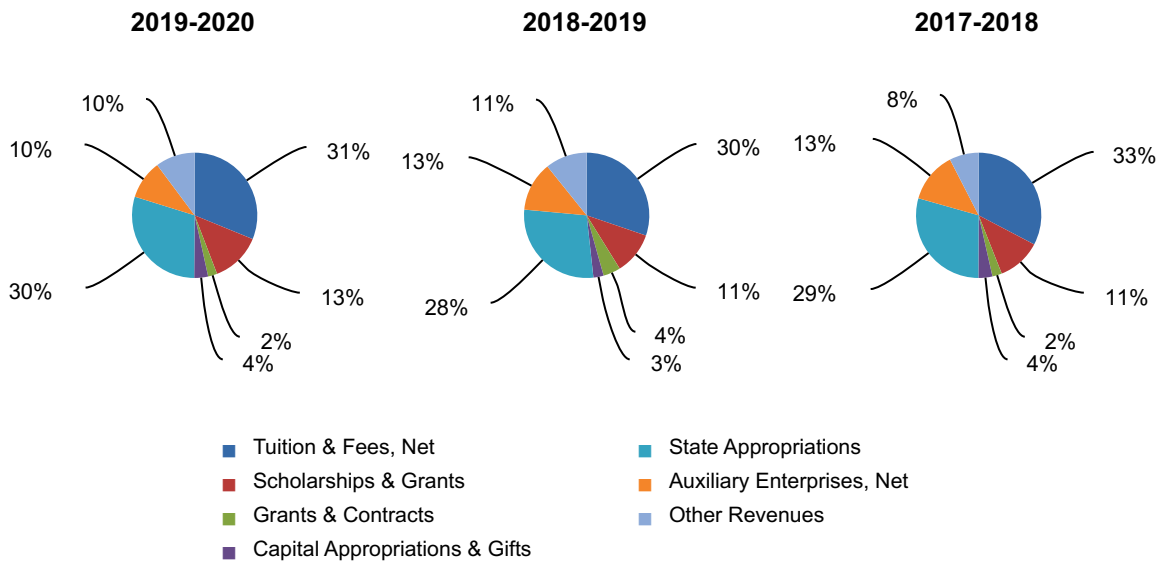
Operating revenues increase net position and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining, and athletics. In addition, federal, state, and private grants are considered operating if they are not for financial aid or capital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

Total operating revenues decreased \$25.2 million, or 9.0 percent, in fiscal year 2019-2020. Revenue from residential life decreased by \$11.1 million, mostly due to the closing of residence halls prior to the close of the spring 2020 semester due to the COVID-19 pandemic. Decreased revenue related to the impacts of COVID-19 can also be seen in auxiliary enterprises: other and other operating revenues, related to the cancellation of sporting and other university events. It should be noted that tuition and fees revenue increased by a net \$3.9 million when compared to fiscal year 2018-2019. Grants and contracts revenue decreased by \$10.9 million from the prior year, primarily due to a grantor software donation to BSU in the prior year.

In fiscal year 2018-2019, total operating revenues increased \$6.4 million, or 2.3 percent. Revenue from student tuition and fees and residential life decreased by \$7.7 million, grants and contracts revenue increased by \$11.0 million, primarily due to the

aforementioned software donation, and other operating revenues increased by \$2.3 million, primarily due to a change in bad debt contra revenue.

### Total Revenues by Source

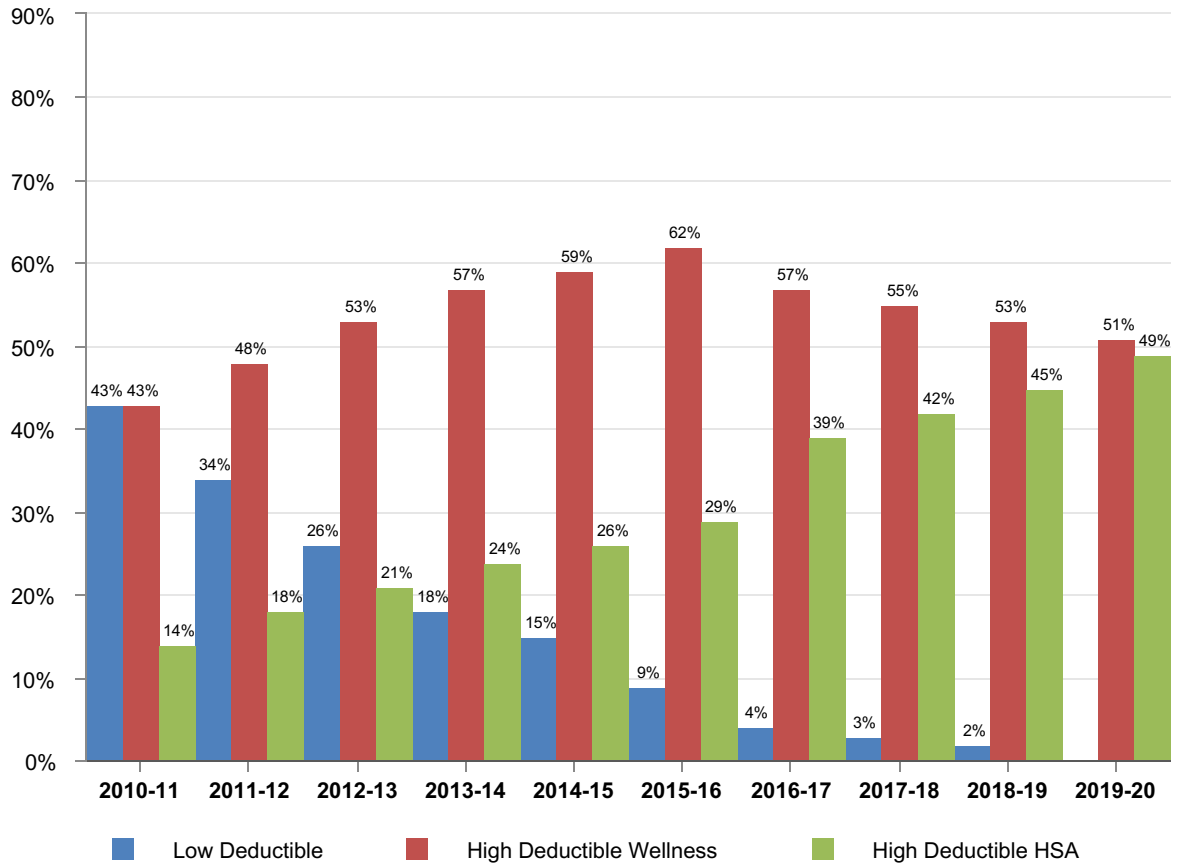


### Operating Expenses

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 2019-2020, operating expenses decreased \$30.2 million, or 5.9 percent. Personnel services and benefits account for approximately 67.0 percent of total operating expenses. Personnel services decreased by \$3.5 million, or 1.4 percent in fiscal year 2019-2020 and benefits expense decreased by \$14.0 million. Benefits expense fluctuates in relation to pension and OPEB liability reporting required by GASB Statements No. 68 and No. 75, and therefore does not typically correlate with changes in personnel services. In addition, all activity related to the self-insured health and life plans for both benefits eligible employees and qualified retirees are reported in this line item which can cause volatility from year to year. Due to the COVID-19 pandemic, many medical providers suspended elective procedures which resulted in fewer claims and a decrease in benefits expense. It is anticipated that many of these elective procedures will take place during fiscal year 2020-2021 and may show a significant increase in benefits expense. Other supplies and expenses, repairs and maintenance, and utilities decreased a combined \$21.2 million, related to a decreased campus presence and the cancellation of campus events related to the COVID-19 pandemic. Student aid increased by \$6.1 million, or 35.6 percent, including \$5.5 million awarded in fiscal year 2019-2020 as CARES Act Emergency Funds to students.

Operating expenses in fiscal year 2018-2019 increased \$26.7 million, or 5.5 percent. Personnel services increased \$1.2 million, while benefits increased by \$15.2 million. The benefits expense increase was due primarily to OPEB liability reporting requirements related to the implementation of GASB Statement No. 75. Other supplies and expenses and repairs and maintenance increased a combined \$9.7 million, while student aid, which includes financial aid and scholarships, decreased by \$0.4 million.

### Health Plan Migration



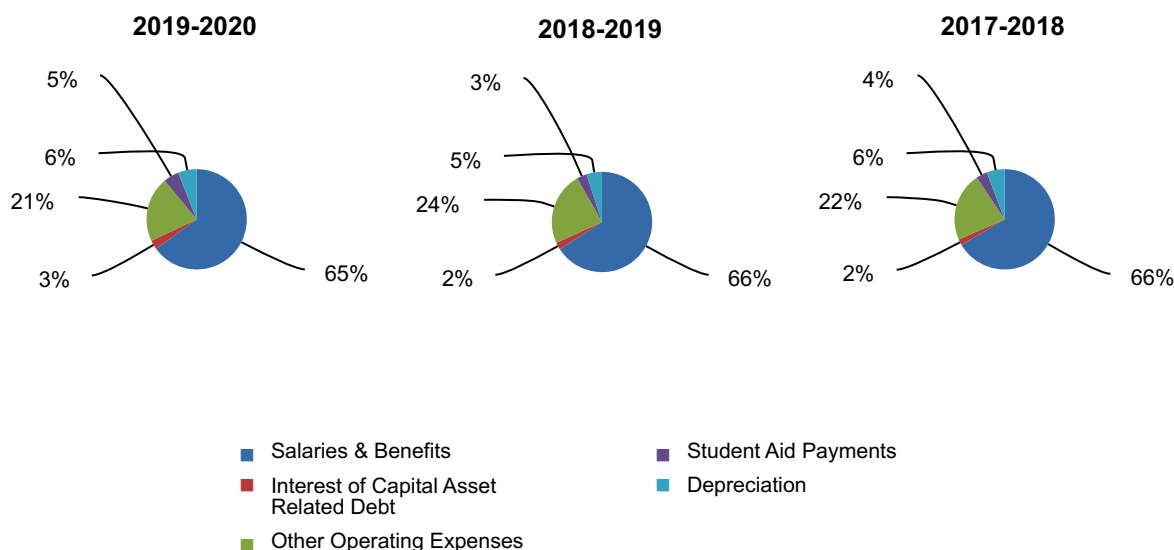
The University is self-insured and offers health insurance to both benefits eligible employees and to qualified retirees. The health care plan design is evaluated and analyzed using information from several third party experts and consultants utilizing industry best practices. The uncertain and evolving regulatory landscape regarding the future of the Patient Protection and Affordable Care Act (PPACA) complicates this analysis. Generally, the cost of medical care increases about 8.25 percent each year as shown in the most recent actuarial study. The University has worked to mitigate the effect of higher health care costs to reduce the impact on employees. In an effort to provide an affordable and sustainable health care plan, our most expensive plan, the Low Deductible Plan, was eliminated on January 1, 2020 as shown in the chart above.

For fiscal year 2019-2020, the University offered benefits eligible employees a choice of two different plans, High Deductible Wellness, and High Deductible Health Savings Account (HSA). Retirees under age 65 are only offered the High Deductible Wellness plan option. Both plans are considered consumer-driven plans. Prior to fiscal year 2019-2020, the University offered a Low Deductible Plan and over the last several years, we had 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. Due to this migration and bringing our plan designs into alignment with peer institutions and best practices, the Low Deductible plan was discontinued as of January of 2020. 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.

In promoting healthy lifestyles and quality of life, members are encouraged to embrace the many wellness programs and activities that are available to them at no cost or reduced cost. Wellness ambassadors across campus work to inform and engage members to participate. 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, and free tobacco cessation programs, among many others. On-site workout facilities and classes are available at a reasonable fee. Because our members have become actively involved in making good consumer choices such as choosing generic drugs and preventative care to control costs, the plans have had positive overall performances over the past few years. However, as the average age of our members, medical costs, and medical inflation all increase, it becomes more challenging to balance the plan budgets, leading to higher premium rates. Reserves are in place that are funded from years when the plan has excess

premiums over claims. These reserves also fund deficits that may occur when the claims exceed premiums or may be contributed to the Voluntary Employee Beneficiary Association (VEBA) Trust to fund the future health care costs of current employees once they retiree and meet eligibility requirements for retiree health care. In order to adequately fund the VEBA Trust, the University must make contributions to the plan that are equal to the Actuarially Determined Contribution (ADC). Since the University is operating the plan outside of the VEBA Trust, it has more than satisfied this funding requirement. Although payments are not required to meet our baseline obligations, making payments to the VEBA Trust is necessary to offset the growing actuarially determined projection of future health care costs for our current and future retirees. In the last few years, the plan has been fortunate and shown positive net activity allowing the University to adopt minimal premium increases. However, the projected liability continues to outpace the earnings of the VEBA Trust. The VEBA Trust was intended to offset the premiums for both the University and the retirees once the trust was sufficiently funded. Due to our growing number of retirees, mortality trends, and medical cost inflation, which all contribute to the projected future liability, it is apparent the VEBA Trust will likely not achieve the funding level needed to be utilized in this manner. In fiscal year 2018-2019, the University contributed \$10.4 million in premium subsidies to the retiree health care plan, and \$10.2 million in fiscal year 2017-2018. In September of 2019, the Board of Trustees approved a measure to close the Retiree Health Care Plan to new hires beginning January 1, 2020. This action aligns our benefits to our peer institutions who no longer offer this benefit. This action curbs the upward liability projections over time so as to allow for a sustainable plan in the years to come.

### 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 2019-2020, net non-operating revenues and expenses increased \$27.5 million, or 11.3 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 \$12.9 million and \$6.7 million, respectively. The increase to federal and state scholarships includes \$10.9 million received in CARES Act funds in fiscal year 2019-2020. Investment income increased \$3.2 million due to both unrealized and realized gains on investments during the year. Private gifts increased by \$6.7 million.

In fiscal year 2018-2019, net non-operating revenues and expenses increased by \$11.4 million, or 4.9 percent, primarily due to a \$14.4 million increase in investment income. Federal and state scholarships and grants decreased by \$1.0 million, while state appropriations increased by \$2.2 million.

## Other Revenues

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 considers the age, condition, and use of the campus facilities. The State partially funds the formula amount which helps the University to reduce deferred maintenance needs. 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 2019-2020 include \$2.9 million (\$2.7 million for fiscal year 2018-2019 and \$2.7 million for fiscal year 2017-2018) for general repair and rehabilitation. The State reimbursed the University for \$1.1 million of geothermal project expenditures in fiscal year 2019-20 compared to \$1.9 million in fiscal year 2017-2018. There were no draws against the geothermal appropriation in fiscal year 2018-19. At June 30, 2020, all funds appropriated for the geothermal project have been fully utilized. Capital gifts from the Ball State University Foundation totaled \$1.7 million (\$4.2 million for fiscal year 2018-2019 and \$4.5 million for fiscal year 2017-2018) for various capital projects.

<b>Renewal and Replacement Appropriations (millions of dollars)</b>					
<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>\$13.8</b>	<b>\$3.6</b>	<b>\$5.4</b>	<b>\$4.6</b>	<b>\$2.7</b>	<b>\$4.1</b>

## 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, 2020, 2019, and 2018			
	2020	2019	2018
Cash and Cash Equivalents Provided/(Used) by:			
Operating Activities	\$ (163,813,156)	\$ (181,540,136)	\$ (173,762,282)
Non-Capital Financing Activities	249,975,968	231,796,862	232,339,252
Capital Financing Activities	(137,255,439)	(28,536,567)	19,712,425
Investing Activities	(36,489,914)	(80,386,866)	41,200,281
Net Change in Cash and Cash Equivalents	\$ (87,582,541)	\$ (58,666,707)	\$ 119,489,676
Cash and Cash Equivalents – Beginning of Year	148,679,755	207,346,462	87,856,786
Cash and Cash Equivalents – End of Year	\$ 61,097,214	\$ 148,679,755	\$ 207,346,462

The University's cash and cash equivalents decreased in fiscal year 2019-2020 by \$87.6 million, and decreased in fiscal year 2018-2019 by \$58.7 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 provided from non-capital financing activities are primarily state appropriations and scholarships and grants from federal and state sources, such as Pell and state scholarships. 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.

### **Impact of the COVID-19 Pandemic**

The novel coronavirus labeled COVID-19 continues to affect many parts of the world, including the United States and the State of Indiana. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States, and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency.

On March 23, 2020, Indiana Governor Eric Holcomb issued an Executive Order directing all Indiana residents to "Stay at Home." The Order, which went into effect the following day, provided that all non-essential businesses and operations must cease. The Order, however, expressly identified public higher education institutions, including the University, as "essential businesses." Under the Order, the University was encouraged to operate "for purposes of facilitating distance learning, performing critical research, or performing essential functions, provided that social distancing of six-foot per person is maintained to the greatest extent possible."

On May 1, 2020, Governor Holcomb announced the State's plan for getting "Back on Track." The State is utilizing a three-pronged approach to detect the virus through robust testing, tracing identified cases to prevent its spread, and protecting Hoosier employees and consumers, and protecting the State's most vulnerable citizens. The State is currently in the fourth stage of a five-stage plan for gradual reopening.

COVID-19 has negatively affected commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide, including across the United States and in the State.

The University is providing this statement to describe some of the impacts that the COVID-19 pandemic and related orders have had on the University's finances and operations, and to describe some of the actions that the University is taking in response. The University cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the State and regional economy or on the other revenues and expenses of the University.

This pandemic presents a constantly-evolving and dynamic situation, and the University's policies and plans will be reviewed and appropriately updated as more information becomes available.

#### **University Actions**

The COVID-19 pandemic will have a significant impact on the University, the nature of which is likely to evolve over the next several years. Though this situation continues to evolve, the University remains committed to promoting the safety of employees, students, and campus visitors, while furthering the University's mission and values. To this end, the University administration has taken the following actions:

- a. All in-person classes for the Spring 2020 semester were suspended effective Monday, March 16, 2020. In-person classes were replaced with remote instruction and other alternative learning options. Summer 2020 classes were also transitioned to remote learning.
- b. All residence halls were closed effective Sunday, March 29, 2020. Very limited exceptions were made in extraordinary cases for students who did not have safe and suitable alternative living arrangements or where travel was prohibitive.
- c. All international and domestic travel was suspended until further notice.
- d. Employees, based on guidance and direction from their supervisor and respective Vice President, were permitted to work remotely, unless the supervisor determined that working remotely was clearly not practicable or the supervisor determined that the employee's physical presence on campus was vital to the mission of the University.
- e. Campus events, including the May and July commencement ceremonies, were canceled or postponed.

