Financial Report

Year Ended June 30, 2019

BALL STATE
UNIVERSITY

Front Cover: Health Professions Building

Table of Contents

Ball State University Financial Report 2018-2019

To

The President and Board of Trustees

Ball State University

This financial report presents

the financial position of

Ball State University at June 30, 2019

and the results of activities for

the year then ended.

Bernard M. Hannon
Vice President for Business Affairs
and Treasurer

Ball State University's Report Date…...…………………..……..………November 6, 2019

Report of the President

It is my privilege to present The Annual Financial Report of Ball State University for the year ended June 30, 2019. 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, 2019, 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.

For more than 100 years, our University has transformed the lives of thousands and thousands of women and men. Our recent Centennial was an important time for us to recognize how our University has served Muncie, the state of Indiana, and the world.

Ball State began as a public, state-assisted teachers college, as a result of the generosity of the Ball brothers. Their donation of land created this institution, which opened in 1918 as the Indiana State Normal School Eastern Division. Lawmakers changed the name to Ball Teachers College in 1922 and Ball State Teachers College in 1929. In 1965, the Indiana General Assembly renamed the college Ball State University, acknowledging its growth in enrollment and facilities, and the variety and quality of its educational programs.

Today, Ball State has grown into a world-class university with highly respected programs in education, architecture, business, communications, fine arts, sciences, humanities, and the health professions. 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 of our rankings and recognitions include:

- According to U.S. News & World Report, Ball State is one of the 100 best public universities in the country. Our University was also ranked No. 1 in Indiana (53rd nationally) on the publication's "Top Performers on Social Mobility," a list of institutions that advance social mobility by enrolling and graduating large proportions of economically disadvantaged students.
- Ball State earned the Community Engagement Classification from the Carnegie Foundation for the Advancement of Teaching. The designation recognizes our commitment to public service, civic involvement, and community partnerships.
- Our "Schools Within the Context of Community" (SCC) in Teachers College is one example of our work as a community-engaged institution. SCC has won many national honors, including the Community Engagement Scholarship Award from the Association of Public and Land-grant Universities.
- The Princeton Review has named Ball State one of the best universities in the Midwest for 15 years.
- Since 2016, Ball State has annually received a Higher Education Excellence in Diversity (HEED) Award from INSIGHT into Diversity magazine. This honor is for exemplary initiatives focusing on all aspects of diversity and inclusion, including gender, race, ethnicity, veterans, people with disabilities, and members of the LGBTQ community. Related honors include Ball State's decade-long distinction as a "Military Friendly School" by veteran-owned Viqtory, and our No. 1 national ranking in College Magazine's "Top 10 Campus for Students with Physical Disabilities."
- Many of our academic programs draw national interest. Two of our graduate programs (MBA and nursing) are ranked in the top 20 in the country by U.S. News & World Report. Our undergraduate program in entrepreneurial management is ranked 12th in the nation by both Princeton Review and Entrepreneur magazine. And our Department of Telecommunications was named the Indiana Association of School Broadcasters Television School of the Year.
- Our University's successful sustainability milestones include: our recent recognition as a Maxima Cum Laude member of the Climate Leadership Network Honor Society; our STARS Gold rating from the Association for the Advancement of Sustainability in Higher Education; and our inclusion on The Princeton Review's Green Honor Roll. All new construction at Ball State is designed to meet LEED silver certification or better, and our ground-source geothermal system-the largest in the country-has cut our University's carbon footprint roughly in half.

Our University has a proud past, but I believe that the best is yet to come. Our new strategic plan, Destination 2040: Our Flight Path, establishes ambitious goals for our University's bright future. This strategic plan was designed with input from faculty, staff, students, alumni, community partners, and benefactors. It provides a strategic framework with five long-term goals for 2040 and a set of imperatives to be executed by 2024.

As we embark on our University's second century, pride and enthusiasm for Ball State continues to grow. A significant source of our pride is the changing footprint of our vibrant campus. In Fall 2019, we opened our Health Professions Building, the new home to our College of Health. We also held a groundbreaking for our new Foundational Sciences Building, which will be completed in Summer 2021. These two buildings will anchor our new East Quadrangle, and they will provide state-of-the-art facilities for our STEM majors. These buildings, along with the subsequent renovation of the Cooper Science Complex, represent a $210 million investment in Ball State by the Indiana General Assembly.

We are also investing our own resources to enhance the residential neighborhood on the north side of our campus. Two new residence halls and a new dining facility will allow for the eventual demolition of our aging LaFollette Complex. We are also constructing a new parking structure on New York Avenue. This new garage will allow us to demolish and replace our aging Emens parking structure with a grand lawn adjacent to our new East Mall, which will run through the heart of campus. Our new Multicultural Center, which will open in 2020, will become a focal point of the East Mall.

Our new and existing facilities contribute to our institutional mission. But what makes our University truly great are our talented students, dedicated employees, and engaged alumni and benefactors. In Fall 2019, we welcomed our largest, most academically well prepared, and most diverse freshman class in our 101-year history. And on our first One Ball State Day on April 9, 2019, we received more than 4,100 gifts totaling $425,000. More than 900 gifts were made by faculty and staff and more than 400 gifts were made by current students.

We are also proud of the progress made in the first year of our University's innovative partnership with Muncie Community Schools (MCS). The new MCS school board has attracted talented new leadership. Enrollment declines have slowed. And, as a result of managing the operating budget more responsibility, the school board recently approved a new plan to provide recurring salary increases to all MCS employees for the first time in eight years. The joint efforts of the campus and community members are making a difference for MCS students and their families.

As a demonstration of our commitment to institutional excellence, Ball State is transitioning from a centralized, incremental budget model to an incentive-based budget model. This new incentive-based budget model will align our financial resources with our strategic priorities, and it will encourage innovation and effective resource management. For fiscal year 2019-2020, the new budget model will run parallel with our existing budget model. The goal is to have the new model in full operation for fiscal year 2020-2021.

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, 2019.

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

2018-2019

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Ball State University Foundation (Foundation), a component unit of the University as described in Note A, which represent 75 percent, 90 percent, and 29 percent, respectively, of the total assets, net position, and revenues of the aggregate 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

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

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

Unmodified Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal year 2019, the University adopted new accounting guidance GASB Statement 83 *Certain Asset Retirement Obligations*, GASB Statement 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, and GASB Statement 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Our opinion is not modified with respect to these matters.

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 of 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 - OEPB 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 Contribution Multi-year Health Care Plan, and 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 a required part 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 November 06, 2019, 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
Paul D. Joyce, CPA
State Examiner

November 06, 2019

Ball State University
Management's Discussion and Analysis
June 30, 2019

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 over 100 undergraduate programs and 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 2018 totaled 18,501 full-time equivalent students from a total headcount of 21,884. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 15,775 full-time equivalent students from a total headcount of 16,166. The University attracts students from a variety of backgrounds and geographical locations. As of fall 2018, approximately 82 percent of the University's on-campus students are characterized as Indiana residents; however, all 50 states and the District of Columbia and 72 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 2018-2019 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 3,176 full-time and 406 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, 2019, with selected comparative information for the two fiscal years ended June 30, 2018, and 2017. 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.

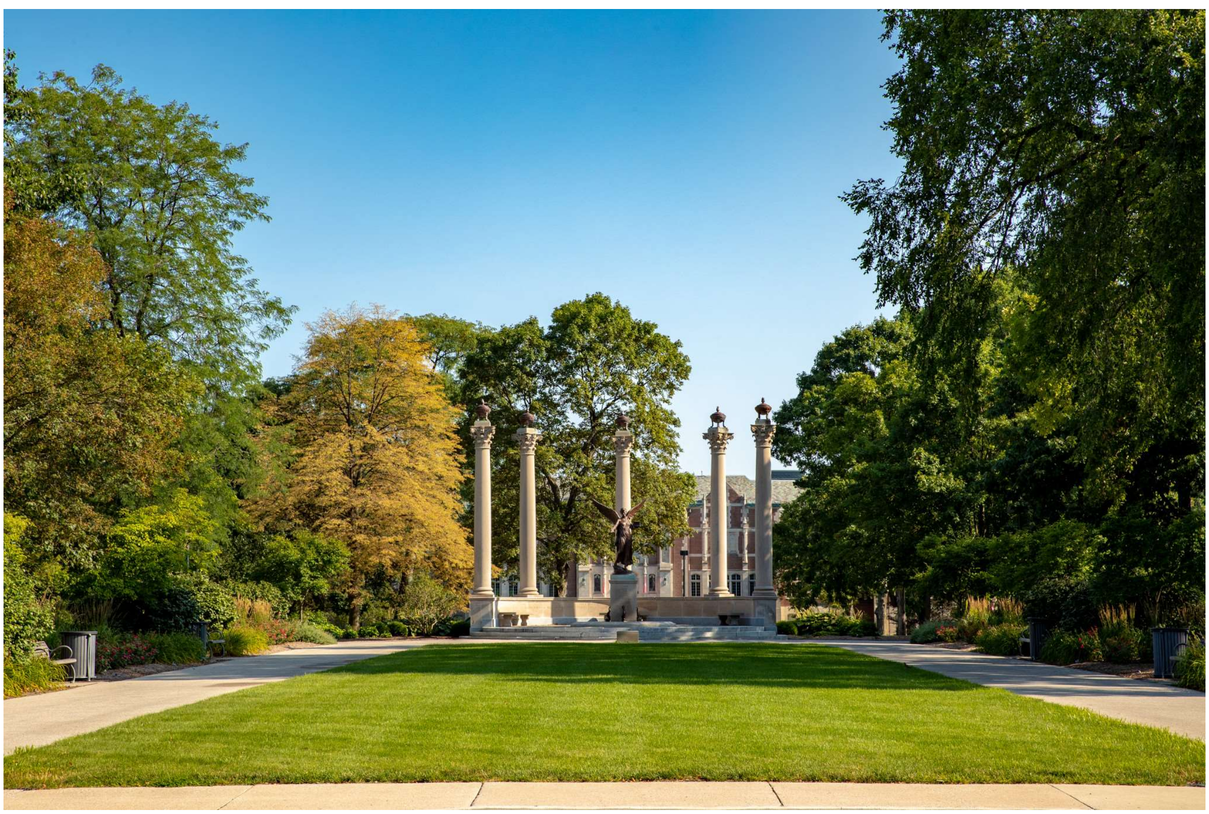
This financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows, prepared in accordance with principles from the Governmental Accounting Standards Board (GASB). These financial 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. The Ball State University Foundation is a legally separate, not-for-profit corporation which solicits, collects and invests donations for the sole benefit of Ball State University. The Foundation's financial statements are presented in accordance with the reporting principles of the Financial Accounting Standards Board (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.