- f. The Board approved the Extraordinary Temporary Paid Leave plan for employees that are unable to work due to COVID-19 related reasons or the inability of their responsibilities to be completed remotely. The plan ensures that an employee who is unable to work remotely and whose work cannot reasonably be characterized as essential, or any employee unable to work for a COVID-19 related reason, will be kept in the employee's regular paid status through June 30, 2020 (or their regular employment period, whichever occurs first). This additional paid leave will not reduce any employee's pre-existing paid leave balances. In the event that this public health crisis extends beyond June 30, 2020, a donated paid leave "bank" will be created from which an eligible employee would be able to draw, after June 30, 2020, for COVID-19 related absences. Other employees with available ample leave will be allowed to donate to the bank to support their colleagues.
- g. Summer orientation for fall 2020 incoming freshmen was conducted remotely.
- h. The Board has approved plans for in-person instruction to begin on August 24, 2020, as scheduled. Several steps are being taken to advance the health and safety of students, faculty, staff, and campus visitors. Key components of the plans include:
- Faculty has prepared classes that can quickly shift from being taught in-person to online, depending on conditions on campus and in the community.
  - Faculty will front-load learning activities that are best facilitated by face-to-face instruction so that those activities are completed before the Thanksgiving break. After the Thanksgiving break, all remaining instruction, as well as all final projects and exams, will be completed online.
  - The University has canceled the two-day Fall break and has scheduled class sessions on Labor Day. These changes enable students to have 13 weeks of on-campus instruction before the Thanksgiving break.
  - To accommodate faculty and students who may be in high-risk populations, the University is offering more online courses.
  - The University has implemented a Housing and Residence Life plan to provide on-campus housing options for students. The plan will retain a sufficient number of rooms in residence halls and in other University-owned facilities to quarantine and isolate students who may be exposed to or who may test positive for the COVID-19 virus.
  - Also, to mitigate the risk of students transmitting the novel coronavirus while living in a residence hall, the University will adjust the room assignments to reduce the number of students who use the same restroom and other common areas.
  - The Board also approved the Return to Campus Plan to put additional health and safety protocols into place, making COVID-19 testing readily available while supporting contact tracing, maintaining an ample supply of personal protective equipment, and expanding availability of annual influenza vaccinations.
  - The University has incorporated staggered and alternating work schedules, reconfigured workstations, remote work, and other accommodations to limit density on campus and maximize safety. Other new policies and procedures focus on social distancing, employee health screening, crowd limits for public gatherings and University-sponsored activities, and travel restrictions.

### **Financial Impact**

Although the University does not yet have sufficient information to quantify the direct impact of the COVID-19 pandemic on the University's finances in the future, it expects that University revenues will be adversely affected.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") included approximately \$14 billion to both public and private higher education institutions directly from the Department of Education. Each institution's portion of these funds is based on a share of Pell FTE and non-Pell FTE before the crisis. The University was granted approximately \$15.2 million in CARES Act funds, half of which must be used for direct payments to students and the remainder may be used for other institutional needs related to the University's response to COVID-19.

As noted above, residence halls were closed on March 29, 2020. In light of this public health crisis, the University did not enforce the standard provisions in its room and board contracts. Students received a credit to their bursar accounts in the appropriate pro-rata amount, subject to applicable federal financial aid regulations, to be applied to future expenses. In exceptional circumstances, a pro-rata refund to a student, instead of a credit, was provided to relieve unusual financial

hardship. The total amount of credits and refunds was approximately \$8.8 million, partially offset by \$7.6 million of institutional aid CARES Act funding.



Shafer Tower in background

The CARES Act also provided for the deferral of the employer portion of payroll taxes owed on wages paid through December 31, 2020. Remittance of the deferred payroll taxes must be submitted in two equal installments. The first 50 percent is due by December 31, 2021 with the remainder due by December 31, 2022. The University began deferring these tax payments on April 23, 2020 and estimates the deferral will equate to approximately \$10.0 million in total by December 31, 2020.

In Spring 2019, the University proactively implemented various expense-reduction measures to produce a balanced budget for fiscal year 2019-2020. When faced with the pandemic, as a result of the creative and diligent efforts of its faculty and staff, the University promptly and effectively transitioned all of its courses to remote learning so that its students could complete their studies. At the same time, the University reduced or eliminated a variety of expenditures by, among other things, imposing a "soft" freeze on hiring. As a result of these steps, the University was able to close the fiscal year with a positive operating margin.

The University has historically received, and continues to expect to receive, a significant portion of the revenues needed to sustain its educational and research activities from appropriations from the State. The State Budget Agency (SBA) is still evaluating the impacts of the pandemic on state revenues. Due to projected shortfalls in the current and next fiscal years, the SBA has recommended a reduction of 7 percent in the operating and line item appropriations to all state public institutions of higher education. This reduction would amount to approximately \$9.9 million of the University's fiscal year 2020-2021 operating and line item appropriations.

As a result of this reduction, as well as the continued uncertainty about fall 2020 enrollment, on June 19, 2020, the Board directed the University to complete the preparation of a more austere budget for fiscal year 2021. In the meantime, the Board approved a resolution that authorizes the University to continue operations after July 1, 2020, and to continue spending thereafter at the same levels that the Board had approved for the fiscal year ended June 30, 2020. This resolution authorizes the University to prioritize spending on its core mission and to invest one-time resources in health and safety measures that are necessary to resume on-campus instruction and activities in August.

## Liquidity Position

As of June 30, 2020, the University had total operating fund cash and investments valued at approximately \$427.3 million, of which roughly \$56.2 million was purposed for normal operating activities, \$34.6 million was purposed as a reserve to operating funds, \$234.8 million was invested in longer duration assets for future needs, and another \$101.7 million was purposed as designated funds related to specific projects and reserves determined by the University.

The University expects that these funds will provide sufficient liquidity for operations. To provide additional liquidity for University purposes in the unlikely event that the need arises, the University obtained Board approval for a bank line of credit in an aggregate principal amount of up to \$50 million. The University executed the line of credit pursuant to this authority in August 2020 but currently does not expect to draw on the line.

The University will continue to respond to the COVID-19 pandemic in a manner that promotes the safety of employees, students, and campus visitors, while furthering the University's mission and values. The University's policies and plans will also be aligned with guidance from government agencies, public health officials, and the Centers for Disease Control and Prevention (CDC). For the latest information on the University's response to the pandemic, visit <https://www.bsu.edu/about/administrativeoffices/emergency-preparedness/pandemicfluprep/coronavirus>.

## Economic Factors That Will Affect the Future

The Fiscal Survey of States published by the National Association of State Budget Officers attempts to forecast economic conditions of the next year based on feedback from each state. The Spring 2020 survey was conducted before the COVID-19 pandemic and its economic fallout arose. At that time, state fiscal conditions were strong overall after ten years of revenue growth and a 50-year low of 3.5 percent unemployment. Reserves were at an all-time high, and state revenues were expected to continue growing. Most states were projecting only modest increases in spending, with about half of the states still projected to spend less than inflation-adjusted pre-recession fiscal 2008 levels. In the few months since the survey was conducted, state fiscal conditions have experienced a dramatic decline. Potential revenue losses are expected to be double what was experienced in the Great Recession, and many states have already announced significant budget shortfalls prompting spending cuts, layoffs, and the use of accumulated reserves.

Even before COVID-19, both Moody's Investors Service and Standard & Poor's Ratings Services had retained their negative outlooks for the higher education sector for 2020. Pre-COVID-19 concerns included low net tuition revenue growth, growing expenses, a shrinking pool of potential students, and increased competition for those students. The COVID-19 pandemic and related impacts further increased the economic and financial pressures that institutions are facing. Most institutions chose to mitigate the risk of COVID-19 by closing campuses, resulting in the loss of auxiliary revenues and the potential for further losses in tuition and fee revenues. Both rating services note that the ability of higher education institutions to reopen in the fall at enrollment levels previously planned will impact credit. The University's ratings for all outstanding debt were confirmed in April 2019 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 30 percent of the total financial resources in fiscal year 2019-2020. In an effort to provide relief to Hoosiers during the pandemic, the State extended individual and corporate tax filing and payment deadlines from April 15, 2020 to July 15, 2020. As a result of the extension, the Indiana State Budget Agency reported revenues for fiscal year 2019-2020 of 8.4 percent below forecast and 6.3 percent below fiscal year 2018-2019, resulting in a \$882.1 million deficit for the year. This annual deficit reduced the ending balance in state reserves to \$1.4 billion. The State also decided to revert the funding for the University's next phase of its STEM and Health Professions Buildings back to new student fee debt, as originally appropriated, rather than cash funding from reserves. The State continued to fully fund all appropriations to the University for fiscal year 2019-2020. However, as mentioned above, the SBA has recommended a reduction of 7% in the fiscal year 2020-2021 operating and line item appropriations to all state public institutions of higher education, which would amount to approximately \$9.9 million for the University. The State of Indiana retains its Aaa rating by Moody's and AAA rating by Standard & Poor's, making it one of only a handful of states to receive the 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. Overall, for the upcoming 2019-2021 biennium, the

University received a 1.4 percent increase in its operating appropriation, before taking into account the 7 percent reduction in fiscal year 2019-2020 operating and line item appropriations noted above.

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 degrees awarded in Science, Technology, Engineering, and Math (STEM) disciplines, increases in "at risk" degrees awarded to resident undergraduate students, 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.

In fall 2019, Ball State welcomed a freshman class of 4,059 students, the largest in the University's 101-year history. The median high school GPA of this class exceeds 3.5, also a record for the University. Total enrollment for fall 2019 was 22,443, up slightly from the previous year.



Graduates

## **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.

## Ball State University Statement of Net Position

As of June 30, 2020 and 2019

	2020	2019
<b>Assets:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 61,097,214	\$ 148,679,755
Short Term Investments	107,631,756	45,678,466
Accounts Receivable, Net, and Unbilled Costs	17,288,491	20,245,660
Inventories	1,162,860	1,121,844
Deposit with Bond Trustee	29,407,831	30,245,157
Notes Receivable, Net	1,308,481	1,365,376
Prepaid Expenses	2,420,409	2,161,677
Total Current Assets	\$ 220,317,042	\$ 249,497,935
Noncurrent Assets:		
Accounts and Notes Receivable, Net	\$ 5,997,889	\$ 8,226,931
Net OPEB Asset	2,273,491	2,594,296
Investments	258,600,030	264,184,467
Capital Assets, Net	821,050,246	749,180,530
Total Noncurrent Assets	\$ 1,087,921,656	\$ 1,024,186,224
Total Assets	\$ 1,308,238,698	\$ 1,273,684,159
<b>Deferred Outflows of Resources:</b>		
Pension Contributions	\$ 10,420,705	\$ 11,863,933
OPEB Contributions	39,425,412	27,756,196
Total Assets and Deferred Outflows of Resources	\$ 1,358,084,815	\$ 1,313,304,288
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 56,418,008	\$ 40,917,294
Deposits	9,928,900	9,945,406
Unearned Revenue	9,014,162	895,275
Long Term Liabilities – Current Portion	20,905,000	22,770,000
Total Current Liabilities	\$ 96,266,070	\$ 74,527,975
Noncurrent Liabilities:		
Liability for Compensated Absences	\$ 3,964,491	\$ 3,230,818
Net Pension Liability	31,695,761	35,763,227
Net OPEB Liability	25,726,952	31,669,775
Perkins Loan Program – Federal Capital Contribution	6,537,810	8,048,593
Long Term Liabilities, Net	374,883,437	398,622,316
Total Noncurrent Liabilities	\$ 442,808,451	\$ 477,334,729
Total Liabilities	\$ 539,074,521	\$ 551,862,704
<b>Deferred Inflows of Resources:</b>		
Pension Contributions	\$ 12,178,209	\$ 10,737,067
OPEB Contributions	21,212,225	17,966,774
Total Liabilities and Deferred Inflows of Resources	\$ 572,464,955	\$ 580,566,545

## Ball State University Statement of Net Position

As of June 30, 2020 and 2019

	2020	2019
<b>Net Position:</b>		
Net Investment in Capital Assets	\$ 468,580,247	\$ 373,940,530
Restricted for:		
Nonexpendable Scholarships	988,560	926,025
Expendable:		
Debt Service	—	—
Loans	2,725,541	2,470,337
Construction	72,943,301	139,119,247
External Grants	8,262,690	7,591,195
Unrestricted	232,119,521	208,690,409
Total Net Position	\$ 785,619,860	\$ 732,737,743
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,358,084,815	\$ 1,313,304,288

*See accompanying Notes to Financial Statements*

**Ball State University Foundation, Inc.**  
**Combined and Consolidated Statements of Financial Position**

As of June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 2,188,107	\$ 2,208,916
Contributions receivable, net	14,116,851	12,353,248
Investments	224,285,175	221,645,321
Investments held in split-interest agreements	1,556,085	1,684,874
Beneficial interest in remainder trusts	212,927	252,986
Artwork and other assets	7,169,117	960,897
Cash surrender value of life insurance	2,035,052	1,983,655
Property and equipment	7,569,536	12,013,332
Beneficial interest in perpetual trusts	2,878,297	2,802,131
Total assets	\$ 262,011,147	\$ 255,905,360
<b>Liabilities</b>		
Accounts payable	\$ 1,757,264	\$ 3,098,836
Accrued expenses	909,959	873,124
Line of credit	6,450,000	4,000,000
Term notes payable	10,675,000	10,800,000
Annuity obligations	2,677,281	2,468,690
Trust obligations	563,263	627,872
Total liabilities	23,032,767	21,868,522
<b>Net Assets</b>		
Without donor restrictions	(9,661,790)	(4,159,159)
With donor restrictions	248,640,170	238,195,997
Total net assets	238,978,380	234,036,838
Total liabilities and net assets	\$ 262,011,147	\$ 255,905,360

See Note A in Notes to Financial Statements

## MUNCIE COMMUNITY SCHOOLS

### STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 28,000,120
Receivables (net)	
Taxes receivable	5,618,961
Intergovernmental receivable	4,361,032
Accounts	217,238
Prepaid expenses	203,106
Capital Assets	
Land and construction in progress	2,016,174
Other capital assets, net of depreciation	49,583,927
Net pension asset	627,977
Total Assets	90,628,536
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related amounts	3,026,840
<b>LIABILITIES</b>	
Accounts payable	1,006,925
Accrued wages and payroll withholding payable	1,368,853
Interest payable	472,850
Compensated absences payable	149,170
Claims payable	197,333
Noncurrent Liabilities	
Due within one year	
Bonds payable	3,330,000
Loans payable	680,000
Due in more than one year	
Loans payable	11,680,000
Bonds payable (net of premiums)	32,952,275
Compensated absences	447,512
Total OPEB Obligation	108,740
Net pension liabilities	2,602,407
Total Liabilities	54,996,065
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related amounts	4,706,465
<b>NET POSITION</b>	
Net investment in capital assets	16,656,360
Restricted for:	
Instruction	11,901,709
Support services	5,455,731
Community services	61,218
Building acquisition and construction	7,607,930
Other	754,216
Debt service	4,233,331
Unrestricted	(12,717,649)
<b>TOTAL NET POSITION</b>	<b>\$ 33,952,846</b>

See Note A in Notes to Financial Statements

## Ball State University

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

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 253,303,853	\$ 249,345,027
Scholarship Allowances	(82,683,812)	(82,667,515)
Net Student Tuition and Fees	\$ 170,620,041	\$ 166,677,512
Federal Grants and Contracts	3,835,659	4,812,343
State & Local Grants and Contracts	2,316,809	2,697,941
Non-Governmental Grants and Contracts	6,785,115	16,363,313
Sales and Services of Educational Departments	8,492,412	9,461,027
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2020 - \$15,895,450; 2019 - \$14,560,552)	45,619,772	56,671,965
Other	9,048,023	11,386,042
Other Operating Revenues	9,294,761	13,109,696
Total Operating Revenues	\$ 256,012,592	\$ 281,179,839
<b>Operating Expenses:</b>		
Personnel Services	\$ 242,685,403	\$ 246,163,322
Benefits	80,806,460	94,782,538
Utilities	12,952,692	14,470,300
Repairs and Maintenance	17,507,169	20,208,450
Other Supplies and Expenses	72,140,689	89,122,647
Student Aid	23,151,871	17,075,099
Depreciation	30,829,710	28,471,085
Total Operating Expenses	\$ 480,073,994	\$ 510,293,441
Operating Income/(Loss)	\$ (224,061,402)	\$ (229,113,602)
<b>Non-Operating Revenues/(Expenses):</b>		
Federal and State Scholarships and Grants	\$ 71,154,474	\$ 58,262,211
State Appropriations	162,363,120	155,663,928
Investment Income	19,878,939	16,724,268
Interest on Capital Asset Related Debt	(14,171,784)	(12,189,461)
Private Gifts	13,847,099	7,153,385
State Pension Contributions	9,686,679	9,615,553
Other Non-Operating Income	8,449,506	8,503,513
Net Non-Operating Revenues/(Expenses)	\$ 271,208,033	\$ 243,733,397
Income Before Other Revenues, Expenses, Gains or Losses	\$ 47,146,631	\$ 14,619,795
Capital Appropriations	4,056,999	2,715,486
Capital Gifts	1,678,487	4,200,638
Increase in Net Position	\$ 52,882,117	\$ 21,535,919
Net Position – Beginning of Year	732,737,743	711,201,824
Net Position – End of Year	\$ 785,619,860	\$ 732,737,743

See accompanying Notes to Financial Statements



## MUNCIE COMMUNITY SCHOOLS

### STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

<b>Functions/Programs</b>	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$38,306,739	\$ 182,069	\$ 9,329,241	\$ (28,795,429)
Support services	22,154,895	291,336	1,471,729	(20,391,830)
Community services	3,671,446	—	3,700,092	28,646
Facilities acquisition and construction	1,193,171	—	—	(1,193,171)
Interest on long term debt	1,186,936	—	—	(1,186,936)
Nonprogrammed charges	2,739,211	292,367	—	(2,446,844)
Total Governmental Activities	<u>69,252,398</u>	<u>765,772</u>	<u>14,501,062</u>	<u>(53,985,564)</u>
<b>General Revenues:</b>				
Property taxes				10,650,060
Other taxes				1,408,943
State aid				40,762,735
Grants and contributions not restricted to specific programs				144,540
Investment income				82,612
Nonemployer entity contributions				8,926,179
Miscellaneous				1,833,437
Gain on disposal of assets				8,236
Transfers				<u>1,548,218</u>
Total General Revenues and Transfers				<u>65,364,960</u>
<b>Change in Net Position</b>				11,379,396
<b>NET POSITION - Beginning of Year</b>				
NET POSITION - Beginning of Year				27,028,263
Adjustment to net position - Net OPEB Obligation				(156,209)
Adjustment to correct prior period error				(4,301,697)
Adjustment to net position - reclassification from Special Revenue to Custodial				(81,118)
Adjustment to net position - reclassification of funds from Custodial to Special Revenue				<u>84,211</u>
NET POSITION - Beginning as adjusted				<u>22,573,450</u>
<b>NET POSITION - END OF YEAR</b>				<u><u>\$ 33,952,846</u></u>

## Ball State University Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Source / (Uses) of Cash:</b>		
<b>Operating Activities:</b>		
Tuition and Fees	\$ 179,849,593	\$ 166,085,877
Grants and Contracts	14,693,029	13,604,119
Payments to Suppliers	(57,549,588)	(77,544,786)
Payments for Maintenance and Repair	(17,507,169)	(20,208,450)
Payments for Utilities	(12,952,692)	(14,470,300)
Payments for Personnel Services	(236,600,147)	(242,413,400)
Payments for Benefits	(82,766,728)	(85,835,973)
Payments for Scholarships and Fellowships	(23,151,871)	(17,075,099)
Auxiliary Enterprise Charges:		
Room and Board	44,916,996	57,090,670
Other	9,875,246	11,060,904
Sales and Services of Educational Activities	8,449,741	9,179,250
Other Receipts/Disbursements/Advances	8,930,434	18,987,052
Net Cash Provided/(Used) by Operating Activities	\$ (163,813,156)	\$ (181,540,136)
<b>Non-Capital Financing Activities:</b>		
Federal and State Scholarships and Grants	\$ 71,405,548	\$ 57,681,911
State Appropriations	162,363,120	155,663,928
William D. Ford Direct Lending Receipts	(125,332,150)	(128,396,365)
William D. Ford Direct Lending Disbursements	125,332,150	128,396,365
Private Gifts	7,757,794	9,947,510
Foundation Receipts	505,716	1,244,909
Foundation Disbursements	(505,716)	(1,244,909)
Other Non-Operating Revenue	8,449,506	8,503,513
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ 249,975,968	\$ 231,796,862
<b>Capital Financing Activities:</b>		
Proceeds from Capital Debt	\$ (2,833,878)	\$ 94,698,149
Capital Appropriations	4,056,999	2,715,486
Capital Gifts	1,678,487	4,200,638
Purchases of Capital Assets	(105,080,235)	(86,121,377)
Principal Paid on Capital Debt	(22,770,000)	(23,845,000)
Interest Paid on Capital Debt	(13,144,138)	(10,361,613)
Deposits with Trustee	837,326	(9,822,850)
Net Cash Provided/(Used) by Capital Financing Activities	\$ (137,255,439)	\$ (28,536,567)
<b>Investing Activities:</b>		
Proceeds from Sales and Maturities of Investments	\$ 557,731,227	\$ 989,906,709
Interest on Investments	23,123,004	19,968,333
Purchase of Investments	(617,344,145)	(1,090,261,908)
Net Cash Provided/(Used) by Investing Activities	\$ (36,489,914)	\$ (80,386,866)
Net Increase/(Decrease) in Cash	\$ (87,582,541)	\$ (58,666,707)
Cash – Beginning of the Year	148,679,755	207,346,462
Cash – End of the Year	\$ 61,097,214	\$ 148,679,755

## Ball State University Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Reconciliation of Net Operating Revenues/(Expenses) to</b>		
<b>Net Cash Provided/(Used) by Operating Activities:</b>		
Operating Income/(Loss)	\$ (224,061,402)	\$ (229,113,602)
Adjustments to Reconcile Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities:		
Depreciation Expense	30,829,710	28,471,085
Equipment Retired	2,380,811	468,924
GIK Donations	6,970,485	110,805
Pensions Covered by State of Indiana	9,686,679	9,615,553
Changes in Assets and Liabilities:		
Operating Receivables, Net	1,824,912	689,135
Inventories	(41,016)	90,244
Other Assets	(258,732)	(431,263)
Net OPEB Asset	320,805	606,761
Accounts Payable	14,473,068	5,207,187
Unearned Revenue	8,118,887	41,543
Deposits Held for Others	(1,527,289)	2,738,092
Compensated Absences	733,673	(241,284)
Net Pension Liability	(4,067,466)	(15,326,303)
Net OPEB Liability	(5,942,823)	11,296,761
Deferred Outflows	(10,225,988)	(1,123,392)
Deferred Inflows	4,686,593	3,759,455
Accounts and Notes Receivable	2,285,937	1,600,163
Net Cash Provided/(Used) by Operating Activities	\$ (163,813,156)	\$ (181,540,136)
<b>Non-Cash Transactions</b>		
TRF Pre-1996 Pension Expense Covered by State of Indiana	\$ 9,686,679	\$ 9,615,553
Gifts in Kind Donations	\$ 6,970,485	\$ 110,805

See accompanying Notes to Financial Statements

**Ball State University Foundation, Inc.**  
**Combined and Consolidated Statements of Cash Flows**

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Activities</b>		
Change in net assets	\$ 4,941,542	\$ 6,616,057
Items not requiring (providing) cash		
Depreciation and amortization	268,137	379,152
Net realized and unrealized gains on investments	(7,898,469)	(9,722,948)
Loss on sale of property and equipment	2,733,680	34,007
Change in value of trusts	(36,107)	823,380
Contributions of marketable equity securities	(3,343,602)	(4,068,218)
Contributions restricted for long-term investment	(8,579,637)	(4,374,059)
Contributions of artwork, property and equipment	(6,500,000)	(5,860,000)
Net change in value of split-interest agreements	272,771	706,322
Changes in		
Contributions receivable, including accretion of discount on pledges receivable	(1,763,603)	(3,433,411)
Other assets	291,780	(150,485)
Accounts payable and accrued expenses	(1,304,737)	(2,408,828)
Net cash used in operating activities	(20,918,245)	(21,459,031)
<b>Investing Activities</b>		
Purchase of property and equipment	(150,408)	(188,576)
Proceeds from sales of property, equipment and real estate	1,592,387	1,250,000
Purchase of investments and certificates of deposit	(19,287,927)	(19,121,844)
Sales and maturities of investments and certificates of deposit	27,890,144	37,151,262
Net decrease (increase) in cash surrender value of life insurance	(51,397)	5,630
Net cash provided by investing activities	9,992,799	19,096,472
<b>Financing Activities</b>		
Borrowings under line of credit agreement	2,450,000	7,000,000
Payments under line of credit agreement	—	(8,000,000)
Reduction of term notes payable	(125,000)	(525,000)
Proceeds from contributions restricted for investment in permanent endowment	8,579,637	4,374,059
Net cash provided by (used in) financing activities	10,904,637	2,849,059
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(20,809)	486,500
<b>Cash and Cash Equivalents, Beginning of the Year</b>	2,208,916	1,722,416
<b>Cash and Cash Equivalents, End of Year</b>	\$ 2,188,107	\$ 2,208,916
Interest Paid	\$ 456,756	\$ 574,302

See Note A in Notes to Financial Statements

# Ball State University

## Notes to Financial Statements

### June 30, 2020

#### 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 21-19-3-2. 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.

##### Reporting Entity

The financial reporting entity consists of the primary government, Ball State University, and other legally separate organizations that are deemed related to the primary government due to financial accountability, an imposition of will, or when the nature and significance of their relationship with the primary government is 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 amended by GASB Statement No. 80, *Blending Requirements for Certain Component Units*, as well as additional requirements of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. Based on these criteria, the financial report includes the University and our related entity, Ball State University Foundation which is discretely presented. In addition, beginning with fiscal year 2018-2019, the Muncie Community School Corporation will be shown as a discrete component unit. 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 Units

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-five voting directors, eight of whom serve by position. The eight directors who serve by position include the following:

- Chair of the Ball State University Board of Trustees;
- President of Ball State University (who shall serve as the Vice-Chair of the Board of Directors);
- Vice President for Business Affairs and Treasurer, Ball State University;
- President of Ball State University Foundation (who shall serve as the University's Vice President for University Advancement);
- Two (2) additional members of the Ball State University Board of Trustees, as designated by the Board of Trustees;
- Two (2) members 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. All non-payroll financial activity is reported by the Foundation in their financial statements. Payroll and benefit expenses remain as expenses on the University's statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. 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 8: Line of Credit and Term Notes Payable (complete reproduction)**

BSUF has a \$15,000,000 unsecured revolving line of credit with a bank that expires June 30, 2021. At June 30, 2020 and 2019, there was \$6,450,000 and \$4,000,000, 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%. The rate in effect at June 30, 2020 was 3.25%.

On May 13, 2015, BSUF entered into a \$10,000,000 term credit agreement with a bank that is due on March 31, 2022. The agreement is unsecured with an interest rate of 1.22% over 30 day LIBOR, which was 1.39% and 3.65% at June 30, 2020 and 2019, respectively. Interest only payments are due quarterly until March 31, 2020. Commencing on June 30, 2020, a principal payment of \$125,000 each quarter is due. On March 31, 2022, the remaining unpaid principal balance on the note, along with 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. At June 30, 2020 and 2019, there was \$9,875,000 and \$10,000,000 outstanding on this note, respectively.

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, 2020 and 2019, 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 was paid off during fiscal year 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, principal and interest payments of \$236,182 are due with the final payment due on January 1, 2025.

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

The Muncie Community Schools (School Corporation) was established under the laws of the State of Indiana. The School Corporation operates under the Board of School Trustees form of government and provides educational services. During a special legislative session in May 2018, the Indiana General Assembly adopted legislation to grant Ball State University authority to appoint a Muncie Community School Board of Trustees in June 2018. This action created a discrete component unit relationship.

The School Corporation's Financial Reports can be requested from the Muncie Community Schools at 4301 S Cowan Rd, Muncie, Indiana 47302, or by emailing [mcsinfo@muncieschools.org](mailto:mcsinfo@muncieschools.org). The audited financial reports are also available on the Indiana State Board of Accounts website at: <https://secure.in.gov/apps/sboa/audit-reports/#/>. Additional financial information can be found on the Indiana Gateway for Government Units website at: <https://gateway.ifonline.org/>.

## Basis of Presentation

The financial statements of the University are prepared in accordance with the accounting principles generally accepted in the United States of America as provided by the Governmental Accounting Standard Board (GASB) including 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. 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.

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 original maturities of ninety days or less, that bear little or no market risk. Amounts included are cash held in banks, revolving and change funds, cash in transit, and investments held at June 30 with original maturities of ninety days or less.

## 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, 2020, and June 30, 2019, were \$9,028,143 and \$8,109,970, 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, 2020, and June 30, 2019, were \$2,336,605 and \$2,461,605, 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 twenty-five 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

The deferred outflows of resources section on the Statement of Net Position, 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. Deferred outflows of resources include amounts from the calculation of both net pension liability and net Other Post-Employment Benefits (OPEB) liability as well as contributions paid after the measurement dates.

## 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

The deferred inflows of resources section on the Statement of Net Position, 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 include amounts from the calculation of the University's net pension liability and net OPEB 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. These revenues and expenses are from non-exchange transactions. Examples are investment income, Ball State University Foundation donations, federal and state financial aid, and state appropriations. In fiscal year 2019-2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act): Higher Education Emergency Relief Fund grant is shown in this section.

## 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 terms and a ten-week summer semester. The first summer term takes place during May and June, while the second summer term takes place during June and July, with slightly more days falling in July. The summer semester takes place during the two summer terms. 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 expensed for work performed through June 30, and accrued for any payments made in June for work in July.

### Service Concession Agreements

The University has entered into agreements with various vendors. Some of these arrangements are considered to be Service Concession Agreements with Ball State University as 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, 2020, and June 30, 2019.

### New Accounting Pronouncements: Adoption of New Standard

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was released with an immediate effective date during the 2019-2020 fiscal year. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of several Statements. As a result, the University did not adopt any new Statements during the 2019-2020 fiscal year.

For fiscal year end June 30, 2019, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and had no effect. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was early adopted.



North Residence Hall

## Note B – Capital Assets

	Book Value June 30, 2019	Additions	Deductions	CIP Transfers	Book Value June 30, 2020
Assets not Being Depreciated:					
Land	\$ 27,067,692	\$ 5,144,487	\$ —	\$ —	\$ 32,212,179
Construction in Progress	107,136,830	96,507,441	—	(130,890,621)	72,753,650
Total Capital Assets Not Being Depreciated	<u>\$ 134,204,522</u>	<u>\$ 101,651,928</u>	<u>\$ —</u>	<u>\$ (130,890,621)</u>	<u>\$ 104,965,829</u>
Other Capital Assets:					
Land Improvements	\$ 47,489,714	\$ —	\$ —	\$ 893,407	\$ 48,383,121
Infrastructure	110,427,418	—	—	2,402,026	112,829,444
Educational Buildings	355,567,530	—	116,931	52,050,813	407,501,412
Utility Buildings	42,385,160	43,714	—	123,829	42,552,703
Educational Equipment	57,371,457	2,751,279	3,520,439	971,575	57,573,872
Auxiliary Enterprise Buildings	429,188,815	—	11,345,261	74,448,971	492,292,525
Auxiliary Enterprise Equipment	17,621,810	633,314	491,024	—	17,764,100
Other Property	3,714,488	—	350,468	—	3,364,020
Software	18,196,922	—	1,848,000	—	16,348,922
Total Other Capital Assets	<u>\$ 1,081,963,314</u>	<u>\$ 3,428,307</u>	<u>\$ 17,672,123</u>	<u>\$ 130,890,621</u>	<u>\$ 1,198,610,119</u>
Less Accumulated Depreciation:					
Land Improvements	\$ 27,884,883	\$ 1,558,029	\$ —	\$ —	\$ 29,442,912
Infrastructure	33,821,823	4,281,459	—	—	38,103,282
Educational Buildings	178,604,838	8,170,011	42,504	—	186,732,345
Utility Buildings	13,894,720	854,694	—	—	14,749,414
Educational Equipment	44,489,937	3,459,532	3,440,053	—	44,509,416
Auxiliary Enterprise Buildings	140,999,614	9,812,230	9,521,751	—	141,290,093
Auxiliary Enterprise Equipment	13,244,920	992,480	402,046	—	13,835,354
Other Property	380,079	66,381	36,958	—	409,502
Software	13,666,492	1,634,892	1,848,000	—	13,453,384
Total Accumulated Depreciation, Other Capital Assets	<u>\$ 466,987,306</u>	<u>\$ 30,829,708</u>	<u>\$ 15,291,312</u>	<u>\$ —</u>	<u>\$ 482,525,702</u>
Capital Assets, Net	<u>\$ 749,180,530</u>	<u>\$ 74,250,527</u>	<u>\$ 2,380,811</u>	<u>\$ —</u>	<u>\$ 821,050,246</u>
<b>Book Value June 30, 2018</b>					
Assets not Being Depreciated:					
Land	\$ 25,186,930	\$ 1,880,762	\$ —	\$ —	\$ 27,067,692
Construction in Progress	38,842,744	72,892,415	—	(4,598,329)	107,136,830
Total Capital Assets Not Being Depreciated	<u>\$ 64,029,674</u>	<u>\$ 74,773,177</u>	<u>\$ —</u>	<u>\$ (4,598,329)</u>	<u>\$ 134,204,522</u>
Other Capital Assets:					
Land Improvements	\$ 47,460,183	\$ 29,531	\$ —	\$ —	\$ 47,489,714
Infrastructure	103,893,795	2,796,732	—	3,736,891	110,427,418
Educational Buildings	353,114,885	1,662,720	—	789,925	355,567,530
Utility Buildings	42,385,160	—	—	—	42,385,160
Educational Equipment	54,217,110	4,529,042	1,374,695	—	57,371,457
Auxiliary Enterprise Buildings	428,813,632	303,670	—	71,513	429,188,815
Auxiliary Enterprise Equipment	16,938,222	1,809,059	1,125,471	—	17,621,810
Other Property	3,878,148	217,446	381,106	—	3,714,488
Software	18,196,922	—	—	—	18,196,922
Total Other Capital Assets	<u>\$ 1,068,898,057</u>	<u>\$ 11,348,200</u>	<u>\$ 2,881,272</u>	<u>\$ 4,598,329</u>	<u>\$ 1,081,963,314</u>
Less Accumulated Depreciation:					
Exhaustible Land Improvements	\$ 26,321,711	\$ 1,563,172	\$ —	\$ —	\$ 27,884,883
Infrastructure	29,648,765	4,173,058	—	—	33,821,823
Educational Buildings	171,473,507	7,131,331	—	—	178,604,838
Utility Buildings	13,048,840	845,880	—	—	13,894,720
Educational Equipment	42,304,842	3,498,195	1,313,100	—	44,489,937
Auxiliary Enterprise Buildings	132,423,969	8,575,645	—	—	140,999,614
Auxiliary Enterprise Equipment	13,340,905	975,522	1,071,507	—	13,244,920
Other Property	334,430	73,390	27,741	—	380,079
Software	12,031,600	1,634,892	—	—	13,666,492
Total Accumulated Depreciation, Other Capital Assets	<u>\$ 440,928,569</u>	<u>\$ 28,471,085</u>	<u>\$ 2,412,348</u>	<u>\$ —</u>	<u>\$ 466,987,306</u>
Capital Assets, Net	<u>\$ 691,999,162</u>	<u>\$ 57,650,292</u>	<u>\$ 468,924</u>	<u>\$ —</u>	<u>\$ 749,180,530</u>

## Note C – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Accrued Payroll	\$ 7,732,835	\$ 4,490,629
Accrual for Compensated Absences	4,062,124	3,587,543
Interest Payable	8,502,831	7,475,185
Vendor and Other Payables	36,120,218	25,363,937
Total Accounts Payable and Accrued Liabilities	<u>\$ 56,418,008</u>	<u>\$ 40,917,294</u>

## Note D – Other Liabilities

Other liability activity for the fiscal years ended June 30, 2020, and 2019, is summarized below as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current
Long Term Liabilities	\$ 424,226,194	\$ —	\$ 25,603,879	\$ 398,622,315	\$ 23,738,878
Liability for Compensated Absences	6,818,361	2,350,183	1,141,930	8,026,614	4,062,124
Net Pension Liability	35,763,227	6,472,665	10,540,131	31,695,761	—
Net OPEB Liability	31,669,775	4,574,722	10,517,545	25,726,952	—
Perkins Loan Program - Federal Capital Contribution	8,048,593	476,034	1,986,817	6,537,810	—
Other Liabilities	<u>\$ 506,526,150</u>	<u>\$ 13,873,604</u>	<u>\$ 49,790,302</u>	<u>\$ 470,609,452</u>	<u>\$ 27,801,002</u>

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current
Long Term Liabilities	\$ 353,373,045	\$ 97,337,290	\$ 26,484,141	\$ 424,226,194	\$ 25,603,878
Liability for Compensated Absences	7,489,424	1,125,974	1,797,037	6,818,361	3,587,543
Net Pension Liability	51,089,530	370,727	15,697,030	35,763,227	—
Net OPEB Liability	20,373,014	15,835,174	4,538,413	31,669,775	—
Perkins Loan Program - Federal Capital Contribution	7,974,382	435,712	361,501	8,048,593	—
Other Liabilities	<u>\$ 440,299,395</u>	<u>\$ 115,104,877</u>	<u>\$ 48,878,122</u>	<u>\$ 506,526,150</u>	<u>\$ 29,191,421</u>



drum practice 2020

## 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.

Debt-Related Liabilities	Balance			Balance	Current
	June 30, 2019	Increases	Decreases		
Bonds Payable					
Revenue Bonds	\$ 152,120,000	\$ —	\$ 6,585,000	\$ 145,535,000	\$ 6,930,000
Student Fee Bonds	223,120,000	—	16,185,000	206,935,000	13,975,000
Total Bonds Payable	\$ 375,240,000	\$ —	\$ 22,770,000	\$ 352,470,000	\$ 20,905,000
Net Unamortized Premiums and Deferred Costs	48,986,194	—	2,833,878	46,152,316	2,833,878
<b>Total Debt-Related Liabilities</b>	<b>\$ 424,226,194</b>	<b>\$ —</b>	<b>\$ 25,603,878</b>	<b>\$ 398,622,316</b>	<b>\$ 23,738,878</b>

Debt-Related Liabilities	Balance			Balance	Current
	June 30, 2018	Increases	Decreases		
Bonds Payable					
Revenue Bonds	\$ 156,115,000	\$ —	\$ 3,995,000	\$ 152,120,000	\$ 6,585,000
Student Fee Bonds	159,320,000	83,650,000	19,850,000	223,120,000	16,185,000
Total Bonds Payable	\$ 315,435,000	\$ 83,650,000	\$ 23,845,000	\$ 375,240,000	\$ 22,770,000
Net Unamortized Premiums and Deferred Costs	37,938,045	13,687,290	2,639,141	48,986,194	2,833,878
<b>Total Debt-Related Liabilities</b>	<b>\$ 353,373,045</b>	<b>\$ 97,337,290</b>	<b>\$ 26,484,141</b>	<b>\$ 424,226,194</b>	<b>\$ 25,603,878</b>

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.