Beneficence and Ball Brothers Pillars

Financial Highlights

The total net position of the University increased by $21.5 million compared to the 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. A more detailed discussion of the change in net position can be found later in this report. For fiscal year 2017-2018, the total net position of the University decreased by $16.1 million as compared to fiscal year 2016-2017, due in part to a $34.1 million decrease in unrestricted net position that was primarily attributed to adjustments required by GASB Statement No. 75*,* regarding other post-employment benefits (OPEB), which are discussed in more detail in Note I to the Financial Statements. Also in fiscal year 2017-2018, the issue of revenue bonds to finance Phase I of the new North Residential Neighborhood project accounted for an offsetting decrease in investment in capital assets, net of accumulated depreciation and related debt, an increase in net position restricted for construction, and a decrease in unrestricted net position due to the premium on the bonds.

The current ratio for the University, which is calculated by dividing current assets by current liabilities, decreased from 4.94 to 1 at June 30, 2018, to 3.35 to 1 at June 30, 2019. The June 30, 2017 current ratio was 4.87 to 1. This ratio measures the University's ability to meet short term obligations with short term assets. One of the most basic determinants of clear financial health is the availability of expendable net position to cover debt should it become necessary to settle those debt obligations. The viability ratio measures the University's ability to fund these long-term obligations. At June 30, 2019, the University's viability ratio was 0.95 to 1, compared to 1.06 to 1 at June 30, 2018, which was down slightly from the June 30, 2017, viability ratio of 1.24 to 1. A viability ratio above 1 to 1 indicates that the University is able to respond to adverse conditions as well as attract capital from external resources and fund new objectives.

Students in R. Wayne Estopinal College of Architecture and Planning

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, 2019, 2018, and 2017

	2019	2018	2017
Assets:			
Current Assets	$ 249,497,935	$ 281,523,471	$ 242,597,539
Noncurrent Assets:			
Capital Assets, Net of Depreciation	749,180,530	691,999,162	667,350,402
Other	275,005,694	200,435,705	172,495,176
Deferred Outflows of Resources	39,620,129	38,496,737	26,628,804
Total Assets and Deferred Outflows of Resources	$1,313,304,288	$1,212,455,075	$1,109,071,921
Liabilities:			
Current Liabilities	$ 74,527,975	$ 56,966,036	$ 49,774,724
Noncurrent Liabilities	477,334,729	419,342,829	327,311,261
Deferred Inflows of Resources	28,703,841	24,944,386	4,681,084
Total Liabilities and Deferred Inflows of Resources	$ 580,566,545	$ 501,253,251	$ 381,767,069
Net Position:			
Net Investment in Capital Assets	$ 373,940,530	$ 376,564,162	$ 416,710,402
Restricted	150,106,804	135,664,529	77,536,738
Unrestricted	208,690,409	198,973,133	233,057,712
Total Net Position	$ 732,737,743	$ 711,201,824	$ 727,304,852
Total Liabilities, Deferred Inflows of Resources and Net Position	$1,313,304,288	$1,212,455,075	$1,109,071,921

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 $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 can be 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.

In fiscal year 2017-2018, current assets increased $38.9 million, or 16.0 percent, from the previous year primarily due to a net increase in cash and cash equivalents and short term investments of $56.7 million, a decrease in prepaid retiree benefits of $13.9 million, and a decrease in accounts receivable of $4.2 million. The net increase in cash and short term investments can be attributed primarily to market conditions favoring shorter duration assets and the issuance of new bonds for Phase 1 of the new North Residential Neighborhood project in fiscal year 2017-2018. The decrease in prepaid retiree benefits resulted from the fiscal year 2017-2018 implementation of GASB Statement No. 75.

Noncurrent assets consist primarily of investments and capital assets, net of depreciation. 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. The increase in investments is largely associated with operating activities, bond proceeds, and both unrealized and realized gains on investments during the year, while the increase to capital assets is attributable to construction in process of the new Health Professions Building and the new North Residential Neighborhood Project. Noncurrent assets at June 30, 2018, showed a $52.6 million, or 6.3 percent, increase over the previous year. The increase included a $24.0 million increase in investments, a $24.6 million increase in capital assets, net of depreciation, and the addition of an OPEB asset totaling $3.2 million.

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, 2019, and June 30, 2018.

Students Walking along McKinley Avenue

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, and* 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, 2019, was a $1.1 million increase, and changes and differences to deferred inflows was a $3.8 million increase. Deferred outflows decreased for pensions and increased for OPEB, while deferred inflows increased for pensions and decreased for OPEB. The changes and differences to deferred outflows at June 30, 2018, was a $11.9 million increase, while changes and differences to deferred inflows was a $20.3 million increase. The increases were primarily attributable to the implementation of GASB Statement No. 75 in fiscal year 2017-2018. 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, 2018, for the 2018-2019 financial report, and June 30, 2017, for the 2017-2018 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 2018-2019, the University's current liabilities increased by $17.6 million, or 30.8 percent. The net increase was 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. For fiscal year 2017-2018, the University's current liabilities increased by $7.2 million, primarily due to an increase in accounts payable of $6.1 million, primarily related to construction project accruals.

Noncurrent liabilities are predominantly comprised of bonds payable, pension and OPEB liabilities, liability for compensated absences, and the Perkins loan program. Total noncurrent liabilities increased by $58.0 million, or 13.8 percent, in fiscal year 2018-2019. Bonds payable (long term liabilities, net) accounted for most of the increase at $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. Decreases in the pension liability were mostly offset by increases in the OPEB liability as each liability fluctuated as expected.

In fiscal year 2017-2018, total noncurrent liabilities increased $92.0 million. Bonds payable (long term liabilities, net) increased $73.5 million over the previous fiscal year due to the issuance of new revenue bonds for the construction of Phase I of the new North Residential Neighborhood project. The OPEB liability accounted for the majority of the remaining increase, resulting from the implementation of GASB Statement No. 75 in fiscal year 2017-2018.

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, 2019, the University had $375.2 million of capital-related bond indebtedness outstanding, compared to $315.4 million and $250.6 million outstanding as of June 30, 2018, and June 30, 2017, respectively. The increase in indebtedness is due, as noted above, to the issuance of new student fee bonds issued for the new Foundational Sciences Building, offset in part by 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, 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 the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost. As of June 30, 2018, the University had $376.6 million invested in capital assets, net of accumulated depreciation of $440.9 million and related debt of $315.4 million. Depreciation charges totaled $28.3 million for fiscal year 2017-2018.

Construction of the Health Professions Building is nearing completion and will open to students in the fall of 2019. This state-of-the-art facility in the new East Academic Quadrangle will be the new home to the College of Health. Approximately $27.1 million was expended on this project during fiscal year 2018-2019 as well as nearly $24.6 million during fiscal year 2017-2018.

Health Professions Building - South Entrance

Work continues on the North Residential Neighborhood project near LaFollette Complex. Phase I of this project, which included the now completed realignment of McKinley Avenue and the currently underway construction of a new residence hall and stand-alone dining facility, is proceeding on schedule. Expenditures for this first phase of work totaled $41.5 million in fiscal year 2018-2019 and $6.6 million during fiscal year 2017-2018. Phase II of the North Residential Neighborhood, which consists primarily of a second new residence hall, is also underway with a completion date in the summer of 2021. Spending for Phase II amounted to approximately $2.1 million during fiscal year 2018-2019 and $0.7 million during fiscal year 2017-2018. Once completed, the North Residential Neighborhood project, along with the completed renovations to the neighboring Botsford/ Swinford and Schmidt/Wilson Residence Halls of the Johnson Complex, will allow for the demolition of the aging LaFollette Complex.

North Residential Neighborhood

Design work for the new Foundational Sciences Building has been completed and construction is set to begin in summer of 2019. The new science facility will join the nearly complete Health Professions Building in the East Academic Quadrangle. Expenditures for this project totaled $2.8 million during fiscal year 2018-2019 and $1.4 million during fiscal year 2017-2018.