Cow Path behind David Letterman Communication and Media Building

Issue	Description	Interest Rates	Date of Issue	Final Maturity	Original Issue	Outstanding June 30, 2019	Retired 2019-2020	Outstanding June 30, 2020	Current Portion Outstanding June 30, 2020
<b>Revenue Bonds Issued Under Authority of IC 21-35-3:</b>									
Housing and Dining Series 2013	Fund the renovation and expansion of Botsford/Swinford Residence Halls in Johnson Complex	3.00-5.00%	10/8/13	7/1/33	\$ 33,160,000	\$ 27,120,000	\$ 1,265,000	\$ 25,855,000	\$ 1,325,000
Housing and Dining Series 2016	Fund the renovation and expansion of Schmidt/Wilson Residence Halls in Johnson Complex and to refund the outstanding Housing and Dining System Revenue Bonds, Series 2006	2.00-5.00%	1/27/16	7/1/35	\$ 53,230,000	\$ 45,610,000	\$ 2,925,000	\$ 42,685,000	\$ 3,085,000
Housing and Dining Series 2018	Fund North Residential Neighborhood Phase I which includes reconfiguration of McKinley Avenue and construction of one new residence hall and a stand-alone dining facility	3.25-5.00%	6/27/18	7/1/38	\$ 79,390,000	\$ 79,390,000	\$ 2,395,000	\$ 76,995,000	\$ 2,520,000
<b>Student Fee Bonds Issued Under Authority of IC 21-34-6:</b>									
Series L	Refund all of the outstanding Student Fee Bonds remaining in Series J	3.00-5.50%	7/21/04	7/1/20	\$ 16,425,000	\$ 2,865,000	\$ 1,390,000	\$ 1,475,000	\$ 1,475,000
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%	1/30/08	7/1/27	\$ 63,615,000	\$ 1,150,000	\$ 1,150,000	\$ —	\$ —
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	7/1/32	\$ 35,840,000	\$ 25,620,000	\$ 1,980,000	\$ 23,640,000	\$ 2,080,000
Series R	Fund construction of the new Health Professions Building and to refund portions of the outstanding Student Fee Bonds, Series N and all outstanding Student Fee Bonds, Series O and Series P	2.00-5.00%	1/26/17	7/1/36	\$123,025,000	\$109,835,000	\$ 6,705,000	\$103,130,000	\$ 7,020,000
Series S	Fund construction of the new Foundational Sciences Building and to refund portions of the outstanding Student Fee Bonds, Series N	4.00-5.00%	5/22/19	7/1/38	\$ 83,650,000	\$ 83,650,000	\$ 4,960,000	\$ 78,690,000	\$ 3,400,000
	Subtotal Bonds Payable				\$488,335,000	\$375,240,000	\$22,770,000	\$352,470,000	\$ 20,905,000
	Net Unamortized Premiums and Costs					48,986,194	2,833,878	46,152,316	2,833,878
	<b>Total Bonds Payable</b>					<b>\$424,226,194</b>	<b>\$25,603,878</b>	<b>\$398,622,316</b>	<b>\$ 23,738,878</b>

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

Bonds Payable			
As of June 30, 2020			
Fiscal Year	Principal	Interest	Total
2021	\$ 20,905,000	\$ 16,479,350	\$ 37,384,350
2022	20,415,000	15,442,663	35,857,663
2023	21,405,000	14,440,913	35,845,913
2024	22,430,000	13,388,788	35,818,788
2025	21,855,000	12,294,313	34,149,313
2026-2030	103,500,000	45,753,819	149,253,819
2031-2035	88,250,000	22,539,325	110,789,325
2036-2040	53,710,000	4,472,000	58,182,000
Total	<u>\$ 352,470,000</u>	<u>\$ 144,811,171</u>	<u>\$ 497,281,171</u>

### **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.

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, 2020	June 30, 2019
Student Fee Bonds, Series P	7/1/2020	\$ 21,060,000	\$ 22,470,000

### **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 \$465,128 for the year ended June 30, 2020.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2020, are as follows:

Fiscal Year	Future Lease Payments
2021	\$ 412,414
2022	206,465
2023	113,051
2024	17,143
2025	9,326
Total	<u>\$ 758,399</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 Trustees 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, 2020, and 2019, the University held deposits and investments, including endowment funds, as reflected below:

	June 30, 2020	June 30, 2019
Cash and Cash Equivalents	\$ 61,097,214	\$ 148,679,755
Short Term Investments	107,631,756	45,678,466
Long Term Investments	258,600,030	264,184,467
Total	<u>\$ 427,329,000</u>	<u>\$ 458,542,688</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, 2020:

Investment Type	Fair Value June 30, 2020	Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money Market Index Funds	\$ 16,141,941	\$ 16,141,941	\$ —	\$ —	\$ —
Money Market Savings Accounts	44,955,272	44,955,272	—	—	—
U.S. Government Obligations	89,720,672	13,013,695	39,845,265	25,634,993	11,226,719
Municipal Bonds	3,962,510	—	3,962,510	—	—
Corporate Debt	213,068,875	60,896,498	102,445,277	28,173,957	21,553,143
Certificate of Deposits	13,965,429	6,488,674	7,476,755	—	—
Foreign Obligations	45,514,301	27,232,890	15,760,703	2,520,708	—
Total	<u>\$ 427,329,000</u>	<u>\$ 168,728,970</u>	<u>\$ 169,490,510</u>	<u>\$ 56,329,658</u>	<u>\$ 32,779,862</u>

The University held deposits and investments with the following maturities at June 30, 2019:

Investment Type	Fair Value June 30, 2019	Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money Market Index Funds	\$ 41,862,665	\$ 41,862,665	\$ —	\$ —	\$ —
Money Market Savings Accounts	91,361,040	91,361,040	—	—	—
U.S. Government Obligations	93,835,008	21,620,016	39,017,605	28,007,138	5,190,249
Corporate Debt	152,884,056	10,745,950	106,706,925	17,558,270	17,872,911
Certificate of Deposits	37,019,013	21,674,082	15,344,931	—	—
Foreign Obligations	41,580,906	7,094,468	34,486,438	—	—
Total	<u>\$ 458,542,688</u>	<u>\$ 194,358,221</u>	<u>\$ 195,555,899</u>	<u>\$ 45,565,408</u>	<u>\$ 23,063,160</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, 2020, the balance of the University's deposits was 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 permit that no more than 5.0 percent of the entire portfolio have ratings lower than BBB- or Baa3 thus maintaining a significant portion of the overall portfolio as investment grade rated.

As of June 30, 2020, University deposits and investments reflected credit ratings as illustrated below:

Credit Quality Rating	Fair Value June 30, 2020				Percentage of Total Pool
	Maturities (in years)				
	Less than 1	1 - 5	6 - 10	More than 10	
<b>Long Term Ratings</b>					
AAA	\$ 3,533,011	\$ 34,317,863	\$ 14,411,719	\$ 17,063,776	16.22 %
AA+	14,253,047	10,818,915	—	—	5.87 %
AA	—	12,918,558	664,940	968,582	3.41 %
AA-	17,098,222	16,810,622	—	1,210,725	8.22 %
A+	25,256,162	9,358,596	1,112,050	—	8.36 %
A	—	11,285,588	6,944,633	—	4.27 %
A-	1,080,816	16,447,228	4,089,372	—	5.06 %
BBB+	—	15,281,826	7,411,221	—	5.31 %
BBB	724,891	14,161,772	5,068,377	—	4.67 %
BBB-	510,350	7,545,972	2,329,942	—	2.43 %
BB+	—	1,019,209	—	—	0.24 %
BB	—	1,386,362	411,654	—	0.42 %
B	—	387,036	—	—	0.09 %
Not Rated	106,272,471	17,750,963	13,885,750	13,536,779	35.43 %
<b>Total</b>	<b>\$ 168,728,970</b>	<b>\$ 169,490,510</b>	<b>\$ 56,329,658</b>	<b>\$ 32,779,862</b>	<b>100.00 %</b>

As of June 30, 2019, University deposits and investments reflected credit ratings as illustrated below:

Credit Quality Rating	Fair Value June 30, 2019				Percentage of Total Pool
	Less than 1	1 - 5	6 - 10	More than 10	
Long Term Ratings					
AAA	\$ 10,307,389	\$ 30,500,347	\$ 13,727,938	\$ 14,997,185	15.16 %
AA+	11,532,228	28,056,647	624,816	—	8.77 %
AA	399,185	1,552,472	573,544	636,194	0.69 %
AA-	3,828,303	48,187,075	1,125,100	650,449	11.73 %
A+	5,256,522	4,777,084	2,683,115	—	2.77 %
A	1,067,199	9,138,206	2,557,845	—	2.78 %
A-	343,476	16,242,684	3,192,046	—	4.31 %
BBB+	1,052,805	18,098,139	2,171,000	—	4.65 %
BBB	1,904,985	9,795,713	1,998,166	455,505	3.09 %
BBB-	—	375,767	—	—	0.08 %
Not Rated	158,666,129	28,831,765	16,911,838	6,323,827	45.97 %
Total	<u>\$ 194,358,221</u>	<u>\$ 195,555,899</u>	<u>\$ 45,565,408</u>	<u>\$ 23,063,160</u>	<u>100.00 %</u>

### 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 5.0 percent 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.

The Federal Deposit Insurance Corporation (FDIC) and the Public Deposit Insurance Fund (PDIF) insure investments held at individual financial institutions. It is standard practice to limit investments held at individual financial institutions to less than 20.0 percent of the total market portfolio.

### 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, 2020:

Investments by Fair Value Level	June 30, 2020	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money Market Index Funds	\$ 16,141,941	\$ 16,141,941	\$ —
U.S. Treasuries	3,398,980	3,398,980	—
U.S. Government Agencies	86,321,692	38,489,672	47,832,020
Municipal Bonds	3,962,510	—	3,962,510
Corporate Debt	218,564,901	—	218,564,901
Foreign Obligations	45,514,301	—	45,514,301
<b>Total Investments by Fair Value Level</b>	<b>\$ 373,904,325</b>	<b>\$ 58,030,593</b>	<b>\$ 315,873,732</b>
<b>Non-Classified Assets</b>			
Money Market Savings Accounts	\$ 44,955,272	\$ —	\$ —
Certificate of Deposits	8,469,403	—	—
<b>Total Non-Classified Assets</b>	<b>\$ 53,424,675</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total Investments by Fair Value</b>	<b>\$ 427,329,000</b>	<b>\$ 58,030,593</b>	<b>\$ 315,873,732</b>

The University had the following recurring fair value measurements as of June 30, 2019:

Investments by Fair Value Level	June 30, 2019	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money Market Index Funds	\$ 41,862,665	\$ —	\$ 41,862,665
U.S. Treasuries	41,460,867	41,460,867	—
U.S. Government Agencies	52,374,141	—	52,374,141
Corporate Debt	152,884,056	—	152,884,056
Foreign Obligations	41,580,906	—	41,580,906
<b>Total Investments by Fair Value Level</b>	<b>\$ 330,162,635</b>	<b>\$ 41,460,867</b>	<b>\$ 288,701,768</b>
<b>Non-Classified Assets</b>			
Money Market Savings Accounts	\$ 91,361,040	\$ —	\$ —
Certificate of Deposits	37,019,013	—	—
<b>Total Non-Classified Assets</b>	<b>\$ 128,380,053</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total Investments by Fair Value</b>	<b>\$ 458,542,688</b>	<b>\$ 41,460,867</b>	<b>\$ 288,701,768</b>

## 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 \$988,560 in

endowment funds, all of which were included in cash and cash equivalents, as of June 30, 2020. At June 30, 2019, endowments held by the University were \$926,025, of which \$109,823 was included in cash and cash equivalents.

## **Note I – Retirement Plans and Other Post-Employment Benefits**

### **Pension Plans - Defined Benefit Retirement Funds**

#### **General Plan Information**

The University contributes to three defined benefit retirement funds. The funds are administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report that includes financial statements and required supplementary information for these funds as a whole and for its participants. Please go to [www.in.gov/inprs/annualreports.htm](http://www.in.gov/inprs/annualreports.htm) to view INPRS financial reports.

The defined benefit retirement funds administered by INPRS for BSU are:

- Public Employees' Defined Benefit Account (PERF DB)
- Teachers' 1996 Defined Benefit Account (TRF 1996 DB)
- Teachers' Pre-1996 Defined Benefit Account (TRF Pre-1996 DB)

#### **Public Employees' Defined Benefit Account (Hybrid Plan)**

**Pension Fund Description.** The University contributes to the Public Employees' Defined Benefit Account (PERF DB), a cost-sharing, multiple-employer defined benefit fund which is generally administered in accordance with state statutes IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law. The University contributes to the plan through the Indiana Public Retirement System (INPRS). See also the Public Employees' Defined Contribution Account information in the Defined Contribution Retirement Funds section.

**Basis of the Allocation.** The University's (an employer of the plan) proportion of the net pension liability for PERF DB 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 DB 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 DB 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. PERF DB Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1 percent. Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board of Trustees (INPRS Board).

#### **Eligibility for Full and Early Retirement Pension Benefit**

- At age 65 with at least 10 years of creditable service
- At age 60 with at least 15 years of creditable service
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- At age 70 with 20 years of creditable service and still active in the PERF-covered position
- Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59)

**Contributions.** The PERF DB consists of the pension provided by employer contributions plus an additional amount provided by the member's Public Employees' Retirement Fund Defined Contribution Account (PERF DC). Member contributions are set by statute and the INPRS Board at three percent of covered payroll. The employer may choose to make these contributions on behalf of the member. The University has elected to pay all the contributions on behalf of the member. For more information on the defined contribution component of the retirement plan, see the section of this report on Defined Contribution Retirement Funds. The PERF DB required contributions are determined by the INPRS Board based on an actuarial valuation. Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed. In 2019, none of the actuarial assumptions or methods changed. As PERF DB is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the year ended June 30, 2019, participating employers were required to contribute 11.2 percent for PERF DB and three percent for PERF DC,

of covered payroll for members employed by the state. For the fiscal year ended June 30, 2020, there were 1,254 employees with an annual pay of \$50,779,654 participating in PERF DB. In addition, there were 1,555 employees participating in PERF DB with an annual pay equal to \$51,703,966 for the fiscal year ended June 30, 2019. The University's contribution to the PERF DB and PERF DC accounts for the years ended June 30, 2020, and 2019, were \$7,149,040 and \$7,193,430, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

### **Teachers' 1996 Defined Benefit Account**

**Pension Fund Description.** The Teachers' 1996 Defined Benefit Account (TRF 1996 DB) is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits. Administration of the account is generally in accordance with state statutes IC 5-10.2, IC 5-10.4, 35 IAC 14, and other Indiana pension law. TRF 1996 DB is the employer funded defined benefit component of the Teachers' Hybrid Plan, and the Teachers' Defined Contribution Account (see Defined Contribution Retirement Funds section) is the other component.

Certain employees who participate in TRF 1996 DB 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)  
One America  
AXA Equitable

The first four companies on this list administer the funds in the Alternate Pension Plan which is designed to provide benefits comparable to those under TRF 1996 DB and the supplementary plan.

**Basis of the Allocation.** The University's (an employer of the plan) proportion of the net pension liability for TRF 1996 DB is 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 DB 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. TRF 1996 DB Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1 percent. Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board.

#### **Eligibility for Full and Early Retirement Pension Benefit**

- At age 65 with at least 10 years of creditable service
- At age 60 with at least 15 years of creditable service
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- At age 70 with 20 years of creditable service and still active in the TRF-covered position
- Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59)

**Contributions.** For the fiscal year ended June 30, 2020, there were 371 employees participating in TRF 1996 DB with annual pay equal to \$23,405,082. The University recorded 405 employees participating in TRF 1996 DB with annual pay equal to \$23,417,717 for fiscal year ended June 30, 2019. 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 Teachers' Defined Contribution Account (TRF DC) provides supplemental retirement benefits to TRF 1996 DB members. Contributions to TRF DC are three percent of covered payroll, as determined by state statute and the INPRS Board. The University has elected to make the contributions on behalf of the members. The University's contributions to TRF 1996 DB and the associated TRF DC for the years ended June 30, 2020, and 2019, were \$1,980,414 and \$2,444,874, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

## Teachers' Pre-1996 Defined Benefit Account

**Pension Fund Description.** The Teachers' Pre-1996 Defined Benefit Account (TRF Pre-1996 DB) is a pay-as-you-go, cost-sharing, multiple-employer defined benefit fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.4, 35 IAC 14, and other Indiana pension law. TRF Pre-1996 DB is the employer-funded defined benefit component of the Teachers' Hybrid Plan, along with TRF DC, a member-funded account. Refer to the Defined Contribution Retirement Funds section for information on the TRF DC component.

Membership in TRF Pre-1996 DB is closed to new entrants. Generally, members hired prior to July 1, 1996, participate in TRF Pre-1996 DB, and members hired after July 1, 1996, participate in TRF 1996 DB.

**Basis of the Allocation.** In determining the proportionate share of the net pension liability and corresponding pension amounts for a cost-sharing plan, the basis should be consistent with the manner in which contributions to the Plan, excluding those to separately finance specific liabilities of an individual employer, are determined. INPRS has determined that the actual contributions made to the Plan during the fiscal year are appropriate as the basis because they are representative of future contributions. GASB Statement No. 68 states that special funding situations are defined as circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and the amount of contribution is not dependent upon one or more events unrelated to pensions. Based on this definition, the TRF Pre-1996 Account plan does have a special funding situation, as the State of Indiana is the non-employer contributing entity legally responsible for making contributions that are used to provide pension benefits to members of the pension plan on behalf of the participating TRF Pre-1996 Account employers. The participating employers also make contributions but only in specific cases when an active member is paid from federal funds. These contributions are based on a rate which was estimated to be the normal cost for the period covered. Due to this fact, future contributions to cover the historical pension benefits are paid entirely by the non-employer contributing entity (State of Indiana) and, therefore, the entire net pension liability is being allocated to the State of Indiana.

**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 1996, who have maintained continuous employment with the same covered institution since that date to June 30, 2005. TRF Pre-1996 DB Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1 percent (minimum of \$180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

### Eligibility for Full and Early Retirement Pension Benefit

- At age 65 with at least 10 years of creditable service
- At age 60 with at least 15 years of creditable service
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- At age 70 with 20 years of creditable service and still active in the TRF-covered position
- Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59)

**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. In accordance with statute for TRF Pre-1996 DB, the nonemployer contributing entity contributions increase three percent annually. 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 TRF Pre-1996 DB, which was established according to IC 5-10.4.2.5. According to statute, the TRF Pre-1996 DB fund is funded primarily by appropriations from the state general fund and lottery proceeds. As a non-employer contributing entity, the State of Indiana contributed \$943.9 million in fiscal year ended June 30, 2019, to TRF Pre-1996. The actuarially determined contribution (ADC) for TRF Pre-1996 was \$947.4 million. Employers contributed \$3.5 million in fiscal year ended June 30, 2019.

TRF Pre-1996 Account members contribute three percent of covered payroll to their TRF Pre-1996 Defined Contribution Account (TRF Pre-1996 DC), formerly 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 TRF DC fund account. The University has elected to make three percent contributions on behalf of their participating employees. For the fiscal year ended June 30, 2020, the University shows 26 employees participating in the TRF Pre-1996 DB with annual payroll equal to \$2,364,075. The University made contributions of \$180,810 which included payments to the TRF DC on behalf of the members.

For the fiscal year ended June 30, 2019, the University showed 32 employees participating in the TRF Pre-1996 DB with annual payroll equal to \$2,546,007. The University's contributions to the TRF Pre-1996 DB for fiscal year ended June 30, 2019, were \$251,301.

## **Retirement Plans - Defined Contribution Retirement Funds**

### **General Plan Information**

The University contributes to two defined contribution retirement funds. The funds are administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report that includes financial statements and required supplementary information for these funds as a whole and for its participants. Please go to [www.in.gov/inprs/annualreports.htm](http://www.in.gov/inprs/annualreports.htm) to view INPRS financial reports.

The defined contribution retirement funds administered by INPRS for BSU are:

- Public Employees' Defined Contribution Account (PERF DC)
- Teachers' Defined Contribution Account (TRF DC)

### **Public Employees' Defined Contribution Account**

**Retirement Fund Description.** PERF DC is a multiple-employer defined contribution fund and is generally administered in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law. The fund provides supplemental defined contribution benefits to PERF DB members.

**Contributions.** The University participates in the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), the defined contribution component of the Public Employees' Hybrid Plan. The Public Employees' Defined Benefit Account (see Defined Benefit Retirement Funds section) is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at three percent of compensation, and the University makes these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings.

**Benefits Provided.** Members are entitled to the sum total of vested contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death). The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

### **Teachers' Defined Contribution Account**

**Retirement Fund Description.** TRF DC is a multiple-employer defined contribution fund providing supplemental retirement benefits to TRF Pre-1996 DB and TRF-1996 DB members. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.4, 35 IAC 14, and other Indiana pension law. TRF DC is the defined contribution component of the Teachers' Hybrid Plan. The Teachers' Pre-1996 Defined Benefit Account and the Teachers' 1996 Defined Benefit Account (see Defined Benefit Retirement Funds section) are the defined benefit components.

**Contributions.** The University participates in the Teachers' Defined Contribution Account (TRF DC), the defined contribution component of the Teachers' Hybrid Plan. The TRF 1996 DB and TRF Pre-1996 DB (see Defined Benefit Retirement Funds section) are the other components of the Teachers' Hybrid Plan. Member contributions are determined by statute and the INPRS Board at three percent of covered payroll, and the University makes these contributions on behalf of the member. Members are 100 percent vested in their account balance plus earnings.

**Benefits Provided.** Members are entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, monthly annuity, or installment options (in accordance with INPRS requirements).

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

At June 30, 2020, the University reported a liability of \$31,695,761 for its proportionate share of the net pension liability, as compared to \$35,763,227 for the year ended June 30, 2019. The net pension liability reported by the University was measured as of June 30, 2019, for fiscal year 2019-2020, and as of June 30, 2018, for fiscal year 2018-2019 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:

<b>June 30, 2019:</b>	PERF DB	TRF-1996 DB	TRF Pre-1996 DB	Aggregate
Proportionate Share	0.0099076	0.0073054	—	
Net Pension Liability/(Asset)	\$ 32,745,249	\$ (1,049,488)	\$ —	\$ 31,695,761
Deferred Outflow of Resources	\$ 876,313	\$ 2,265,483	\$ —	\$ 3,141,796
Deferred Inflow of Resources	\$ 6,544,749	\$ 5,633,460	\$ —	\$ 12,178,209
Pension Expense/(Income)	\$ 4,343,360	\$ 1,566,820	\$ 9,686,679	\$ 15,596,859

<b>June 30, 2018:</b>	PERF DB	TRF-1996 DB	TRF Pre-1996 DB	Aggregate
Proportionate Share	0.0102797	0.0075972	—	
Net Pension Liability/(Asset)	\$ 34,920,606	\$ 842,621	\$ —	\$ 35,763,227
Deferred Outflow of Resources	\$ 1,577,670	\$ 2,686,732	\$ —	\$ 4,264,402
Deferred Inflow of Resources	\$ 6,368,836	\$ 4,368,231	\$ —	\$ 10,737,067
Pension Expense/(Income)	\$ 5,102,005	\$ 1,741,387	\$ 9,615,553	\$ 16,458,945

The University recognized expenses of \$15,596,859 at June 30, 2020, and \$16,458,945 at June 30, 2019. For TRF Pre-1996 DB, 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 TRF Pre-1996 DB net pension liability associated with the University at June 30, 2019, was \$109,089,506, and \$113,889,073 at June 30, 2018. The total net pension liability for the TRF Pre-1996 DB Account at June 30, 2019, was \$10,630,018,922, compared to \$10,871,842,494 at June 30, 2018. Since the TRF Pre-1996 DB 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 \$9,686,679 for June 30, 2020, and \$9,615,553 at June 30, 2019. 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, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PERF DB 3.86 Years		TRF 1996 DB 11.07 Years		TRF Pre-1996 DB
	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	\$ 867,083	\$ —	\$ 424,558	\$ 1,193,482	\$ —
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	—	1,547,785	—	574,450	—
Change of Assumptions	7,290	3,559,650	1,239,789	2,384,665	—
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,940	1,437,314	601,136	1,480,863	—
Contributions Subsequent to the Measurement Date	5,638,679	—	1,414,581	—	129,150
Total	\$ 6,514,992	\$ 6,544,749	\$ 3,680,064	\$ 5,633,460	\$ 129,150

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PERF DB 3.93 Years		TRF 1996 DB 11.47 Years		TRF Pre-1996 DB
	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	\$ 456,693	\$ 2,384	\$ 483,235	\$ 1,208,368	\$ —
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,034,211	—	103,753	—	—
Change of Assumptions	83,200	5,606,988	1,432,566	2,731,659	—
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,566	759,464	667,178	428,204	—
Contributions Subsequent to the Measurement Date	5,673,692	—	1,746,339	—	179,500
Total	\$ 7,251,362	\$ 6,368,836	\$ 4,433,071	\$ 4,368,231	\$ 179,500

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 DB	TRF 1996 DB
2020	\$ (1,824,110)	\$ (257,418)
2021	(2,892,893)	(588,306)
2022	(831,257)	(509,093)
2023	(120,176)	(326,978)
2024	—	(276,836)
Thereafter	—	(1,409,346)
Total	\$ (5,668,436)	\$ (3,367,977)

**Actuarial Assumptions.** Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented as follows:

Description	PERF DB	TRF Pre-1996 DB	TRF 1996 DB
Asset Valuation Date	June 30, 2019		
Liability Valuation Date	June 30, 2018 - Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date.		
Actuarial Cost Method (Accounting)	Entry Age Normal (Level Percent of Payroll)		
Actuarial Assumptions:			
Experience Study Date	Period of four years ended June 30, 2014	Period of three years ended June 30, 2014	
Investment Rate of Return (Accounting)	6.75%, includes inflation and net of investment expenses		
Cost of Living Increases (COLA) or "Ad Hoc" COLA	2020-2021 - 13th check, Beginning Jan. 1, 2022- 0.40%, Beginning Jan. 1, 2034 - 0.50%, Beginning Jan. 1, 2039 - 0.60%		
Future Salary Increases, including Inflation	2.50% - 4.25%	2.5% - 12.5%	
Inflation	2.25%		
Mortality- Healthy	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	
Mortality- Disabled	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006		

Description	PERF DB	TRF Pre-1996 DB	TRF 1996 DB
Asset Valuation Date	June 30, 2018		
Liability Valuation Date	June 30, 2017 - Member census data as of June 30, 2017 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date.		
Actuarial Cost Method (Accounting)	Entry Age Normal (Level Percent of Payroll)		
Actuarial Assumptions:			
Experience Study Date	Period of four years ended June 30, 2014	Period of three years ended June 30, 2014	
Investment Rate of Return (Accounting)	6.75%, includes inflation and net of investment expenses		
Cost of Living Increases (COLA) or "Ad Hoc" COLA	2019-2020 - 13th check, 2021-2032 - 0.40%, 2033-2037 - 0.50%, 2038 and on - 0.60%		
Future Salary Increases, including Inflation	2.50% - 4.25%	2.5% - 12.5%	
Inflation	2.25%		
Mortality- Healthy	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	
Mortality- Disabled	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006		

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the Board as the

discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

	Geometric Basis at June 30, 2019		Geometric Basis at June 30, 2018	
	Long Term Expected Rate of Return	Target Asset Allocation	Long Term Expected Rate of Return	Target Asset Allocation
Public Equity	4.9%	22.0%	4.4%	22.0%
Private Markets	7.0%	14.0%	5.4%	14.0%
Fixed Income - Ex Inflation-Linked	2.5%	20.0%	2.2%	20.0%
Fixed Income - Inflation-Linked	1.3%	7.0%	0.8%	7.0%
Commodities	2.0%	8.0%	2.3%	8.0%
Real Estate	6.7%	7.0%	6.5%	7.0%
Absolute Return	2.9%	10.0%	2.7%	10.0%
Risk Parity	5.3%	12.0%	5.2%	12.0%

**Discount Rate.** Total pension liability for each defined benefit pension plan was calculated using the long-term expected rate of return of 6.75 percent at both June 30, 2019, and at June 30, 2018. 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 INPRS Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by Indiana statute. Projected inflows from investment earnings were calculated using the 6.75 percent long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability 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. 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, 2019

##### Pre-Funded Defined Benefit

PERF DB			TRF 1996 DB		
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)%
\$52,589,302	\$32,745,249	\$16,193,790	\$6,424,998	\$(1,049,488)	\$(7,103,692)

#### Discount Rate Sensitivity - Liability / (Asset) at June 30, 2018

##### Pre-Funded Defined Benefit

PERF DB			TRF 1996 DB		
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)%
\$54,970,647	\$34,920,606	\$18,201,056	\$8,145,322	\$842,621	\$(5,063,788)

**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 adopts all applicable GASB pronouncements in accounting and reporting for its operations. Investments are generally 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.

## Retirement Funds – 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:

	2020	2019	2018
Contributions	\$ 12,613,739	\$ 12,927,533	\$ 13,065,067
Number of Participating Members	1,620	1,696	1,726
Related Payroll	\$ 126,542,755	\$ 131,006,992	\$ 125,095,300

## Other Post-Employment Benefits

**OPEB Plan Description.** In addition to providing retirement benefits, the University, as authorized by the University's Board of Trustees, provides certain health care and life insurance benefits for qualified retired employees. There are two Other Postemployment Benefits Other than Pension (OPEB) plans. The first plan, Ball State University Health Care Plan, was established to help offset the cost of retiree health care for both eligible retirees and the University. A Voluntary Employee Beneficiary Association (VEBA) Trust was created to provide a vehicle where assets could be accumulated for this specific purpose. The retiree health care plan is a single-employer defined benefit plan that is administered by the University. Beginning January 1, 2020, the plan was closed to new hires and employees not in a benefits-eligible positions.

The second OPEB plan, Ball State University OPEB 115 Plan, was established to help offset the cost of retiree life insurance for both the members and the University. This plan is an open single-employer defined benefit plan that is administered by the

University. Likewise, it has a trust, OPEB 115 Trust, connected to the plan to allow for the accumulation of earnings and the payment of a large portion of the insurance premiums.

Since the University administers defined benefit OPEB plans that have trusts or equitable arrangements attached, adoption of GASB Statement No. 74 was required and impacts the financial reports of the plan administrator. GASB Statement No. 74 superseded GASB Statement No. 43 and focuses on changes in the actuarial valuation and added new disclosure requirements for financial reporting. The complement standard to GASB Statement No. 74 is GASB Statement No. 75 which replaced GASB Statement No. 45 and requires significant changes to the reporting and disclosures of defined benefit OPEB plans of plan sponsors. These two standards are similar to the two pension standards, GASB Statements No. 67 and 68, that were enacted to provide consistency in measurement and transparency of future liability obligations.

The University issues an audited publicly available stand-alone financial report that includes financial statements and required supplemental information for the plans. This report may be obtained from the Ball State University website at: <https://www.bsu.edu/about/administrativeoffices/controller/retiree-health-and-life-plan-trusts>.

**Benefits Provided.** Health insurance at Ball State University is a self-funded plan that utilizes third party administrators for health, dental, and prescription drug benefits. Retiree health care benefits are the same as employee health care benefits (for retirees not eligible for Medicare) or substantially the same (for retirees who qualify for Medicare). The Plan includes prescription drug coverage, but dental coverage is optional. Spouses and dependents are eligible for coverage under the same rules as the employee plan, and unmarried surviving spouses are eligible to retain the coverage for the remainder of their lifetime. Medicare-eligible retirees and spouses receive supplemental "carve-out" medical coverage which is coordinated with Medicare Part A and Part B. Dental and prescription drug coverage is the same under all plans.

The Hartford provides a fully-funded life insurance plan for retired employees with premiums set at annual renewal. Eligible employees receive life insurance coverage equal to 103.0 percent of twice the amount of their defined annual compensation, up to a maximum of \$125.0 thousand. 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 \$37.5 thousand.

**Plan Administration.** The authority to change benefits and to make adjustments to the plans and trusts ultimately resides with the University Board of Trustees. There is a committee of University personnel who work with consultants and third party administrators to propose changes to the benefit plans. These recommendations are then presented to the Board of Trustees for discussion and approval. A second committee composed of University personnel and designated trustees from the Board of Trustees work with external investment consultants, fund managers, and the trust custodian to manage the trust assets. The investment policy with any recommended changes is taken to the Board of Trustees for approval on an annual basis.

**Eligibility.** The University's regular full-time employees may become eligible for retiree health and life insurance benefits upon attainment of age 62 with 15 years of services (and Health Plan participation). Eligible employees hired June 30, 2009, and prior may retire with health and life insurance benefits upon attainment of age 50 with 15 years of service (and Health Plan participation). Eligible employees 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 ten years of service (and 12 months of Health Plan participation). Eligible full-time contract faculty (not on a semester-by-semester basis) may accumulate cumulative years of service instead of consecutive years of service. Beginning January 1, 2020, the retiree health plan is closed to new hires and those who were not in a benefit eligible position. As of June 30, 2020, 1,113 retirees were enrolled in life insurance coverage, and 2,037 retirees, spouses and surviving spouses were enrolled in health insurance coverage. As of June 30, 2019, out of a total of 3,151 (3,190 in 2018) benefits eligible active employees, 800 (806 in 2018) had fulfilled the age and service requirements for these retiree benefits. In addition, 812 active employees have met the age and service requirements for retirement as of June 30, 2020. Employees receiving benefits and who have successfully fulfilled the age and service requirements to qualify for retiree health and life insurance must enroll in the plan before they retire. If the election is not requested at the time of retirement, the employee will not be eligible to participate in the plans. There are no provisions for accepting late elections.

Plan Membership For Each Plan as of June 30,	2019	2018
Retirees with Life Insurance Coverage	1,106	1,108
Retirees, Spouses and Surviving Spouses with Health Insurance	2,030	2,027

**Contributions.** 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. It is the University's intent to budget health care

premiums so that claims and administrative expenses are covered. Any surplus of premiums over claims and administrative expenses are used to adjust the health care reserve balances. Residual balances may be contributed to the VEBA Trust.

Each year, the Board of Trustees establishes premiums for the next calendar year, of which premiums paid by the employees and retirees range between 11.0 and 29.0 percent, depending on the health plan. The premiums paid by the University range between 71.0 and 89.0 percent. The premiums are intended to fully fund all claims, administrative costs, and reserve adjustments. The claims and applicable administrative costs of current retirees are paid from the self-funded plan, while the contributions to the VEBA Trust are intended to partially fund claims and administrative costs for eligible retirees and their beneficiaries in the future.

For the year ended June 30, 2020, retirees contributed \$3.0 million (\$3.2 million in 2019) in premiums for health care coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed \$9.7 million (\$10.4 million in 2019) as its 75.0 percent requirement. Retirees not eligible for Medicare were limited to one plan option in calendar year 2019, the High Deductible Wellness plan. Monthly premiums paid by retirees not eligible for Medicare ranged from \$113.51 for single coverage to \$294.68 for family coverage. Medicare-eligible retirees and spouses each paid \$118.82 for medical and prescription drug coverage. Both non-Medicare and Medicare-eligible retirees and spouses paid \$12.06 if they chose the optional dental coverage. This was in addition to the Medicare Part B Premium.