Foundational Sciences Building Rendering

A new parking structure is being constructed on the eastern edge of campus near Studebaker East residence hall. Expenditures in fiscal year 2018-2019 totaled $2.6 million while fiscal year 2017-2018 included $0.7 million, mostly for design-related services. Once construction of the New York Avenue Parking Structure is completed, the aging Emens Parking Structure will be demolished to open up the development of the East Mall and divert vehicular traffic from the interior of campus.

Current operating funds were utilized to purchase $6.3 million in capital equipment in fiscal year 2018-2019 and $4.2 million in fiscal year 2017-2018. Some of these purchases were to equip the new Health Professions Building while others replaced mostly fully-depreciated equipment dispositions originally costing $2.5 million in fiscal year 2018-2019 and $3.3 million in fiscal year 2017-2018.

Net Position

At June 30, 2019, total net position for the University was $732.7 million, up $21.5 million from the previous year. Net position is classified into four categories: Net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted. Net investment in capital assets accounted for approximately $373.9 million as of June 30, 2019. This balance represents the University's investment in land, buildings, infrastructure, land improvements, and equipment, and is reported net of accumulated depreciation and related debt. Additional discussion of capital assets is available in the Capital Assets section of this report as well as in the accompanying Notes to Financial Statements.

Restricted nonexpendable net position remained unchanged from the previous year and accounts for only $0.9 million of net position. These funds represent permanent endowments received by donors, the principal of which must be held in perpetuity with only present and future income earnings being used to support the wishes of the donor. Restricted expendable net position represents funds that have restrictions imposed by third parties in their purpose. Restricted expendable net position increased by $14.4 million in fiscal year 2018-2019, totaling $149.2 million as of June 30, 2019. Of these restricted expendable funds, $139.1 million are funds restricted for construction, such as the bond proceeds for the Phase I of the North Residential Neighborhood, the new Health Professions Building, and the new Foundational Sciences Buildings or state appropriations for repair and rehabilitation. Approximately $7.6 million is restricted for external grants, and $2.5 million is restricted for student loans. The overall change in restricted expendable net position was primarily due to proceeds from the issue of student fee bonds during the year and offset by spending of proceeds related to previously issued bonds.

Aside from capital assets and restricted net position, the remaining $208.7 million of net position is in unrestricted net position. Unrestricted net position is not subject to externally imposed restrictions. However, portions of the unrestricted net position are internally restricted for specific authorized purposes at the end of each fiscal year. The specific purposes for which these assets are internally restricted include the stewardship and renewal of capital assets, campus development and infrastructure, technological advancements, self-insurance reserves, 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. Overall, unrestricted net position increased by $9.7 million in fiscal year 2018-2019, over the prior fiscal year.

At June 30, 2018, the University's net position was $711.2 million. Approximately $376.6 million was comprised of net investment in capital assets, net of accumulated depreciation and related debt. Additionally, the University had other net positions totaling $334.6 million as of June 30, 2018, of which $135.7 million was restricted net position. The $135.7 million restricted net position was comprised of: $0.9 million in nonexpendable endowment restricted for student scholarships, $2.5 million restricted for student loans, $125.5 million restricted for construction, and $6.8 million restricted for external grants. The overall change in restricted net position was primarily due to receipt of proceeds from the issue of revenue bonds sold just prior to the end of fiscal year 2017-2018 offset by bond premiums on the same issue.

Unrestricted net position at June 30, 2018 was $199.0 million, a decrease of $34.1 million over the prior fiscal year which was primarily attributable to OPEB adjustments and partially offset by a $15.2 million increase in reserves for the renewal of non-state supported buildings.

Change in Net Position

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

Changes in Net Position
Years Ended June 30, 2019, 2018, and 2017

	2019	2018	2017
Operating Revenues	$ 281,179,839	$ 274,775,505	$ 274,006,946
Operating Expenses	510,293,441	483,568,353	493,066,361
Net Operating Income/(Loss)	$ (229,113,602)	$ (208,792,848)	$ (219,059,415)
Net Non-Operating Revenues	243,733,397	232,342,886	213,822,564
Other Revenue – Capital Appropriations and Gifts	6,916,124	9,125,282	7,679,369
Increase in Net Position	$ 21,535,919	$ 32,675,320	$ 2,442,518
Net Position - Beginning of Year	711,201,824	727,304,852	724,862,334
Change in Accounting Policy	—	(48,778,348)	—
Net Position - End of Year	$ 732,737,743	$ 711,201,824	$ 727,304,852

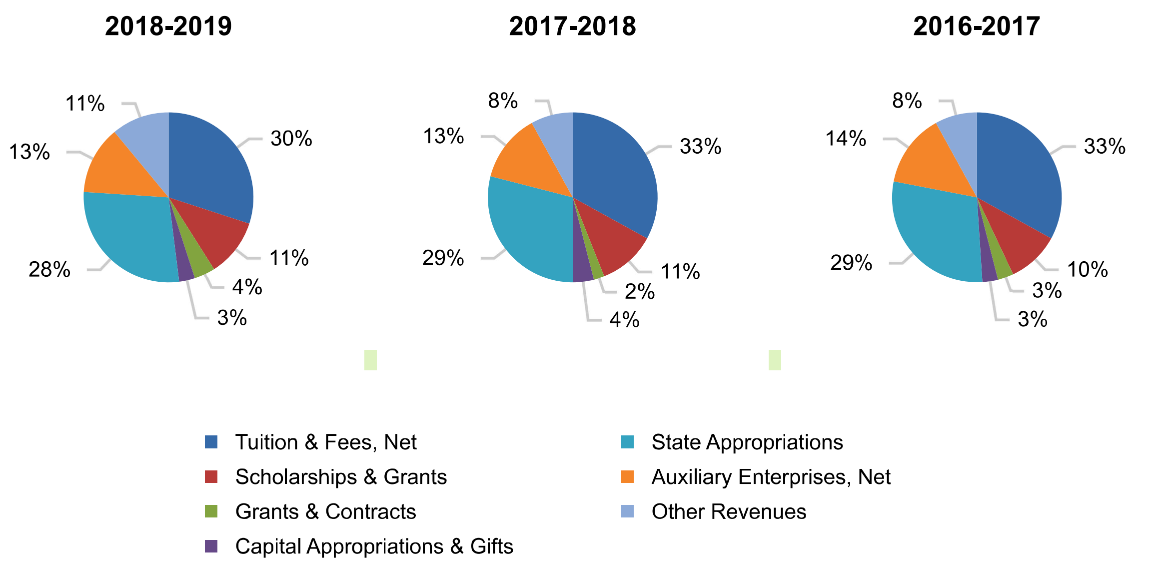
Operating Revenues

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

Total operating revenues increased $6.4 million, or 2.3 percent, in fiscal year 2018-2019. Revenue from student tuition and fees and residential life decreased by $7.7 million, due to decreased on-campus student enrollment and reduced campus housing occupancy. Grants and contracts revenue increased by $11.0 million from the prior year, primarily due to a grantor software donation to BSU. In addition, bad debt contra revenue decreased in fiscal year 2018-2019, meaning there was a decreased offset to other operating revenues. Much of the increase in other operating operating revenues equal to $2.3 million can be attributed to the change in bad debt contra revenue.

In fiscal year 2017-2018, total operating revenues increased $0.8 million, or 0.3 percent. Gross student tuition and fees for fiscal year 2017-2018 increased 4.6 percent while scholarship allowances increased by 11.3 percent resulting in a net revenue increase of $2.8 million. The rise in tuition and fees resulted from a modest rate increase of 1.24 percent coupled with increased enrollment of 2.0 percent. Auxiliary enterprises which includes residential life revenues, net of scholarship allowances, remained fairly flat in fiscal year 2017-2018.