Ball State University accounts for the OPEB 115 Plan in a manner similar to the Health Care Plan. Each year, The Hartford establishes, and the Board of Trustees approves, premiums for the next fiscal year. The Plan collects 25.0 percent from employees and retirees and 75.0 percent from the University. The premiums are intended to fully fund all claims and administrative costs for employees and retirees. The Hartford bills the University for monthly premiums.

For the year ended June 30, 2020, retirees contributed \$102.9 thousand (\$99.6 thousand in 2019) in premiums for life insurance coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed \$316.5 thousand (\$307.3 thousand in 2019) as its 75.0 percent requirement. Retirees pay \$.2267 per \$1,000 of coverage per month, which means the maximum monthly premium paid by retirees is \$8.50.

**Reserves.** The University is self-funded with regard to its health care plans, and premium rates developed each year are expected to cover the cost of employees' and retirees' health care claims expense, as well as a variety of health plan-related administrative costs. In addition to its VEBA Trust for ensuring the continuity of the retiree health care plans, the University, consistent with best practices, maintains three health care reserve funds: the Reserve for Incurred but Unreported Claims (IBNR), the Reserve for Self-Insurance, and the Reserve for Post-Retirement Health.

The IBNR and the Reserve for Self-Insurance balances are actuarially determined at each fiscal year end. A qualified actuary examines incurred and paid claim experience for medical, prescription, dental and COBRA (Consolidated Omnibus Budget Reconciliation Act) claims for the previous 12 months, evaluates claim lag for each category of claims, and estimates the amount of reserve requirements for Incurred but Unreported Claims at fiscal year-end. The University maintains a reserve balance to correspond with the annual actuarial estimate. Retrospective analysis is conducted by the actuary to validate the estimated balance of the IBNR.

Ball State University is responsible for the entire health claim risk and, therefore, maintains a Reserve of Self-Insurance that would be used in the event of claim cost experience being higher than expected. While the University has stop-loss coverage, this reserve would help to cover the gap between high claimants and the stop loss coverage. Since fiscal year 2005-2006, the University has held a Reserve for Self-Insurance based on the risk-based capital (RBC) formula's net underwriting risk component. The amount of the reserve has ranged from 100 percent to 200 percent of the Company Action Level (CAL) of the RBC net underwriting risk component. For fiscal year ended June 30, 2020, the University is currently electing to hold 150 percent of the CAL RBC amount. This reserve is used in years when claims out-pace premiums and the Reserve for Post-Retirement Health is expended.

The IBNR, Reserve for Self-Insurance, and the Reserve for Post-Retirement Health are adjusted by year-end activity in the Health Care Auxiliary funds of the University. The Health Care Auxiliary fund accounts for all premiums received during the fiscal year, from the University, active employees and retirees. The Auxiliary fund also accounts for all claims paid during the fiscal year, and a variety of health care-related administrative expenses. Premium rates are set to cover the anticipated cost of claims, and expenses. At fiscal year-end, if the Health Care Auxiliary has a surplus of premiums over expenses, the resulting surplus is used to fund the current year-end actuarial estimates for the IBNR and the Reserve for Self-Insurance. Any residual

is held in the Reserve for Post-Retirement Health. If the Health Care Auxiliary has a deficit, it is funded first by the Reserve for Post-Retirement Health and if needed, by the Reserve for Self-Insurance. At the University's discretion, a contribution of funds from the Reserve for Post-Retirement Health fund to the VEBA is performed when funds are available and it is strategically appropriate.

The balances of the reserve funds for the fiscal years ended June 30, 2020, and 2019 are shown below:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Reserve for Unreported Claims	\$ 3,759,407	\$ 4,257,837
Reserve for Self-Insurance	\$ 6,420,105	\$ 6,510,795
Reserve for Post-Retirement Health	\$ 16,036,425	\$ 11,329,602

### **Net OPEB Liability**

At June 30, 2020, the University reported a Net OPEB Liability of \$25,726,952. The net OPEB liability reported in fiscal year 2019-2020 is solely from the retiree portion of the health care plan. The OPEB 115 Plan is shown separately, as a net OPEB asset. The liabilities of the plan are offset by the trust assets. The trust assets exceed the liability and therefore, is reported as an asset on the financial statements.

The measurement date is June 30, 2019.

The measurement period for the OPEB plans are July 1, 2018 through June 30, 2019.

The reporting period is July 1, 2019 through June 30, 2020.

Net OPEB Liability was measured as of June 30, 2019.

The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date.

Based on the actuarial study for June 30, 2019, and June 30, 2018, the components of the Net OPEB Liability (Asset) of the University (sponsor) were as follows:

	<u>June 30, 2019</u>	
	<u>Health Care Plan</u>	<u>OPEB 115 Plan</u>
Total OPEB Liability	\$ 325,956,523	\$ 24,453,051
Plan Fiduciary Net Position	(300,229,571)	(26,726,542)
Net OPEB Liability (Asset) June 30, 2019	<u>\$ 25,726,952</u>	<u>\$ (2,273,491)</u>
Plan Fiduciary Net Position as a percentage of the		
Total OPEB Liability June 30, 2019	<u>92.11 %</u>	<u>109.30 %</u>
	<u>June 30, 2018</u>	
	<u>Health Care Plan</u>	<u>OPEB 115 Plan</u>
Total OPEB Liability	\$ 308,880,335	\$ 23,996,368
Plan Fiduciary Net Position	(287,728,105)	(26,590,664)
Net OPEB Liability (Asset) June 30, 2018	<u>\$ 21,152,230</u>	<u>\$ (2,594,296)</u>
Plan Fiduciary Net Position as a percentage of the		
Total OPEB Liability June 30, 2018	<u>93.15 %</u>	<u>110.81 %</u>

**Actuarial Assumptions.** The Total OPEB Liability was determined by actuarial valuations for June 30, 2019, and June 30, 2018, using the following actuarial assumptions:

**Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending:**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation Date:	June 30, 2018	June 30, 2017
Notes:	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Remaining Amortization Period:	19 years	20 years
Asset Valuation Method:	Market value of assets	Market value of assets
Price Inflation:	No explicit price inflation assumption used	No explicit price inflation assumption used
Salary Increases:	3.5% per year	3.5% per year
Investment Rate of Return:	7.0%, net of OPEB plan investment expense, including inflation	7.0%, net of OPEB plan investment expense, including inflation
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition	Experience-based table of rates that are specific to the type of eligibility condition
Mortality:	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates projected forward from 2006 using Projection Scale MP-2018, with no collar adjustment	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates projected forward from 2006 using Projection Scale MP-2018, with no collar adjustment
Health Care Trend Rates:	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%
Dental Trend Rates:	Initial trend starting at 4.5% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 4.5% and gradually decreasing to an ultimate trend rate of 3.5%
Aging Factors:	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

**VEBA and OPEB Investment Asset Allocation.** The University's VEBA and OPEB 115 Trust Committee working under the authority of the Board of Trustees with a Board Trustee participating on the committee is overseen by the Vice President of Business Affairs and Treasurer. The committee works with external investment consultants to set performance expectations, manage asset allocation of the trusts, and perform administrative due diligence. The investment policy is reviewed and updated as necessary each year. There were no significant changes in fiscal years 2019-2020 or 2018-2019.

The table below summarizes the investment allocations for the two plans combined and provides the long-term expected return:

Asset Allocations for the Combined VEBA and OPEB 115 Trusts			
<u>Asset Class</u>	<u>Target Allocation</u>	<u>June 30, 2020</u> Long-Term Expected Return	<u>June 30, 2019</u> Long-Term Expected Return
International Equity	20.0 %	6.8 %	7.0 %
Emerging Markets Equity	4.0 %	8.4 %	8.1 %
Low Volatility Equity	4.0 %	6.3 %	6.4 %
US Small Cap Equity	10.0 %	6.6 %	6.5 %
US Large Cap Equity	32.0 %	6.0 %	6.1 %
Fixed Income	20.0 %	2.4 %	3.3 %
Real Estate	10.0 %	6.2 %	6.6 %
Total	<u>100.0 %</u>		

Notes:

- There were no investments identified at June 30, 2019, and June 30, 2018, that represented 5.0 percent or more of the fiduciary net position of the plans.

- The long-term expected return shown above was provided by our investment consultants using the geometric return calculation. The rate was calculated as a 20-year outlook.
- The annual money-weighted rate of return on the VEBA and OPEB 115 plan investments combined was 2.7 percent for June 30, 2020, and 4.5 percent for June 30, 2019. The plans rely on various investment managers hired by the University's Board of Trustees, with the advice of outside consultants to prudently invest the amounts contributed. These investment manager arrangements are in the form of mutual funds, separately managed accounts with securities in the possession of custodians other than the investment manager, a private investment trust, and a private closed-end real estate investment trust. Investments are reported by the managers and in some cases custodial banks at fair value. Fixed income securities maturing within one year of the date of the financial statements are classified as short term investments. The fair value of the investments in the core real estate fund is based on independent appraisals and internal valuations of recent acquisitions.

**Single Discount Rate.** Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments remains unchanged at 7.0 percent, the municipal bond rate is 3.13 percent, and the resulting Single Discount Rate is 7.0 percent.

The projection of cash flows used to determine this Single Discount Rate assumed the following:

- In all years the employer contributions will be made at rates equal to the actuarially determined contribution rate; and
- Contributions and benefit payments occur halfway through the year.

#### Changes in Net OPEB Liability - Health

	June 30, 2019		
	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Health Care Plan</b>			
Beginning Balance	\$ 308,880,335	\$ 287,728,105	\$ 21,152,230
Changes for the Year:			
Service Cost	\$ 7,611,987	\$ —	\$ 7,611,987
Interest	21,470,286	—	21,470,286
Difference Between Expected and Actual Experience	(10,137,052)	—	(10,137,052)
Changes in Assumptions	9,074,176	—	9,074,176
Contributions - Employer	(10,943,209)	10,943,209	(21,886,418)
Net Investment Income	—	12,501,466	(12,501,466)
Benefit Payments, Including Refunds	—	(10,943,209)	10,943,209
Net Changes	<u>\$ 17,076,188</u>	<u>\$ 12,501,466</u>	<u>\$ 4,574,722</u>
Balances at June 30, 2019	<u>\$ 325,956,523</u>	<u>\$ 300,229,571</u>	<u>\$ 25,726,952</u>

	June 30, 2018		
	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Health Care Plan</b>			
Beginning Balance	\$ 281,711,835	\$ 265,877,234	\$ 15,834,601
Changes for the Year:			
Service Cost	\$ 6,830,783	\$ —	\$ 6,830,783
Interest	19,577,788	—	19,577,788
Difference Between Expected and Actual Experience	9,434,332	—	9,434,332
Changes in Assumptions	487,135	—	487,135
Contributions - Employer	(9,161,538)	9,161,538	(18,323,076)
Net Investment Income	—	21,850,871	(21,850,871)
Benefit Payments, Including Refunds	—	(9,161,538)	9,161,538
Net Changes	<u>\$ 27,168,500</u>	<u>\$ 21,850,871</u>	<u>\$ 5,317,629</u>
Balances at June 30, 2018	<u>\$ 308,880,335</u>	<u>\$ 287,728,105</u>	<u>\$ 21,152,230</u>

## Changes in Net OPEB Liability - Life

	June 30, 2019		
	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability(Asset)
<b>OPEB 115 Plan</b>			
Beginning Balance	\$ 23,996,368	\$ 26,590,664	\$ (2,594,296)
Changes for the Year:			
Service Cost	\$ 305,397	\$ —	\$ 305,397
Interest	1,643,677	—	1,643,677
Changes in Benefit Terms	—	—	—
Difference Between Expected and Actual Experience Loss (Gain)	(10,643)	—	(10,643)
Changes in Assumptions	142,956	—	142,956
Contributions - Employer	(1,624,704)	566,552	(2,191,256)
Net Investment Income	—	1,194,030	(1,194,030)
Benefit Payments, Including Refunds	—	(1,624,704)	1,624,704
Net Changes	<u>\$ 456,683</u>	<u>\$ 135,878</u>	<u>\$ 320,805</u>
Balances at June 30, 2019	<u>\$ 24,453,051</u>	<u>\$ 26,726,542</u>	<u>\$ (2,273,491)</u>

	June 30, 2018		
	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability(Asset)
<b>OPEB 115 Plan</b>			
Beginning Balance	\$ 22,351,708	\$ 25,552,765	\$ (3,201,057)
Changes for the Year:			
Service Cost	\$ 299,665	\$ —	\$ 299,665
Interest	1,532,799	—	1,532,799
Changes in Benefit Terms	—	—	—
Difference Between Expected and Actual Experience Loss (Gain)	337,477	—	337,477
Changes in Assumptions	976,135	—	976,135
Contributions - Employer	(1,501,416)	468,068	(1,969,484)
Net Investment Income	—	2,071,247	(2,071,247)
Benefit Payments, Including Refunds	—	(1,501,416)	1,501,416
Net Changes	<u>\$ 1,644,660</u>	<u>\$ 1,037,899</u>	<u>\$ 606,761</u>
Balances at June 30, 2018	<u>\$ 23,996,368</u>	<u>\$ 26,590,664</u>	<u>\$ (2,594,296)</u>

**Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption.** Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate (SDR), the following presents the plans' net OPEB liability, calculated using a Single Discount Rate of seven percent, as well as what the plans' net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

**Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption**

	<b>Health Care Plan</b>		
	<b>1% Decrease 6.00%</b>	<b>Current SDR Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
<b>June 30, 2019</b>			
Total OPEB Liability	\$ 370,056,019	\$ 325,956,523	\$ 289,507,273
Plan Net Position	<u>\$ 300,229,571</u>	<u>\$ 300,229,571</u>	<u>\$ 300,229,571</u>
Net OPEB Liability	<u>\$ 69,826,448</u>	<u>\$ 25,726,952</u>	<u>\$ (10,722,298)</u>
<b>June 30, 2018</b>			
Total OPEB Liability	\$ 350,874,982	\$ 308,880,335	\$ 274,200,098
Plan Net Position	<u>\$ 287,728,105</u>	<u>\$ 287,728,105</u>	<u>\$ 287,728,105</u>
Net OPEB Liability	<u>\$ 63,146,877</u>	<u>\$ 21,152,230</u>	<u>\$ (13,528,007)</u>

**Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption**

<b>June 30, 2019</b>	<b>OPEB 115 Plan</b>		
	<b>1% Decrease 6.00%</b>	<b>Current SDR Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
Total OPEB Liability	\$ 27,770,004	\$ 24,453,051	\$ 21,748,251
Plan Net Position	\$ 26,726,542	\$ 26,726,542	\$ 26,726,542
Net OPEB Liability	<u>\$ 1,043,462</u>	<u>\$ (2,273,491)</u>	<u>\$ (4,978,291)</u>

<b>June 30, 2018</b>	<b>OPEB 115 Plan</b>		
	<b>1% Decrease 6.00%</b>	<b>Current SDR Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
Total OPEB Liability	\$ 27,292,436	\$ 23,996,368	\$ 21,312,788
Plan Net Position	\$ 26,590,664	\$ 26,590,664	\$ 26,590,664
Net OPEB Liability	<u>\$ 701,772</u>	<u>\$ (2,594,296)</u>	<u>\$ (5,277,876)</u>

**Sensitivity of Net OPEB Liability to the Health Care Cost Trend Rate Assumption.** Regarding the sensitivity of the net OPEB liability to changes in the health care cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

**Sensitivity of Net OPEB Liability to the Health Care Cost Trend Rate Assumption**

<b>June 30, 2019</b>	<b>Health Care Plan</b>		
	<b>1% Decrease</b>	<b>Current Health Care Cost Trend Rate Assumption</b>	<b>1% Increase</b>
Total OPEB Liability	286,703,013	325,956,523	374,047,350
Plan Net Position	300,229,571	300,229,571	300,229,571
Net OPEB Liability (Asset)	<u>\$ (13,526,558)</u>	<u>\$ 25,726,952</u>	<u>\$ 73,817,779</u>

<b>June 30, 2018</b>	<b>Health Care Plan</b>		
	<b>1% Decrease</b>	<b>Current Health Care Cost Trend Rate Assumption</b>	<b>1% Increase</b>
Total OPEB Liability	271,534,735	308,880,335	354,671,836
Plan Net Position	287,728,105	287,728,105	287,728,105
Net OPEB Liability (Asset)	<u>\$ (16,193,370)</u>	<u>\$ 21,152,230</u>	<u>\$ 66,943,731</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources:**

With the adoption of GASB 75, the University posted a net OPEB liability of \$25,726,952 for the fiscal year ended June 30, 2020, for the Health Care Plan. The OPEB 115 Plan is recorded as a Net OPEB Asset in the amount of \$2,273,491 as trust assets surpass liabilities. The net OPEB liability (asset) was measured as of June 30, 2019, for fiscal year 2019-2020. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of those dates for all plans.

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

<u>June 30, 2019</u>	<u>Health Care Plan</u>	<u>OPEB 115 Plan</u>	<u>Aggregate</u>
Net OPEB Liability	\$ 25,726,952	\$ —	\$ 25,726,952
Net OPEB (Asset)	\$ —	\$ (2,273,491)	\$ (2,273,491)
Deferred Outflow of Resources	\$ 37,353,834	\$ 2,071,578	\$ 39,425,412
Deferred Inflow of Resources	\$ 20,231,007	\$ 981,218	\$ 21,212,225
OPEB Expense (Revenue)	\$ 8,226,259	\$ 63,824	\$ 8,290,083

<u>June 30, 2018</u>	<u>Health Care Plan</u>	<u>OPEB 115 Plan</u>	<u>Aggregate</u>
Net OPEB Liability	\$ 31,669,775	\$ —	\$ 31,669,775
Net OPEB (Asset)	\$ —	\$ (2,594,296)	\$ (2,594,296)
Deferred Outflow of Resources	\$ 26,149,764	\$ 1,606,432	\$ 27,756,196
Deferred Inflow of Resources	\$ 16,606,946	\$ 1,359,828	\$ 17,966,774
OPEB Expense (Revenue)	\$ 5,715,688	\$ (125,437)	\$ 5,590,251

On June 30, 2020, and June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

#### Health Care Plan

##### **Average Remaining Service Life for 2019:**

	<u>6.58 Years</u>		<u>Net Outflows (Inflows) of Resources</u>
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	
Differences Between Expected and Actual Experience	\$ 6,567,016	\$ 10,912,838	\$ (4,345,822)
Assumption Changes	13,058,864	—	13,058,864
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	6,111,601	9,318,169	(3,206,568)
Contributions Subsequent to the Measurement Date	11,616,353	—	—
Total	<u>\$ 37,353,834</u>	<u>\$ 20,231,007</u>	<u>\$ 5,506,474</u>

#### Health Care Plan

##### **Average Remaining Service Life for 2018:**

	<u>6.58 Years</u>		<u>Net Outflows (Inflows) of Resources</u>
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	
Differences Between Expected and Actual Experience	\$ 8,000,674	\$ 2,953,639	\$ 5,047,035
Assumption Changes	6,821,074	—	6,821,074
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	13,653,307	(13,653,307)
Contributions Subsequent to the Measurement Date	11,328,016	—	—
Total	<u>\$ 26,149,764</u>	<u>\$ 16,606,946</u>	<u>\$ (1,785,198)</u>

**OPEB 115 Plan****Average Remaining Service Life for 2019:**

	7.20 Years		Net Outflows (Inflows) of Resources
	Deferred Outflow of Resources	Deferred Inflow of Resources	
Differences Between Expected and Actual Experience	\$ 243,757	\$ 257,338	\$ (13,581)
Assumption Changes	828,153	—	—
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	504,225	723,880	(219,655)
Contributions Subsequent to the Measurement Date	495,443	—	—
Total	<u>\$ 2,071,578</u>	<u>\$ 981,218</u>	<u>\$ 594,917</u>

**OPEB 115 Plan****Average Remaining Service Life for 2018:**

	7.20 Years		Net Outflows (Inflows) of Resources
	Deferred Outflow of Resources	Deferred Inflow of Resources	
Differences Between Expected and Actual Experience	290,617	305,881	(15,264)
Assumption Changes	840,595	—	840,595
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	1,053,947	(1,053,947)
Contributions Subsequent to the Measurement Date	475,220	—	—
Total	<u>\$ 1,606,432</u>	<u>\$ 1,359,828</u>	<u>\$ (228,616)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Health Care Plan**

Year Ending June 30	Net Deferred Outflow of Resources
2020	\$ (715,047)
2021	(715,047)
2022	2,972,198
2023	3,344,533
2024	713,893
Thereafter	(94,056)
Total	<u>\$ 5,506,474</u>

**OPEB 115 Plan**

Year Ending June 30	Outflows of Resources
2020	\$ (60,939)
2021	(60,940)
2022	205,383
2023	269,129
2024	183,439
Thereafter	58,845
Total	<u>\$ 594,917</u>

## **Note J – Included Entities**

The University operates Burris 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. 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 \$105,244,795 at June 30, 2020.

## **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. The risk per incident for buildings and contents is \$100,000. The risk per incident for general liability is \$150,000. The University retains the entire risk for job-related illnesses, injury to employees, and short-term disability. Auto physical damage, 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 is self-insured for employee and retiree health care and maintains various reserve funds and stop loss insurance to mitigate the risk of catastrophic claim experience. The Reserve for Claims Unreported or claims incurred but not paid (IBNP) and the Reserve of Self-Insurance are actuarially determined each year by external consultants.

This estimated liability for IBNP at June 30, 2020, and June 30, 2019, for both active employees and retirees was \$3.8 million and \$4.3 million, respectively, as determined by the University's actuarial consultants. Claims activity for each year was as follows:

June 30, 2020	
Unpaid Health Claims at July 1, 2019	4,257,837
Claims Incurred	50,485,186
Claims Paid	50,983,616
Unpaid Health Claims at June 30, 2020	<u>\$ 3,759,407</u>

June 30, 2019	
Unpaid Health Claims at July 1, 2018	3,845,844
Claims Incurred	52,033,288
Claims Paid	51,621,295
Unpaid Health Claims at June 30, 2019	<u>\$ 4,257,837</u>



Scheumann Stadium

## Note M – Functional Expenses

The University's operating expenses by functional classification were as follows for fiscal year ended June 30, 2020:

	Functional Classification						Total
	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	
Instruction	\$ 117,849,829	\$ 30,633,200	\$ 197,277	\$ 15,630	\$ 13,533,056	\$ —	\$ 162,228,992
Research	6,214,973	1,299,115	55,641	—	2,208,063	—	9,777,792
Public Service	5,404,826	1,474,314	32,160	31,134	9,377,137	—	16,319,571
Academic Support	29,005,755	8,555,948	26,462	2,682	10,738,582	—	48,329,429
Student Services	8,531,452	2,481,580	5,925	4,933	7,936,336	—	18,960,226
Institutional Support	28,704,376	18,886,036	3,865	62,493	9,064,536	—	56,721,306
Oper & Maint of Physical Plant	13,771,350	5,454,514	—	11,681,472	5,076,727	—	35,984,063
Scholarships & Fellowships	2,003,879	439,461	14,974,025	—	258,179	—	17,675,544
Auxiliary Enterprises	31,198,963	11,582,292	7,856,516	1,154,348	31,455,242	—	83,247,361
Depreciation	—	—	—	—	—	30,829,710	30,829,710
<b>Total Operating Expenses</b>	<b>\$ 242,685,403</b>	<b>\$ 80,806,460</b>	<b>\$ 23,151,871</b>	<b>\$ 12,952,692</b>	<b>\$ 89,647,858</b>	<b>\$ 30,829,710</b>	<b>\$ 480,073,994</b>

The University's operating expenses by functional classification were as follows for fiscal year ended June 30, 2019:

	Functional Classification						Total
	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	
Instruction	\$ 120,307,713	\$ 38,044,001	\$ 124,774	\$ 1,444	\$ 19,839,072	\$ —	\$ 178,317,004
Research	6,795,938	1,582,415	34,235	—	3,234,815	—	11,647,403
Public Service	5,653,146	1,754,446	36,746	35,697	4,331,480	—	11,811,515
Academic Support	28,156,720	10,265,487	25,658	3,419	13,468,279	—	51,919,563
Student Services	8,242,509	3,011,489	7,425	1,185	9,723,100	—	20,985,708
Institutional Support	29,004,310	19,691,354	18,755	60,765	13,859,028	—	62,634,212
Oper & Maint of Physical Plant	14,007,018	7,311,513	—	13,228,180	5,886,506	—	40,433,217
Scholarships & Fellowships	2,050,265	567,574	8,672,843	—	802,544	—	12,093,226
Auxiliary Enterprises	31,945,703	12,554,259	8,154,663	1,139,610	38,186,273	—	91,980,508
Depreciation	—	—	—	—	—	28,471,085	28,471,085
<b>Total Operating Expenses</b>	<b>\$ 246,163,322</b>	<b>\$ 94,782,538</b>	<b>\$ 17,075,099</b>	<b>\$ 14,470,300</b>	<b>\$ 109,331,097</b>	<b>\$ 28,471,085</b>	<b>\$ 510,293,441</b>

## Note N – Subsequent Event

The University entered into an agreement with First Merchants Bank for a revolving Line of Credit. The Loan Agreement was effective as of August 1, 2020. It features an initial limit of \$30.0 million with an accordion to increase up to \$50.0 million. Interest rate is a per annum rate of interest equal to the sum of (a) LIBOR Index, plus (b) the LIBOR Margin. Under no circumstance will the Interest Rate be less than 0.50 percent per annum. As of the date of this report, no funds have been drawn from this line. The maturity date is July 31, 2021.

# Ball State University

## Required Supplemental Information

### June 30, 2020

**Schedule of Ball State University's Proportionate Share of the**  
**Net Pension Liability**  
**Public Employees' Defined Benefit Account (PERF DB)**  
**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**
2019	0.0099076	\$ 32,745,249	\$ 51,619,288	63.4%	80.1%
2018	0.0102797	\$ 34,920,606	\$ 52,452,970	66.6%	78.9%
2017	0.010432	\$ 46,542,821	\$ 51,754,607	89.9%	72.7%
2016	0.0106414	\$ 48,295,404	\$ 50,999,766	94.7%	71.2%
2015	0.0106374	\$ 43,325,088	\$ 50,950,992	85.0%	73.3%
2014	0.0099214	\$ 26,072,795	\$ 48,439,081	53.8%	81.1%
2013	0.0098422	\$ 33,710,313	\$ 47,254,108	71.3%	74.3%

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

\*\*2013 - 2017 were adjusted to reflect Defined Benefit activity only, due to the Defined Benefit/Defined Contribution split effective January 1, 2018.

**Schedule of Ball State University's Proportionate Share of the**  
**Net Pension Liability**  
**Teachers' 1996 Defined Benefit Account (TRF 1996 DB)**  
**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**
2019	0.0073054	\$ (1,049,488)	\$ 23,816,767	(4.4)%	102.4%
2018	0.0075972	\$ 842,621	\$ 23,874,193	3.5%	98.0%
2017	0.0068661	\$ 4,546,709	\$ 20,731,715	21.9%	88.0%
2016	0.0063119	\$ 4,926,567	\$ 18,180,579	27.1%	84.9%
2015	0.0059797	\$ 3,148,778	\$ 16,389,126	19.2%	88.9%
2014	0.007277	\$ 346,027	\$ 18,832,391	1.8%	98.8%
2013	0.0065355	\$ 2,055,229	\$ 15,926,895	12.9%	91.6%

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

\*\*2013 - 2017 were adjusted to reflect Defined Benefit activity only, due to the Defined Benefit/Defined Contribution split effective January 1, 2018.

**Schedule of Ball State University's Proportionate Share of the  
Net Pension Liability  
Teachers' Pre-1996 Defined Benefit Account (TRF Pre-1996 DB)  
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**
2019	—	\$ —	100.00%	\$ 753,355,000	N/A	26.1%
2018	—	\$ —	100.00%	\$ 824,770,000	N/A	25.4%
2017	—	\$ —	100.00%	\$ 912,685,000	N/A	23.1%
2016	—	\$ —	100.00%	\$ 989,093,000	N/A	22.6%
2015	—	\$ —	100.00%	\$ 1,074,827,000	N/A	23.6%
2014	—	\$ —	100.00%	\$ 1,262,828,000	N/A	25.9%
2013	—	\$ —	100.00%	\$ 1,383,428,000	N/A	23.2%

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

\*\*2013 - 2017 were adjusted to reflect Defined Benefit activity only, due to the Defined Benefit/Defined Contribution split effective January 1, 2018.

**Schedule of Ball State University's Contributions  
Public Employees' Defined Benefit Account (PERF DB)  
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
2019	\$ 5,641,447	\$ 5,641,447	\$ —	\$ 51,619,288	10.93%
2018	\$ 5,859,623	\$ 5,859,623	\$ —	\$ 52,452,970	11.17%
2017	\$ 5,745,383	\$ 5,745,383	\$ —	\$ 51,754,607	11.10%
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	\$ 4,569,568	\$ (14,626)	\$ 47,254,108	6.87%

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

**Schedule of Ball State University's Contributions  
Teachers' 1996 Defined Benefit Account (TRF 1996 DB)  
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
2019	\$ 1,772,451	\$ 1,772,451	\$ —	\$ 23,816,767	7.44%
2018	\$ 1,643,410	\$ 1,643,410	\$ —	\$ 23,874,193	6.88%
2017	\$ 1,555,479	\$ 1,555,479	\$ —	\$ 20,731,715	7.50%
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 Ball State University's Contributions**  
**Teachers' Pre-1996 Defined Benefit 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
2019	\$ 179,501	\$ 179,501	\$ —	\$ 2,546,007	7.05%
2018	\$ 204,795	\$ 204,795	\$ —	\$ 2,896,105	7.07%
2017	\$ 222,186	\$ 222,186	\$ —	\$ 3,097,835	7.17%
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



Festival on the Green

## Schedule of Ball State University's Changes in Net OPEB Liability and Related Ratios Multi-year

<b>Health Care Plan</b>			
<b>Last 10 Fiscal Years*</b>			
Fiscal year ending June 30,	2019	2018	2017
<b>Total OPEB Liability:</b>			
Service Cost	\$ 7,611,987	\$ 6,830,783	\$ 6,599,790
Interest on the Total OPEB Liability	21,470,286	19,577,788	18,399,968
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience	(10,137,052)	9,434,332	(4,229,345)
Change of Assumptions **	9,074,176	487,135	9,175,625
Benefit Payments, Including Refunds of Employee Contributions ^	(10,943,209)	(9,161,538)	(8,982,186)
<b>Net change in Total OPEB Liability</b>	<b>\$ 17,076,188</b>	<b>\$ 27,168,500</b>	<b>\$ 20,963,852</b>
<b>Total OPEB Liability - Beginning</b>	<b>308,880,335</b>	<b>281,711,835</b>	<b>260,747,983</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 325,956,523</b>	<b>\$ 308,880,335</b>	<b>\$ 281,711,835</b>
<b>Plan Fiduciary Net Position:</b>			
Employer Contributions ^	\$ 10,943,209	\$ 9,161,538	\$ 15,482,186
Nonemployer Contributing Entities Contributions	—	—	—
Employee Contributions	—	—	—
OPEB Plan Net Investment Income	12,501,466	21,850,871	34,411,338
Benefit Payments, Including Refunds of Employee Contributions ^	(10,943,209)	(9,161,538)	(8,982,186)
OPEB Plan Administrative Expense	—	—	—
Other	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 12,501,466</b>	<b>\$ 21,850,871</b>	<b>\$ 40,911,338</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>287,728,105</b>	<b>265,877,234</b>	<b>224,965,896</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 300,229,571</b>	<b>\$ 287,728,105</b>	<b>\$ 265,877,234</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>\$ 25,726,952</b>	<b>\$ 21,152,230</b>	<b>\$ 15,834,601</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	92.11 %	93.15 %	94.38 %
<b>Covered Payroll #</b>	\$ 206,811,806	\$ 203,494,948	\$ 194,729,643
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	12.44 %	10.39 %	8.13 %

**Notes to Schedule:**

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

\*\*Represents the effect of the change in assumed future increases in medical benefits (medical trend).

^Includes amount being paid outside of trust.

#Payroll provided separately by the employer.

**Schedule of Ball State University's Changes in Net OPEB Liability and Related Ratios Multi-year****OPEB 115 Plan (Life)****Last 10 Fiscal Years\***

Fiscal year ending June 30,	2019	2018	2017
<b>Total OPEB Liability:</b>			
Service Cost	\$ 305,397	\$ 299,665	\$ 289,531
Interest on the Total OPEB Liability	1,643,677	1,532,799	1,557,695
Changes of Benefit Terms **	—	—	(407,528)
Difference Between Expected and Actual Experience	(10,643)	337,477	(421,297)
Change of Assumptions	142,956	976,135	—
Benefit Payments, Including Refunds of Employee Contributions ^	(1,624,704)	(1,501,416)	(1,259,902)
<b>Net Change in Total OPEB Liability</b>	<b>\$ 456,683</b>	<b>\$ 1,644,660</b>	<b>\$ (241,501)</b>
<b>Total OPEB Liability - Beginning</b>	<b>23,996,368</b>	<b>22,351,708</b>	<b>22,593,209</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 24,453,051</b>	<b>\$ 23,996,368</b>	<b>\$ 22,351,708</b>
<b>Plan Fiduciary Net Position:</b>			
Employer Contributions ^	\$ 566,552	\$ 468,068	\$ 418,438
Nonemployer Contributing Entities Contributions	—	—	—
Employee Contributions	—	—	—
OPEB Plan Net Investment Income	1,194,030	2,071,247	2,943,702
Benefit Payments, Including Refunds of Employee Contributions ^	(1,624,704)	(1,501,416)	\$ (1,259,902)
OPEB Plan Administrative Expense	—	—	—
Other	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 135,878</b>	<b>\$ 1,037,899</b>	<b>\$ 2,102,238</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>26,590,664</b>	<b>25,552,765</b>	<b>23,450,527</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 26,726,542</b>	<b>\$ 26,590,664</b>	<b>\$ 25,552,765</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>\$ (2,273,491)</b>	<b>\$ (2,594,296)</b>	<b>\$ (3,201,057)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>109.30 %</b>	<b>110.81 %</b>	<b>114.32 %</b>
<b>Covered Payroll #</b>	<b>\$ 206,811,806</b>	<b>\$ 203,494,948</b>	<b>\$ 194,729,643</b>
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	<b>(1.10)%</b>	<b>(1.27)%</b>	<b>(1.64)%</b>

**Notes to Schedule:**

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

\*\*Represents the effect of the change in assumed future increases in medical benefits (medical trend).

^Includes amount being paid outside of trust.

#Payroll provided separately by the employer.

**Schedule of Ball State University's OPEB Contributions Multi-year****Health Care Plan****Last 10 Fiscal Years\***

<u>FY Ending June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution ^</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll #</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2019	\$ 9,449,906	\$ 10,943,209	\$ (1,493,303)	\$ 206,811,806	5.29%
2018	\$ 8,202,596	\$ 9,161,538	\$ (958,942)	\$ 203,494,948	4.50%
2017	\$ 8,888,232	\$ 15,482,186	\$ (6,593,954)	\$ 194,729,643	7.95%

**OPEB 115 Plan (Life Insurance)****Last 10 Fiscal Years\***

<u>FY Ending June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution ^</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll #</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2019	\$ 128,901	\$ 566,552	\$ (437,651)	\$ 206,811,806	0.27%
2018	\$ 86,343	\$ 468,068	\$ (381,725)	\$ 203,494,948	0.23%
2017	\$ 261,383	\$ 418,438	\$ (157,055)	\$ 194,729,643	0.21%

**Notes to Schedule:**

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

^ Includes amount being paid outside of trust.

# Payroll provided separately by the employer.

**Schedule of the Net OPEB Liability Multiyear**

**Health Care Plan**

**Last 10 Fiscal Years\***

FY Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll #	Net OPEB Liability as a % of Covered Payroll
2019	\$ 325,956,523	\$ 300,229,571	\$ 25,726,952	92.11%	\$ 206,811,806	12.44%
2018	\$ 308,880,335	\$ 287,728,105	\$ 21,152,230	93.15%	\$ 203,494,948	10.39%
2017	\$ 281,711,835	\$ 265,877,234	\$ 15,834,601	94.38%	\$ 194,729,643	8.13%

**OPEB 115 Plan**

**Last 10 Fiscal Years\***

FY Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll #	Net OPEB Liability as a % of Covered Payroll
2019	\$ 24,453,051	\$ 26,726,542	\$ (2,273,491)	109.30%	\$ 206,811,806	(1.10)%
2018	\$ 23,996,368	\$ 26,590,664	\$ (2,594,296)	110.81%	\$ 203,494,948	(1.27)%
2017	\$ 22,351,708	\$ 25,552,765	\$ (3,201,057)	114.32%	\$ 194,729,643	(1.64)%

**Notes to Schedule:**

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

# Payroll provided separately by the employer.



College of Health hearing aid work

# Ball State University

## Notes to Required Supplemental Information

### June 30, 2020

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

#### Schedules of Changes in Net Pension Liability Per Fiscal Year

##### For the Year Ended June 30, 2019:

###### Plan Amendments

In 2019, PERF DB, TRF Pre-1996 DB, and TRF 1996 DB were modified pursuant to HEA 1059. Previously, statute generally required PERF and TRF members to have 15 years of service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of creditable service.