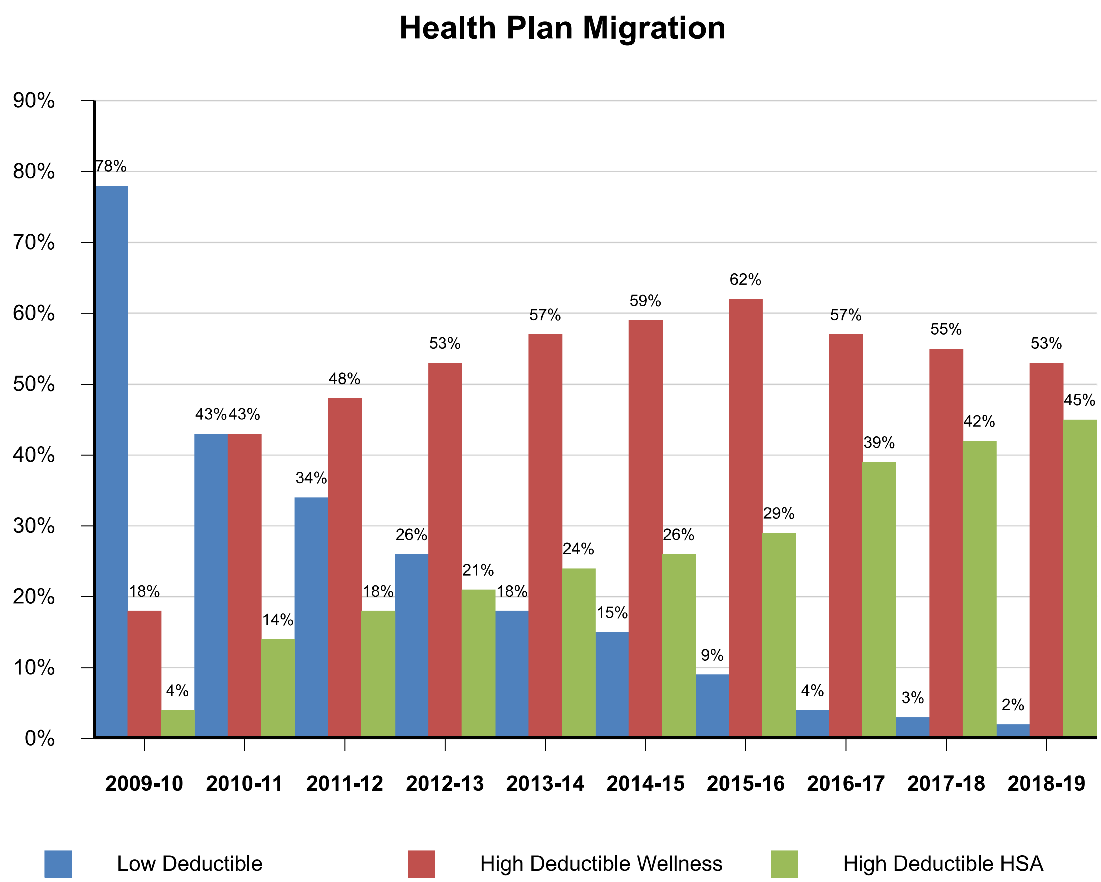
Total Revenues by Source



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 2018-2019, operating expenses increased $26.7 million, or 5.5 percent. Personnel services and benefits account for approximately 70.0 percent of total operating expenses. Personnel services increased by $1.2 million, or 0.5 percent in fiscal year 2018-2019 and benefits expense increased by $15.2 million. The benefits expense increase is attributed primarily to the implementation of GASB Statement No. 75 in fiscal year 2017-2018. The pension expense decrease in fiscal year 2017-2018 is more normalized effective with fiscal year 2018-2019. Other supplies and expenses and repairs and maintenance increased a combined $9.7 million, attributable primarily to increased construction costs, while student aid, which includes financial aid and scholarships, decreased slightly by $0.4 million, or 2.5 percent .

Operating expenses in fiscal year 2017-2018 decreased $9.5 million, or 1.9 percent. Personnel services increased $3.2 million, while benefits decreased by $17.3 million. The benefits expense decrease 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 $1.1 million, while student aid, which includes financial aid and scholarships, increased by $1.8 million.



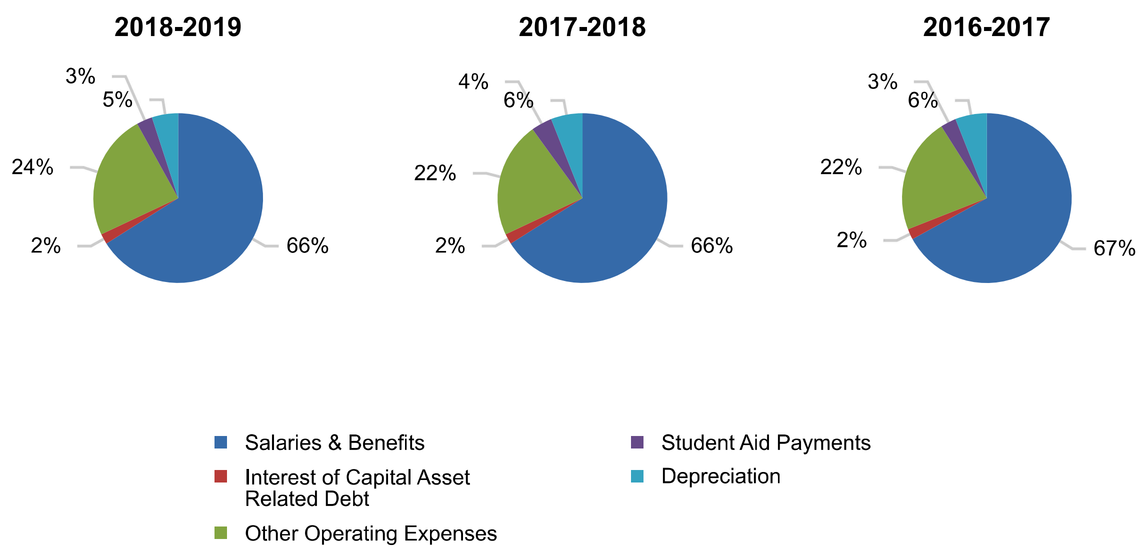
Benefit costs continue to rise and it can be a challenge to provide desirable and affordable offerings to employees. The University has worked to mitigate the effect of higher health care costs to reduce the impact on employees. The University is self-insured and offers health insurance to both benefit 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. Attempting to forecast future health care costs may be a daunting task, but it is necessary when developing plan designs and premiums.

For fiscal year 2018-2019, the University offered benefit eligible employees a choice of three different plans: Low Deductible; High Deductible Wellness; and High Deductible Health Savings Account (HSA). Retirees under age 65 are only offered the High Deductible Wellness plan option. The two high deductible plans are considered consumer-driven plans. Over the last 10 years, the University has seen a tremendous migration out of the Low Deductible Plan and into the High Deductible Wellness and HSA plans as shown in the previous chart. The migration should be indicative of a population that is more engaged and aware of their own health and well-being. The HSA plan has the lowest premiums and the highest cost share. The consumer driven plans encourage participants to be conscientious about the cost of health care and to choose medical providers based on quality of care and competitive pricing. Due to this migration and bringing our plan designs into alignment with peer institutions and best practices, the Low Deductible plan will be discontinued as of January of 2020.

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 payments 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.

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 2018-2019, net non-operating revenues and expenses increased $11.4 million, or 4.9 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 decreased $1.0 million and increased $2.2 million, respectively. Investment income increased $14.4 million due to both unrealized and realized gains on investments during the year.

In fiscal year 2017-2018, net non-operating revenues and expenses increased by $18.5 million, or 8.7 percent. Federal and state scholarship and grants and state appropriations increased by $6.8 million and $8.1 million, respectively.

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 takes into account the age, condition, and use of the campus facilities. For many years, the state has not allocated full funding for capital renewal and replacement appropriations due to the financial condition of the state. In 2013, the state also appropriated $30.0 million in capital funds for the University's geothermal conversion project. These funds are remitted to the University on a reimbursement basis. Renewal and replacement appropriations received in fiscal year 2018-2019 include $2.7 million ($2.7 million for fiscal year 2017-2018 and $2.6 million for fiscal year 2016-2017) for general repair and rehabilitation. There were no draws against the geothermal appropriation in fiscal year 2018-19 compared to $1.9 million in fiscal year 2017-2018 and $2.8 million in fiscal year 2016-2017. At June 30, 2019, there remains approximately $1.1 million in geothermal appropriations to be drawn against. The full amount is expected to be utilized. Capital gifts from the Ball State University Foundation totaled $4.2 million ($4.5 million for fiscal year 2017-2018 and $2.2 million for fiscal year 2016-2017) for various capital projects.

Renewal and Replacement Appropriations (millions of dollars)					
2014	**2015**	**2016**	**2017**	**2018**	**2019**
$14.2	**$13.8**	**$3.6**	**$5.4**	**$4.6**	**$2.7**

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, 2019, 2018, and 2017

	2019	2018	2017
Cash and Cash Equivalents Provided By/(Used In):			
Operating Activities	$ (181,540,136)	$ (173,762,282)	$ (178,673,202)
Non-Capital Financing Activities	231,796,862	232,339,252	212,301,949
Capital and Related Financing Activities	(28,536,567)	19,712,425	13,534,336
Investing Activities	(80,386,866)	41,200,281	(71,708,552)
Net Change in Cash and Cash Equivalents	$ (58,666,707)	$ 119,489,676	$ (24,545,469)
Cash and Cash Equivalents – Beginning of Year	207,346,462	87,856,786	112,402,255
Cash and Cash Equivalents – End of Year	$ 148,679,755	$ 207,346,462	$ 87,856,786

The University's cash and cash equivalents decreased in fiscal year 2018-2019 by $58.7 million, and increased in fiscal year 2017-2018 by $119.5 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 21st Century 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.

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. Most states entered fiscal year 2018-2019 with healthy budget surpluses, and no states had to make mid-year budget cuts due to revenue shortfalls. The Spring 2019 survey indicated that fiscal year 2019-2020 will reflect moderate revenue growth and general fund spending increases of 3.7 percent. Long-term budget challenges related to health care and pensions are still a concern as those costs are projected to increase at a faster rate than revenues.

Both Moody’s Investors Service and Standard & Poor’s Ratings Services retained negative outlooks for the higher education sector for 2019. Moody's cited continued low net tuition revenue growth which will be outpaced by growth in expenses. Likewise, Standard & Poor’s, which had a much higher level of downgrades in ratings and outlooks for higher educations institutions in 2018 than upgrades, noted that sustained revenue pressures and growing expenses will result in a negative operating and credit environment in 2019. Also contributing to the negative outlook is continued competition for a shrinking pool of students. 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 28 percent of the total financial resources in fiscal year 2018-2019. As reported by the Indiana State Budget Agency, revenues for fiscal year 2018-2019 were 1.7 percent above forecast and 5.4 percent above fiscal year 2017-2018, resulting in a $410.5 million surplus for the year. This annual surplus contributed to an ending balance in state reserves of $2.3 billion. Due to the strengths of the state reserves, Governor Eric Holcomb has proposed that the University's next phase of its STEM and Health Professions Buildings project be cash funded from reserves rather than issuing new student fee debt. This recommendation must be approved by the 2020 General Assembly. 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.

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. With an eye toward increasing the amount of funding that Ball State receives under the performance funding formula, while being true to our strategic direction of becoming better and not bigger, the University continues to focus on enrolling students who are increasingly better academically prepared. Due to Ball State’s increasing selectivity in student admissions, and a concerted set of policy initiatives, the University’s graduation rates have been growing substantially.

In fall 2018, Ball State welcomed a freshman class of 3,665 students whose academic qualifications and diversity were on par with the highest in the institution's history, with an average GPA of 3.50 and average SAT score of 1,600, both above the national norm. Total enrollment for fall 2018 was 21,884, down slightly from last year's record total.

Health Professions Building Green Rooftop

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, 2019 and 2018

	2019	2018
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 148,679,755	$ 207,346,462
Short Term Investments	45,678,466	25,223,506
Accounts Receivable, Net, and Unbilled Costs	20,245,660	24,102,579
Inventories	1,121,844	1,212,088
Deposit with Bond Trustee	30,245,157	20,422,307
Notes Receivable, Net	1,365,376	1,486,115
Prepaid Expenses	2,161,677	1,730,414
Total Current Assets	$ 249,497,935	$ 281,523,471
Noncurrent Assets:		
Accounts and Notes Receivable, Net	$ 8,226,931	$ 9,706,355
Net OPEB Asset	2,594,296	3,201,057
Investments	264,184,467	187,528,293
Capital Assets, Net	749,180,530	691,999,162
Total Noncurrent Assets	$ 1,024,186,224	$ 892,434,867
Total Assets	$ 1,273,684,159	$ 1,173,958,338
Deferred Outflows of Resources:		
Pension Contributions	$ 11,863,933	$ 21,135,019
OPEB Contributions	27,756,196	17,361,718
Total Assets and Deferred Outflows of Resources	$ 1,313,304,288	$ 1,212,455,075
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 40,917,294	$ 33,212,625
Deposits	9,945,406	8,124,679
Unearned Revenue	895,275	853,732
Long Term Liabilities – Current Portion	22,770,000	14,775,000
Total Current Liabilities	$ 74,527,975	$ 56,966,036
Noncurrent Liabilities:		
Liability for Compensated Absences	$ 3,230,818	$ 3,472,102
Net Pension Liability	35,763,227	51,089,530
Net OPEB Liability	31,669,775	20,373,014
Perkins Loan Program – Federal Capital Contribution	8,048,593	7,974,382
Long Term Liabilities, Net	398,622,316	336,433,801
Total Noncurrent Liabilities	$ 477,334,729	$ 419,342,829
Total Liabilities	$ 551,862,704	$ 476,308,865
Deferred Inflows of Resources:		
Pension Contributions	$ 10,737,067	$ 5,175,032
OPEB Contributions	17,966,774	19,769,354
Total Liabilities and Deferred Inflows of Resources	$ 580,566,545	$ 501,253,251

Ball State University

Statement of Net Position

As of June 30, 2019 and 2018

	2019	2018
Net Position:		
Net Investment in Capital Assets	$ 373,940,530	$ 376,564,162
Restricted for:		
Nonexpendable Scholarships	926,025	887,861
Expendable:		
Debt Service	—	—
Loans	2,470,337	2,468,115
Construction	139,119,247	125,507,168
External Grants	7,591,195	6,801,385
Unrestricted	208,690,409	198,973,133
Total Net Position	$ 732,737,743	$ 711,201,824
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 1,313,304,288	$ 1,212,455,075

See accompanying Notes to Financial Statements

Ball State University Foundation, Inc.

Combined and Consolidated Statements of Financial Position

As of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 2,208,916	$ 1,722,416
Contributions receivable, net	12,353,248	8,919,837
Investments	221,645,321	224,323,573
Investments held in split-interest agreements	1,684,874	1,747,856
Beneficial interest in remainder trusts	252,986	1,207,537
Other assets	960,897	810,412
Cash surrender value of life insurance	1,983,655	1,989,285
Property and equipment	12,013,332	9,187,915
Beneficial interest in perpetual trusts	2,802,131	2,670,960
Total assets	$ 255,905,360	$ 252,579,791
Liabilities		
Accounts payable	$ 3,098,836	$ 5,628,514
Accrued expenses	873,124	752,274
Line of credit	4,000,000	5,000,000
Term notes payable	10,800,000	11,325,000
Annuity obligations	2,468,690	1,796,481
Trust obligations	627,872	656,741
Total liabilities	21,868,522	25,159,010
Net Assets		
Without donor restrictions	(4,159,159)	(4,681,878)
With donor restrictions	238,195,997	232,102,659
Total net assets	234,036,838	227,420,781
Total liabilities and net assets	$ 255,905,360	$ 252,579,791

See Note A in Notes to Financial Statements

MUNCIE COMMUNITY SCHOOLS

STATEMENT OF NET POSITION

As of June 30, 2019

	Governmental Activities
ASSETS	
Cash and investments	$ 29,634,619
Receivables (net)	
Taxes receivable	4,519,780
Intergovernmental receivable	3,396,124
Accounts	405,361
Prepaid	181,064
Capital Assets	
Land and construction in progress	1,554,248
Other capital assets, net of depreciation	47,243,487
Total Assets	86,934,684
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	3,648,579
LIABILITIES	
Accounts payable	826,583
Accrued wages	1,398,803
Interest payable	503,828
Compensated absences	137,157
Claims payable	418,782
Noncurrent Liabilities	
Due within one year	
Bonds payable due within one year	3,245,000
Due in more than one year	
Loans payable	12,000,000
Bonds payable (net of premiums)	36,538,289
Compensated absences	411,470
Net pension liability	3,314,845
Total Liabilities	58,794,757
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	4,760,243
NET POSITION	
Net investment in capital assets	17,110,215
Restricted for:	
Instruction	14,665,947
Support services	1,500,067
Community services	816,102
Building acquisition and construction	8,715,769
Debt service	10,292,360
Unrestricted	(26,072,197)
TOTAL NET POSITION	$ 27,028,263

See Note A in Notes to Financial Statements

Ball State University

Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues:		
Student Tuition and Fees	$ 249,345,027	$ 253,485,988
Scholarship Allowances	(82,667,515)	(82,330,178)
Net Student Tuition and Fees	$ 166,677,512	$ 171,155,810
Federal Grants and Contracts	4,812,343	4,875,443
State & Local Grants and Contracts	2,697,941	2,480,670
Non-Governmental Grants and Contracts	16,363,313	5,489,721
Sales and Services of Educational Departments	9,461,027	9,227,155
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2019 - $14,560,552; 2018 - $14,353,644)	56,671,965	59,905,757
Other	11,386,042	10,799,856
Other Operating Revenues	13,109,696	10,841,093
Total Operating Revenues	$ 281,179,839	$ 274,775,505
Operating Expenses:		
Personnel Services	$ 246,163,322	$ 244,921,577
Benefits	94,782,538	79,569,751
Utilities	14,470,300	13,639,934
Repairs and Maintenance	20,208,450	16,253,722
Other Supplies and Expenses	89,122,647	83,397,824
Student Aid	17,075,099	17,513,607
Depreciation	28,471,085	28,271,938
Total Operating Expenses	$ 510,293,441	$ 483,568,353
Operating Income/(Loss)	$ (229,113,602)	$ (208,792,848)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarships and Grants	$ 58,262,211	$ 59,255,786
State Appropriations	155,663,928	153,449,894
Investment Income	16,724,268	2,361,350
Interest on Capital Asset Related Debt	(12,189,461)	(9,638,761)
Private Gifts	7,153,385	9,816,248
State Pension Contributions	9,615,553	8,606,566
Other Non-Operating Income	8,503,513	8,491,803
Net Non-Operating Revenues/(Expenses)	$ 243,733,397	$ 232,342,886
Income Before Other Revenues, Expenses, Gains or Losses	$ 14,619,795	$ 23,550,038
Capital Appropriations	2,715,486	4,576,681
Capital Gifts	4,200,638	4,548,601
Increase in Net Position	$ 21,535,919	$ 32,675,320
Net Position – Beginning of Year	711,201,824	727,304,852
Change in Accounting Policy	—	(48,778,348)
Net Position – End of Year	$ 732,737,743	$ 711,201,824

See accompanying Notes to Financial Statements

Ball State University Foundation, Inc.