###### Assumption Changes

In 2019, there were no changes to assumptions that impacted the NPL during the fiscal year.

##### For the Year Ended June 30, 2018:

###### Plan Amendments

In 2018, there were no changes to the Plan that impacted the pension benefits during the fiscal year.

###### Assumption Changes

In 2018, the COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS now assumed that the COLA will be replaced by a thirteenth check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

##### For the Year Ended June 30, 2017:

###### Plan Amendments

In 2017, there were no changes to the Plan that impacted the pension benefits during the fiscal year.

###### Assumption Changes

In 2017, a second mortality table was added creating both the healthy and disabled mortality tables. There were no other changes made during the current year that materially impacted Net Pension Liability during the fiscal year.

##### For the Year Ended June 30, 2016:

###### Plan Amendments

In 2016, there were no changes to the Plan that impacted the pension benefits during the fiscal year.

###### Assumption Changes

In 2016, there were no changes to the assumptions that impacted the Net Pension Liability during the fiscal year.

**For the Year Ended June 30, 2015:**

**Plan Amendments**

In 2015, there were no changes to the Plan that impacted the pension benefits during the fiscal year.

In 2014, HB 1075 impacted the Public Employees' Retirement Fund, the Teachers' Retirement Fund Pre-1996 Account, and the Teachers' Retirement Fund 1996 Account by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2015 the rate is 4.5%. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider.

**Assumption Changes**

An experience study was performed in April of 2015 resulting in an update to several assumptions. These assumption changes included a change in the mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, ASA annuitization assumptions (PERF & TRF only), dependent assumptions, future salary increase assumptions, inflation assumptions and COLA assumptions. For further details refer to the Actuarial Section of the INPRS CAFR.

**For the Year Ended June 30, 2014:**

**Plan Amendments**

In 2014, HB 1075 impacted the Public Employees' Retirement Fund, the Teachers' Retirement Fund Pre-1996 Account, and the Teachers' Retirement Fund 1996 Account by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2015 the rate becomes the greater of 4.5% or market rate. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider.

**Assumption Changes**

In 2015, there were no changes to the Plan that impacted the pension benefits during the fiscal year for PERF, TRF Pre-1996, or TRF 1996.

## Actuarial Assumptions per Fiscal Year

## PERF DB

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-Healthy	Mortality-Disabled
2019	Period of four years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	2020-2021 - 13th check, Beginning Jan. 1, 2022- 0.40%, Beginning Jan. 1, 2034 - 0.50%, Beginning Jan. 1, 2039 - 0.60%	2.50% - 4.25%	2.25%	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
2018	Period of 4 Years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	2019-2020 - 13th check, 2021-2032 - 0.40%, 2033-2037 - 0.50%, 2038 and on - 0.60%	2.50% - 4.25%	2.25%	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
2017	Period of 4 Years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	1.00%	2.50% - 4.25%	2.25%	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
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	N/A
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	N/A
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	N/A

**Actuarial Assumptions per Fiscal Year**  
**TRF 1996 DB**

<b>Fiscal Year</b>	<b>Experience Study Date</b>	<b>Investment Rate of Return (Accounting)</b>	<b>Cost of Living Increases (COLA) or "Ad Hoc" COLA</b>	<b>Future Salary Increases, including Inflation</b>	<b>Inflation</b>	<b>Mortality-Healthy</b>	<b>Mortality-Disabled</b>
2019	Period of three years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	2020-2021 - 13th check, Beginning Jan. 1, 2022- 0.40%, Beginning Jan. 1, 2034 - 0.50%, Beginning Jan. 1, 2039 - 0.60%	2.5% - 12.5%	2.25%	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
2018	Period of 3 years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	2019-2020 - 13th check, 2021-2032 - 0.40%, 2033-2037 - 0.50%, 2038 and on - 0.60%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
2017	Period of 3 years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	1.00%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
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	N/A
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	N/A
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	N/A

**Actuarial Assumptions per Fiscal Year  
TRF Pre-1996 DB**

<b>Fiscal Year</b>	<b>Experience Study Date</b>	<b>Investment Rate of Return (Accounting)</b>	<b>Cost of Living Increases (COLA) or "Ad Hoc" COLA</b>	<b>Future Salary Increases, including Inflation</b>	<b>Inflation</b>	<b>Mortality-Healthy</b>	<b>Mortality-Disabled</b>
2019	Period of three years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	2020-2021 - 13th check, Beginning Jan. 1, 2022- 0.40%, Beginning Jan. 1, 2034 - 0.50%, Beginning Jan. 1, 2039 - 0.60%	2.5% - 12.5%	2.25%	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
2018	Period of 3 years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	2019-2020 - 13th check, 2021-2032 - 0.40%, 2033-2037 - 0.50%, 2038 and on - 0.60%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
2017	Period of 3 years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	1.00%	2.5% - 12.5%	2.25%	RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006
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	N/A
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	N/A
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	N/A

**Notes to Required Supplementary Information****Changes to OPEB Benefit Terms****July 1, 2019, changes in benefits since the prior valuation include:**

## Health Care Plan - Health Insurance:

There were no changes in the health care benefit eligibility requirements, deductibles, coinsurance, or plan maximums since the previous valuation. The self-insured premiums charged to active employees and under age 65 retirees were increased two percent.

The retiree healthcare plan was closed to new hires effective January 1, 2020.

## OPEB 115 Plan - Life Insurance:

There were no changes in the life insurance benefit eligibility requirements, retiree contributions or plan benefits since the previous valuation.

**July 1, 2018, changes in benefits since the prior valuation include:**

## Health Care Plan - Health Insurance:

There were no changes in the health care benefit eligibility requirements, deductibles, coinsurance, or plan maximums since the previous valuation. The self-insured premiums charged to active employees and under age 65 retirees were increased two percent.

## OPEB 115 Plan - Life Insurance:

There were no changes in the life insurance benefit eligibility requirements, retiree contributions or plan benefits since the previous valuation.

**July 1, 2017, changes in benefits since the prior valuation include:**

## Health Care Plan - Health Insurance:

There were no changes in the health care benefit eligibility requirements, deductibles, coinsurance, or plan maximums since the previous valuation. The self-insured premiums charged to active employees and under age 65 retirees were increased two percent.

## OPEB 115 Plan - Life Insurance:

Retiree contributions increased to \$0.2267 per \$1,000 effective January 1, 2017. Previously, it was \$0.173 per \$1,000.

**Changes in OPEB Assumptions****July 1, 2019, changes in assumptions since the prior valuation include:**

Claim costs were updated based on current plan experience and future expectations.

Assumed future increases in medical benefits changed from 7.75 percent for the fiscal year ending June 30, 2020, grading down to 3.5 percent in the next nine years, to 8.25 percent for the fiscal year ending June 30, 2019, grading down to 3.5 percent in the next ten years.

The mortality improvement projection scale was changed from MP-2018 to MP-2019

**July 1, 2018, changes in assumptions since the prior valuation include:**

Claim costs were updated based on current plan experience and future expectations.

Assumed future increases in medical benefits changed from 7.75 percent for the fiscal year ending June 30, 2019, grading down to 3.5 percent in the next nine years, to 8.25 percent for the fiscal year ending June 30, 2019, grading down to 3.5 percent in the next ten years.

The mortality improvement projection scale was changed from MP-2015 to MP-2018

**July 1, 2017, changes in assumptions since the prior valuation include:**

Claim costs were updated based on current plan experience and future expectations.

Assumed future increases in medical benefits changed from 7.75 percent for the fiscal year ending June 30, 2018, grading down to 3.5 percent in the next nine years, to 8.25 percent for the fiscal year ending June 30, 2018, grading down to 3.5 percent in the next ten years.

## Methods and Assumptions Used to Determine OPEB Contribution Amounts for the Fiscal Year Ending:

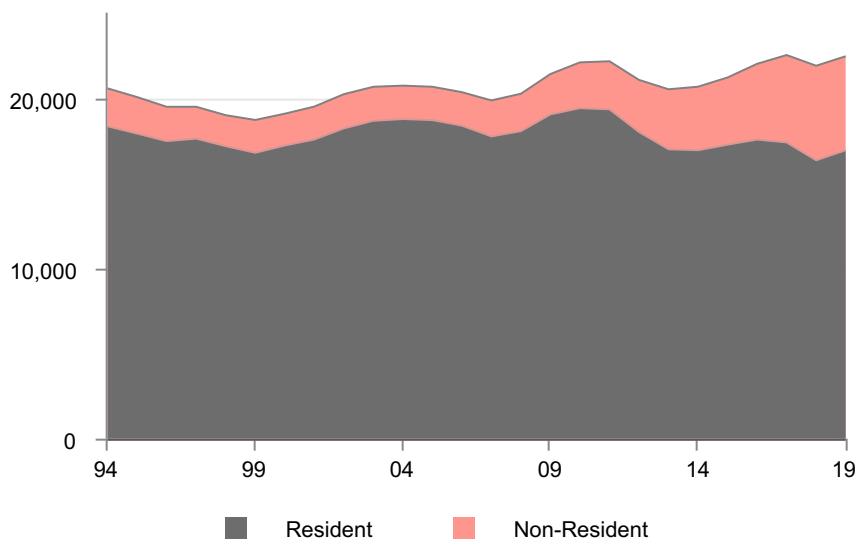
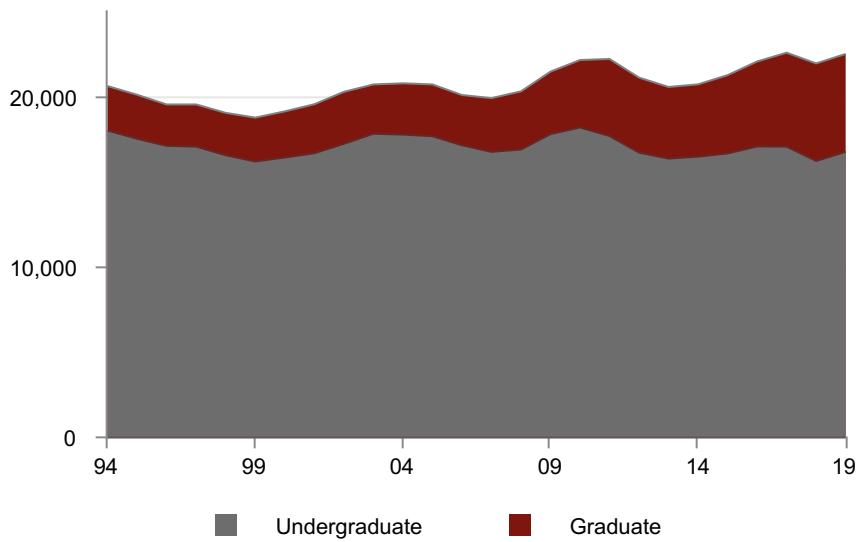
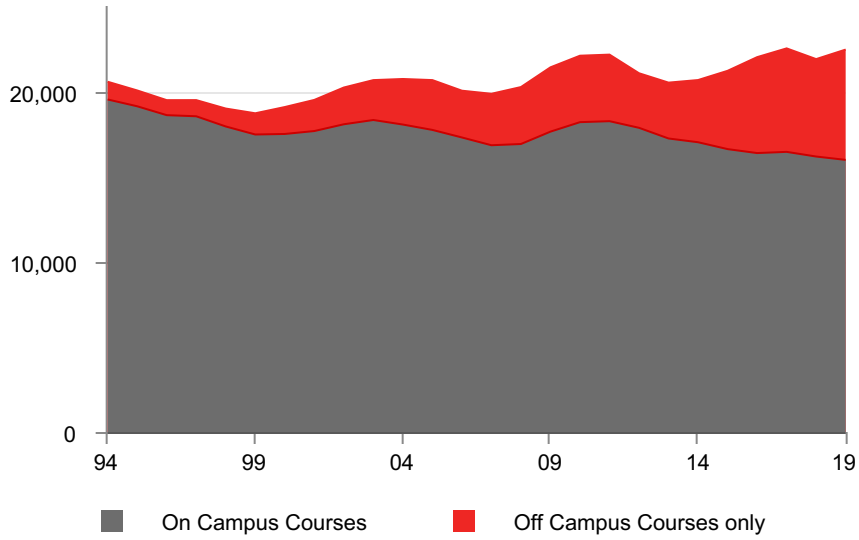
	June 30, 2019	June 30, 2018	June 30, 2017
Valuation Date:	June 30, 2018	June 30, 2017	June 30, 2016
Notes:	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Remaining Amortization Period:	19 years	20 years	21 years
Asset Valuation Method:	Market value of assets	Market value of assets	Market value of assets
Price Inflation:	No explicit price inflation assumption used	No explicit price inflation assumption used	No explicit price inflation assumption used
Salary Increases:	3.5% per year	3.5% per year	3.5% per year
Investment Rate of Return:	7.0%, net of OPEB plan investment expense, including inflation	7.0%, net of OPEB plan investment expense, including inflation	7.0%, net of OPEB plan investment expense, including inflation
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition	Experience-based table of rates that are specific to the type of eligibility condition	Experience-based table of rates that are specific to the type of eligibility condition
Mortality:	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates projected forward from 2006 using Projection Scale MP-2018, with no collar adjustment.	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates projected forward from 2006 using Projection Scale MP-2018, with no collar adjustment.	Fully generational RP-2014 Mortality Table for health employees and annuitants, with 2006 base rates projected forward from 2006 using Projection Scale MP-2015, with no collar adjustment.
Health Care Trend Rates:	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%
Dental Trend Rates:	Initial trend starting at 4.5% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 4.5% and gradually decreasing to an ultimate trend rate of 3.5%	Initial trend starting at 4.5% and gradually decreasing to an ultimate trend rate of 3.5%
Aging Factors:	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

# *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 1994-2019



### Student Enrollment by Indiana County, Fall 2019

Adams	87	Hendricks	465	Pike	6
Allen	924	Henry	307	Porter	318
Bartholomew	161	Howard	244	Posey	17
Benton	17	Huntington	101	Pulaski	13
Blackford	90	Jackson	52	Putnam	48
Boone	249	Jasper	33	Randolph	218
Brown	16	Jay	195	Ripley	66
Carroll	54	Jefferson	31	Rush	44
Cass	91	Jennings	41	Scott	24
Clark	101	Johnson	376	Shelby	111
Clay	10	Knox	29	Spencer	15
Clinton	74	Kosciusko	177	St Joseph	466
Crawford	2	La Porte	178	Starke	33
Daviess	12	Lagrange	32	Steuben	67
De Kalb	86	Lake	625	Sullivan	9
Dearborn	94	Lawrence	33	Switzerland	6
Decatur	73	Madison	734	Tippecanoe	218
Delaware	2,506	Marion	1,979	Tipton	52
Dubois	61	Marshall	98	Union	18
Elkhart	311	Martin	7	Vanderburgh	137
Fayette	46	Miami	42	Vermillion	9
Floyd	107	Monroe	122	Vigo	54
Fountain	14	Montgomery	59	Wabash	66
Franklin	79	Morgan	134	Warren	14
Fulton	47	Newton	11	Warrick	86
Gibson	22	Noble	97	Washington	20
Grant	190	Ohio	7	Wayne	210
Greene	29	Orange	8	Wells	101
Hamilton	2,042	Owen	16	White	53
Hancock	435	Parke	11	Whitley	83
Harrison	35	Perry	18	Unknown	20

Unduplicated headcounts count students who are enrolled both on-and off-campus once

Source: BSU Office of Institutional Research and Decision Support

Unknowns are the result of incomplete data.

### Student Enrollment by US State or Territory, Fall 2019

Alabama	24	Louisiana	88	Oregon	27
Alaska	6	Maine	13	Pennsylvania	144
Arizona	25	Maryland	74	Puerto Rico	1
Arkansas	23	Massachusetts	16	Rhode Island	7
California	235	Michigan	473	South Carolina	42
Colorado	68	Minnesota	43	South Dakota	5
Connecticut	27	Mississippi	22	Tennessee	48
Delaware	5	Missouri	111	Texas	198
District of Columbia	7	Montana	6	U.S. Armed Forces	5
Florida	237	Nebraska	19	Utah	34
Georgia	125	Nevada	28	Vermont	6
Guam	2	New Hampshire	18	Virginia	71
Hawaii	13	New Jersey	148	Washington	49
Idaho	18	New Mexico	8	West Virginia	11
Illinois	1,208	New York	84	Wisconsin	130
Indiana	16,929	North Carolina	100	Wyoming	3
Iowa	28	North Dakota	4	Unknown	169
Kansas	34	Ohio	694		
Kentucky	75	Oklahoma	10		

*Unduplicated headcounts count students who are enrolled both on-and off-campus once*

*Source: BSU Office of Institutional Research and Decision Support*

*Unknowns are the result of incomplete data.*

## Student Enrollment by Nation, Fall 2019

Afghanistan	1	Iceland	1	Pakistan	3
Australia	3	India	12	Peru	1
Bangladesh	11	Iran	1	Philippines	1
Barbados	1	Israel	2	Poland	1
Belgium	1	Italy	3	Saudi Arabia	35
Bosnia-Herzegovina	1	Jamaica	1	South Africa	2
Brazil	4	Japan	10	South Korea	8
Burkina Faso	1	Jordan	1	Spain	5
Canada	41	Kazakhstan	1	Sri Lanka	2
China	194	Kenya	4	Sweden	1
Colombia	5	Libya	4	Switzerland	1
Costa Rica	3	Liechtenstein	1	Tajikistan	1
Cote D'ivoire	1	Malaysia	1	Thailand	2
Cyprus	1	Mali	1	Trinidad and Tobago	5
Dominica	1	Mexico	8	Turkey	2
France	5	Moldova	2	United Arab Emirates	4
Ghana	12	Morocco	1	United Kingdom	7
Guatemala	1	Nepal	3	United States	21,998
Honduras	1	Netherlands	1	Uruguay	1
Hong Kong	2	Nicaragua	1	Vietnam	2
Hungary	1	Nigeria	10	Zimbabwe	1

*Unduplicated headcounts count students who are enrolled both on-and off-campus once*

*Source: BSU Office of Institutional Research and Decision Support*

*Unknowns are the result of incomplete data.*

### Student Financial Assistance 2008-2009 through 2019-2020 (in millions of dollars)