Combined and Consolidated Statements of Activities

Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 599,852	$ 23,328,624	$ 23,928,476
Promotional activities and other revenue	422,121	—	422,121
Investment income, net of fees	3,472,111	4,482,492	7,954,603
Change in value of split-interest agreements	3,444	97,844	101,288
Rental and other income	668,219	—	668,219
Operating support fees	2,483,571	(2,483,571)	—
	7,649,318	25,425,389	33,074,707
Net assets released from restrictions	19,332,051	(19,332,051)	—
Total revenues, gains and other support	26,981,369	6,093,338	33,074,707
Expenses			
University programs	17,637,243	—	17,637,243
Management and general	5,953,876	—	5,953,876
Fund raising	2,867,531	—	2,867,531
Total expenses	26,458,650	—	26,458,650
Change in Net Assets	522,719	6,093,338	6,616,057
Net Assets, Beginning of Year	(4,681,878)	232,102,659	227,420,781
Net Assets, End of Year	$ (4,159,159)	$238,195,997	$234,036,838

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 736,351	$ 19,109,110	$ 19,845,461
Promotional activities and other revenue	564,363	—	564,363
Investment income, net of fees	4,110,159	11,444,844	15,555,003
Change in value of split-interest agreements	—	149,352	149,352
Rental and other income	622,400	—	622,400
Operating support fees	2,417,222	(2,417,222)	—
	8,450,495	28,286,084	36,736,579
Net assets released from restrictions	15,884,849	(15,884,849)	—
Total revenues, gains and other support	24,335,344	12,401,235	36,736,579
Expenses			
University programs	17,817,441	—	17,817,441
Management and general	4,751,691	—	4,751,691
Fund raising	3,956,550	—	3,956,550
Total expenses	26,525,682	—	26,525,682
Change in Net Assets	(2,190,338)	12,401,235	10,210,897
Net Assets, Beginning of Year	(2,491,540)	219,701,424	217,209,884
Net Assets, End of Year	$ (4,681,878)	$232,102,659	$227,420,781

See Note A in Notes to Financial Statements

MUNCIE COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Totals
Governmental Activities:						
Instruction	$41,672,917	$ 859,514	$ 10,431,585	$ —	$ (30,381,818)	$ (30,381,818)
Support services	19,768,747	624,660	463,701	—	(18,680,386)	(18,680,386)
Community services	2,894,497	—	—	—	(2,894,497)	(2,894,497)
Facilities acquisition and construction	345,269	—	—	—	(345,269)	(345,269)
Interest on long term debt	603,050	—	—	—	(603,050)	(603,050)
Nonprogrammed charges	5,415,533	—	—	15,053	(5,400,480)	(5,400,480)
Total Governmental Activities	70,700,013	1,484,174	10,895,286	15,053	(58,305,500)	(58,305,500)
General Revenues:						
Property taxes					10,430,725	10,430,725
Other taxes					1,181,974	1,181,974
State aid					40,896,747	40,896,747
Grants and contributions not restricted to specific programs					3,555,664	3,555,664
Investment income					133,820	133,820
Nonemployer entity contributions					9,078,765	9,078,765
Miscellaneous					2,153,281	2,153,281
Gain on disposal of assets					18,264	18,264
Transfers					34,638	34,638
Total General Revenues and Transfers					67,483,878	67,483,878
Change in Net Position					9,178,378	9,178,378
NET POSITION - Beginning of Year					17,849,885	17,849,885
NET POSITION - END OF YEAR					$ 27,028,263	$ 27,028,263

Ball State University

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Source / (Uses) of Cash:		
Operating Activities:		
Tuition and Fees	$ 166,085,877	$ 173,178,497
Grants and Contracts	13,604,119	13,560,390
Payments to Suppliers	(77,544,786)	(74,331,934)
Payments for Maintenance and Repair	(20,208,450)	(16,253,722)
Payments for Utilities	(14,470,300)	(13,639,934)
Payments for Personnel Services	(242,413,400)	(245,033,238)
Payments for Benefits	(85,835,973)	(83,837,847)
Payments for Scholarships and Fellowships	(17,075,099)	(17,513,607)
Auxiliary Enterprise Charges:		
Room and Board	57,090,670	59,552,447
Other	11,060,904	10,875,712
Sales and Services of Educational Activities	9,179,250	8,625,228
Other Receipts/Disbursements/Advances	18,987,052	11,055,726
Net Cash Provided/(Used) by Operating Activities	$ (181,540,136)	$ (173,762,282)
Non-Capital Financing Activities:		
Federal and State Scholarships and Grants	$ 57,681,911	$ 59,498,923
State Appropriations	155,663,928	153,449,894
William D. Ford Direct Lending Receipts	(128,396,365)	131,157,517
William D. Ford Direct Lending Disbursements	128,396,365	(131,157,517)
Private Gifts	9,947,510	10,898,631
Foundation Receipts	1,244,909	567,844
Foundation Disbursements	(1,244,909)	(567,844)
Other Non-Operating Revenue	8,503,513	8,491,804
Net Cash Provided/(Used) by Non-Capital Financing Activities	$ 231,796,862	$ 232,339,252
Capital Financing Activities:		
Proceeds from Capital Debt	$ 94,698,149	$ 88,871,118
Capital Appropriations	2,715,486	4,576,681
Capital Gifts	4,200,638	4,548,601
Purchases of Capital Assets	(86,121,377)	(53,870,213)
Principal Paid on Capital Debt	(23,845,000)	(14,595,000)
Interest Paid on Capital Debt	(10,361,613)	(9,512,640)
Deposits with Trustee	(9,822,850)	(306,122)
Net Cash Provided/(Used) by Capital Financing Activities	$ (28,536,567)	$ 19,712,425
Investing Activity:		
Proceeds from Sales and Maturities of Investments	$ 989,906,709	$ 893,357,357
Interest on Investments	19,968,333	5,383,127
Purchase of Investments	(1,090,261,908)	(857,540,203)
Net Cash Provided/(Used) by Investing Activities	$ (80,386,866)	$ 41,200,281
Net Increase/(Decrease) in Cash	$ (58,666,707)	$ 119,489,676
Cash – Beginning of the Year	207,346,462	87,856,786
Cash – End of the Year	$ 148,679,755	$ 207,346,462

Ball State University

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Net Operating Revenues/(Expenses) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	$ (229,113,602)	$ (208,792,848)
Adjustments to Reconcile Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	28,471,085	28,271,938
Equipment Retired	468,924	949,515
GIK Donations	110,805	902,700
Pensions Covered by State of Indiana	9,615,553	8,606,566
Changes in Assets and Liabilities:		
Operating Receivables, Net	689,135	2,766,404
Inventories	90,244	5,375
Other Assets	(431,263)	(144,094)
Net OPEB Asset	606,761	(2,343,739)
Accounts Payable	5,207,187	5,396,849
Unearned Revenue	41,543	157,360
Deposits Held for Others	2,738,092	(276,399)
Compensated Absences	(241,284)	459,105
Net Pension Liability	(15,326,303)	(2,132,441)
Net OPEB Liability	11,296,761	(15,409,073)
Deferred Outflows	(1,123,392)	(11,867,933)
Deferred Inflows	3,759,455	20,263,302
Accounts and Notes Receivable	1,600,163	(574,869)
Net Cash Provided/(Used) by Operating Activities	$ (181,540,136)	$ (173,762,282)
Non-Cash Transactions		
TRF Pre-1996 Pension Expense Covered by State of Indiana	$ 9,615,553	$ 8,606,566
Gifts in Kind Donations	$ 110,805	$ 902,700

See accompanying Notes to Financial Statements

Ball State University Foundation, Inc.

Combined and Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	$ 6,616,057	$ 10,210,897
Items not requiring (providing) cash		
Depreciation and amortization	379,152	199,889
Net realized and unrealized gains on investments	(9,722,948)	(17,359,009)
Loss on sale of property and equipment	34,007	—
Change in value of trusts	823,380	(226,043)
Contributions of marketable equity securities	(4,068,218)	(3,751,099)
Contributions restricted for long-term investment	(4,374,059)	(2,345,312)
Contributions of property and equipment	(5,860,000)	—
Net change in value of split-interest agreements	706,322	(93,459)
Changes in		
Contributions receivable, including accretion of discount on pledges receivable	(3,433,411)	562,968
Other assets	(150,485)	(66,561)
Accounts payable and accrued expenses	(2,408,828)	(1,934,509)
Net cash used in operating activities	(21,459,031)	(14,802,238)
Investing Activities		
Purchase of property and equipment	(188,576)	(172,302)
Proceeds from sales of property, equipment and real estate	1,250,000	—
Purchase of investments and certificates of deposit	(19,121,844)	(19,332,880)
Sales and maturities of investments and certificates of deposit	37,151,262	28,422,515
Net decrease (increase) in cash surrender value of life insurance	5,630	(51,991)
Net cash provided by investing activities	19,096,472	8,865,342
Financing Activities		
Borrowings under line of credit agreement	7,000,000	11,000,000
Payments under line of credit agreement	(8,000,000)	(7,000,000)
Reduction of term notes payable	(525,000)	(1,000,000)
Proceeds from contributions restricted for investment in permanent endowment	4,374,059	2,345,312
Net cash provided by (used in) financing activities	2,849,059	5,345,312
Net Increase (Decrease) in Cash and Cash Equivalents	486,500	(591,584)
Cash and Cash Equivalents, Beginning of the Year	1,722,416	2,314,000
Cash and Cash Equivalents, End of Year	$ 2,208,916	$ 1,722,416
Interest Paid	$ 574,302	$ 439,954

See Note A in Notes to Financial Statements

Ball State University
Notes to Financial Statements
June 30, 2019

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. A financial benefit or burden relationship must now also exist between the primary government and the component unit before it becomes part of the reporting entity. Based on these criteria, the financial report includes the University and our related entity, Ball State University Foundation which is discretely presented. In addition, beginning with this 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-two 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 9: 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, 2020. At June 30, 2019 and 2018, there was $4,000,000 and $5,000,000, 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, 2019 was 4.40%.

BSUF also has a term loan facility that was due December 30, 2018. The line was unsecured, with a fixed interest rate of 3.30%. There were no amounts borrowed against this facility at June 30, 2019. There was $300,000 borrowed against this facility at June 30, 2018.

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 3.65% and 3.30% at June 30, 2019 and 2018, respectively. Interest only payments are due quarterly until March 31, 2020. Commencing on June 30, 2020, a principal payment of $125,000 each quarter will also be due. On March 31, 2022, the remaining unpaid principal balance on the note, along with accrued interest, will be due and payable. The proceeds of this note were used to retire the $10,000,000 of variable rate demand notes that were outstanding since their issuance in 2001.

Each of these agreements contain covenants, which include maintaining minimum net assets of $100,000,000. Additionally, the term credit agreement requires BSUF to have liquid assets to funded long-term debt ratio of 2.50 to 1.0, as measured at the end of each fiscal year. As of June 30, 2019 and 2018, 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. This action created a discrete component unit relationship.

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: https://www.doe.in.gov/finance/school-financial-reports. This website is maintained by the Indiana Department of Education.

Additional financial information can be found on the Indiana Gateway for Government Units website: https://gateway.ifionline.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 maturities of ninety days or less as of June 30 for each fiscal year end, that bear little or no market risk. Amounts included are cash held in banks, revolving and change funds, cash in transit, interest due within ninety days, and investments with maturities of ninety days or less at June 30 for each fiscal year end.

Investments

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

Accounts Receivable

Accounts receivable consists primarily of amounts due from students, grants and contracts, and auxiliary enterprises and are recorded net of a calculated reserve for uncollectible amounts. The reserves as of June 30, 2019, and June 30, 2018, were 8,109,970 and $8,256,852, 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, 2019, and June 30, 2018, were 2,461,605 and 2,416,730, respectively. Notes receivable due in greater than one year are classified as a noncurrent asset.

Capital Assets

Capital assets consist of land and land improvements, infrastructure, buildings and building improvements, construction in progress, and equipment and are recorded at cost or, for contributed assets, at fair value at the date of acquisition. Additionally, in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* intangible assets costing in excess of $100,000 and having a life greater than one year are capitalized. All land and building acquisitions are capitalized. Capital assets also include land improvements and infrastructure costing in excess of $100,000. Building improvements are capitalized if the project cost is more than $100,000 or 20.0 percent of the building's replacement value and either extends the useful life of the building, changes the use or purpose of the original building, or expands the total square footage of the building. The University capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Construction costs that cross fiscal years are capitalized as construction in progress, but are not depreciated until the assets are placed in service. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year the expense was incurred.

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period that will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred outflows of resources includes 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

Deferred inflows of resources represents an acquisition of net position that applied to a future period and so will not be recognized as an inflow or resources (revenue) until that time. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. The deferred inflows of resources 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. Examples are investment income, Ball State University Foundation donations, federal and state financial aid, and state appropriations.

Student Tuition and Fees

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

The University conducts summer classes, which for billing purposes consist of two five-week summer sessions and a ten-week summer semester. The first summer session takes place during May and June, while the second summer session takes place during June and July, with slightly more days falling in July. The summer semester takes place during the two summer sessions. Bills are due on June 1. By June 30, students have exhausted most of their rights to any refund of tuition and fees. Therefore, all summer tuition and fees are reported as revenue for the year ended June 30 of that summer. Faculty salaries for summer are 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, 2019, and June 30, 2018.

New Accounting Pronouncements: Adoption of New Standard

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.

For fiscal year end June 30, 2018, we implemented GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which replaces GASB Statement No. 45*, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GASB Statement No. 75 establishes standards for state and local government employers to account for and disclose net OPEB liability, OPEB expense, and other information associated with providing OPEB to their former employees on their financial statements.

Shafer Tower

Note B – Capital Assets

	Book Value June 30, 2018	Additions	Deductions	CIP Transfers	Book Value June 30, 2019
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	$ 64,029,674	$ 74,773,177	$ —	$ (4,598,329)	$ 134,204,522
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	$ 1,068,898,057	$ 11,348,200	$ 2,881,272	$ 4,598,329	$ 1,081,963,314
Less Accumulated Depreciation:					
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	$ 440,928,569	$ 28,471,085	$ 2,412,348	$ —	$ 466,987,306
Capital Assets, Net	$ 691,999,162	$ 57,650,292	$ 468,924	$ —	$ 749,180,530

	Book Value June 30, 2017	Additions	Deductions	CIP Transfers	Book Value June 30, 2018
Assets not Being Depreciated:					
Land	$ 23,017,064	$ 2,169,866	$ —	$ —	$ 25,186,930
Contruction in Progress	8,168,671	35,237,263	37,220	(4,525,970)	38,842,744
Total Capital Assets Not Being Depreciated	$ 31,185,735	$ 37,407,129	$ 37,220	$ (4,525,970)	$ 64,029,674
Other Capital Assets:					
Land Improvements	$ 44,367,921	$ 2,532,812	$ —	$ 559,450	$ 47,460,183
Infrastructure	99,352,785	1,353,157	—	3,187,853	103,893,795
Educational Buildings	353,114,885	—	—	—	353,114,885
Utility Buildings	42,385,160	—	—	—	42,385,160
Educational Equipment	53,666,332	3,477,937	2,927,159	—	54,217,110
Auxiliary Enterprise Buildings	424,932,874	6,944,510	3,842,419	778,667	428,813,632
Auxiliary Enterprise Equipment	16,592,234	751,480	405,492	—	16,938,222
Other Property	2,559,445	1,403,188	84,485	—	3,878,148
Software	18,196,922	—	—	—	18,196,922
Total Other Capital Assets	$ 1,055,168,558	$ 16,463,084	$ 7,259,555	$ 4,525,970	$ 1,068,898,057
Less Accumulated Depreciation:					
Exhaustible Land Improvements	$ 24,656,832	$ 1,664,879	$ —	$ —	$ 26,321,711
Infrastructure	25,813,812	3,834,953	—	—	29,648,765
Educational Buildings	164,386,728	7,086,779	—	—	171,473,507
Utility Buildings	12,202,960	845,880	—	—	13,048,840
Educational Equipment	41,634,256	3,475,794	2,805,208	—	42,304,842
Auxiliary Enterprise Buildings	127,011,836	8,568,141	3,156,008	—	132,423,969
Auxiliary Enterprise Equipment	12,627,784	1,083,957	370,836	—	13,340,905
Other Property	272,975	76,663	15,208	—	334,430
Software	10,396,708	1,634,892	—	—	12,031,600
Total Accumulated Depreciation, Other Capital Assets	$ 419,003,891	$ 28,271,938	$ 6,347,260	$ —	$ 440,928,569
Capital Assets, Net	$ 667,350,402	$ 25,598,275	$ 949,515	$ —	$ 691,999,162

Note C – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Accrued Payroll	$ 4,490,629	$ 1,774,233
Accrual for Compensated Absences	3,587,543	4,017,322
Interest Payable	7,475,185	5,647,338
Vendor and Other Payables	25,363,937	21,773,732
Total Accounts Payable and Accrued Liabilities	$ 40,917,294	$ 33,212,625

Note D – Other Liabilities

Other liability activity for the fiscal years ended June 30, 2019, and 2018, is summarized below as follows:

	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	$ 440,299,395	$ 115,104,877	$ 48,878,122	$ 506,526,150	$ 29,191,421

	Balance July 1, 2017	Additions	Reductions	**Balance June 30, 2018**	Current
Long Term Liabilities	$ 279,096,927	$ 90,527,032	$ 16,250,914	$ 353,373,045	$ 16,939,244
Liability for Compensated Absences	7,025,329	1,793,964	1,329,869	7,489,424	4,017,322
Net Pension Liability	53,221,971	19,559,558	21,691,999	51,089,530	—
Net OPEB Liability	—	20,373,014	—	20,373,014	—
Perkins Loan Program - Federal Capital Contribution	8,184,069	476,547	686,234	7,974,382	—
Other Liabilities	$ 347,528,296	$ 132,730,115	$ 39,959,016	$ 440,299,395	$ 20,956,566

Dr. Don Shondell Practice Center

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 June 30, 2018**	**Increases**	**Decreases**	**Balance June 30, 2019**	**Current Portion**
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
Total Debt-Related Liabilities	**$ 353,373,045**	**$ 97,337,290**	**$ 26,484,141**	**$ 424,226,194**	**$ 25,603,878**

Debt-Related Liabilities	**Balance June 30, 2017**	**Increases**	**Decreases**	**Balance June 30, 2018**	**Current Portion**
Bonds Payable					
Revenue Bonds	$ 80,520,000	$ 79,390,000	$ 3,795,000	$ 156,115,000	$ 3,995,000
Student Fee Bonds	170,120,000	—	10,800,000	159,320,000	10,780,000
Total Bonds Payable	$ 250,640,000	$ 79,390,000	$ 14,595,000	$ 315,435,000	$ 14,775,000
Net Unamortized Premiums and Deferred Costs	28,456,927	11,137,032	1,655,914	37,938,045	2,164,244
Total Debt-Related Liabilities	**$ 279,096,927**	**$ 90,527,032**	**$ 16,250,914**	**$ 353,373,045**	**$ 16,939,244**

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

Issue	Description	Interest Rates	Date of Issue	Final Maturity	Original Issue	Outstanding June 30, 2018	Retired 2018-2019	Outstanding June 30, 2019	Current Portion Outstanding June 30, 2019
Revenue Bonds Issued Under Authority of IC 21-35-3:									
Housing and Dining Series 2013	Fund the renovation and expansion of Botsford/Swinford Residence Halls in Johnson Complex	3.00-5.00%	10/8/13	7/1/33	$ 33,160,000	$ 28,325,000	$ 1,205,000	$ 27,120,000	$ 1,265,000
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	$ 48,400,000	$ 2,790,000	$ 45,610,000	$ 2,925,000
Housing and Dining Series 2018	Fund North Residential Neighborhood Phase 1 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	$ —	$ 79,390,000	$ 2,395,000
Student Fee Bonds Issued Under Authority of IC 21-34-6:									
Series L	Refund all of the outstanding Student Fee Bonds remaining in Series J	3.00-5.50%	7/21/04	7/1/20	$ 16,425,000	$ 4,180,000	$ 1,315,000	$ 2,865,000	$ 1,390,000
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	$ 11,315,000	$10,165,000	$ 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	$ 27,510,000	$ 1,890,000	$ 25,620,000	$ 1,980,000
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	$116,315,000	$ 6,480,000	$109,835,000	$ 6,705,000
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
	Subtotal Bonds Payable				$488,335,000	$315,435,000	$23,845,000	$375,240,000	$ 22,770,000
	Net Unamortized Premiums and Costs					37,938,045	(11,048,149)	48,986,194	2,833,878
	Total Bonds Payable					**$353,373,045**	**$12,796,851**	**$424,226,194**	**$ 25,603,878**

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

Bonds Payable
As of June 30, 2019

Fiscal Year	Principal	Interest	Total
2020	$ 22,770,000	$ 15,978,017	$ 38,748,017
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
2025-2029	105,215,000	50,885,750	156,100,750
2030-2034	92,560,000	26,825,956	119,385,956
2035-2039	69,540,000	7,347,750	76,887,750
Total	$ 375,240,000	$ 160,789,187	$ 536,029,187

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:

	Final Maturity/	Amount Outstanding	
Issue	**Call Date**	**June 30, 2019**	**June 30, 2018**
Student Fee Bonds, Series N	7/1/2018	$ —	$ 2,300,000
Student Fee Bonds, Series O	1/1/2019	$ —	$ 20,455,000
Student Fee Bonds, Series P	7/1/2020	$ 22,470,000	$ 23,820,000

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 $593,825 for the year ended June 30, 2019.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2019, are as follows:

Fiscal Year	Future Lease Payments
2020	$ 307,398
2021	46,744
2022	32,113
2023	2,550
2024	—
Total	$ 388,805

Note H – Deposits and Investments

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

As of June 30, 2019, and 2018, the University held deposits and investments, including endowment funds, as reflected below:

	June 30, 2019	June 30, 2018
Cash and Cash Equivalents	$ 148,679,755	$ 207,346,462
Short Term Investments	45,678,466	25,223,506
Long Term Investments	264,184,467	187,528,293
Total	$ 458,542,688	$ 420,098,261

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, 2019:

	Fair Value	Maturities (in years)			
Investment Type	June 30, 2019	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	$ 458,542,688	$ 194,358,221	$ 195,555,899	$ 45,565,408	$ 23,063,160

The University held deposits and investments with the following maturities at June 30, 2018:

	Fair Value	Maturities (in years)			
Investment Type	June 30, 2018	Less than 1	1 - 5	6 - 10	More than 10
Money Market Index Funds	$ 13,091,324	$ 13,091,324	$ —	$ —	$ —
Money Market Savings Accounts	149,983,369	149,983,369	—	—	—
Commercial Paper	23,165,315	23,165,315	—	—	—
U.S. Government Obligations	71,965,905	14,006,726	43,900,873	12,285,217	1,773,089
Corporate Debt	88,605,276	8,214,290	57,861,444	9,333,049	13,196,493
Municipal Bonds	3,704,841	3,704,841	—	—	—
Certificate of Deposits	34,572,502	—	34,572,502	—	—
Foreign Obligations	35,009,729	20,404,103	14,158,020	447,606	—
Total	$ 420,098,261	$ 232,569,968	$ 150,492,839	$ 22,065,872	$ 14,969,582

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, 2019, the balance of the University's deposits were covered in full between the Federal Deposit Insurance Corporation (FDIC) and the Public Deposit Insurance Fund (PDIF), which covers all public funds held in approved depositories.

Custodial Credit Risk – Investments

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

Credit Risk

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

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

	Fair Value June 30, 2019				
	Maturities (in years)				
Credit Quality Rating	Less than 1	1 - 5	6 - 10	More than 10	Percentage of Total Pool
Short Term Ratings					
A-1+	$ —	$ —	$ —	$ —	—%
A-1	—	—	—	—	—%
A-2	—	—	—	—	—%
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	$ 194,358,221	$ 195,555,899	$ 45,565,408	$ 23,063,160	100.00%

As of June 30, 2018, University deposits and investments reflected credit ratings as illustrated below:

	Fair Value June 30, 2018				
	Maturities (in years)				
Credit Quality Rating	Less than 1	1 - 5	6 - 10	More than 10	Percentage of Total Pool
Short Term Ratings					
A-1+	$ 1,094,302	$ —	$ —	$ —	0.26%
A-1	—	—	—	—	—%
A-2	22,071,013	—	—	—	5.25%
Long Term Ratings					
AAA	$ 7,654,878	$ 37,096,653	$ 3,200,864	$ 11,140,594	14.07%
AA+	1,794,098	4,833,765	605,658	—	1.72%
AA	2,694,618	346,673	650,061	614,509	1.02%
AA-	23,205,371	7,726,623	—	752,171	7.54%
A+	750,279	11,662,052	1,003,760	—	3.19%
A	631,579	6,001,184	1,262,118	—	1.88%
A-	298,540	11,203,462	2,567,371	—	3.35%
BBB+	—	13,711,941	720,641	—	3.44%
BBB	—	9,658,992	1,167,292	—	2.58%
BBB-	—	708,462	—	—	0.17%
Not Rated	172,375,290	47,543,032	10,888,107	2,462,308	55.53%
Total	$ 232,569,968	$ 150,492,839	$ 22,065,872	$ 14,969,582	100.00%

Credit Risk Concentration

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's investment practices require that deposits and investments are diversified to the extent that the securities of a single issuer are limited to less than 5.0 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, 2019:

		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
Investments by Fair Value Level	June 30, 2019	(Level 1)	(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
Total Investments by Fair Value Level	$ 330,162,635	$ 41,460,867	$ 288,701,768
Non-Classified Assets			
Money Market Savings Accounts	$ 91,361,040	$ —	$ —
Certificate of Deposits	37,019,013	—	—
Total Non-Classified Assets	$ 128,380,053	$ —	$ —
Total Investments by Fair Value	$ 458,542,688	$ 41,460,867	$ 288,701,768

The University had the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
Investments by Fair Value Level	June 30, 2018	(Level 1)	(Level 2)
Money Market Index Funds	$ 13,091,324	$ —	$ 13,091,324
Commercial Paper	23,165,315	—	23,165,315
U.S. Treasuries	30,410,104	30,410,104	—
U.S. Government Agencies	41,555,801	—	41,555,801
Corporate Debt	88,605,276	—	88,605,276
Municipal Bonds	3,704,841	—	3,704,841
Foreign Obligations	35,009,729	—	35,009,729
Total Investments by Fair Value Level	$ 235,542,390	$ 30,410,104	$ 205,132,286
Non-Classified Assets			
Money Market Savings Accounts	$ 149,983,369	$ —	$ —
Certificate of Deposits	34,572,502	—	—
Total Non-Classified Assets	$ 184,555,871	$ —	$ —
Total Investments by Fair Value	$ 420,098,261	$ 30,410,104	$ 205,132,286

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 $926,025 in endowment funds. There was $109,823 of endowment funds included in cash and equivalents as of June 30, 2019. At June 30, 2018, endowments held by the University were $887,861.

Note I – Pension 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 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, and 35 IAC 1.2. 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. The full retirement benefit formula for PERF DB is Annual Pension Benefit = 1.1 percent times Average Annual Compensation times Years of Creditable Service. Average annual compensation uses the 20 highest calendar quarters, in groups of four consecutive calendar quarters with no quarters used more than once (includes member contributions paid for by the employer and up to $2,000 of severance). Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis.

Eligibility for Full and Early Retirement Pension Benefit

- Age 65 and 10 years of creditable service
- Age 60 and 15 years of creditable service
- Age 55 if age and creditable service total at least 85
- 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 Hybrid DC). Member contributions are set by statute at three percent of compensation. 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 of Trustees based on actuarial valuation. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF DB is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the years ended June 30, 2018, participating employers were required to contribute 11.2 percent for PERF DB and three percent for PERF Hybrid DC, of covered payroll for members employed by the state. For the fiscal year ended June 30, 2018, there were 1,484 employees participating in PERF DB with an annual pay equal to $52,322,298. In addition, there were 1,555 employees with an annual pay of $51,703,966 participating in PERF DB for fiscal year ended June 30, 2019. The University's contribution to the PERF DB and PERF DC accounts for the years ended June 30, 2019, and 2018, were $7,193,430 and $7,404,258, 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, and 35 IAC 14. TRF 1996 DB is the employer funded defined benefit component of the Teachers' Hybrid Plan, and the Teachers' Hybrid Members 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 was based on wages reported by employers relative to the collective wages of the plan. This basis of allocation measures the proportionate relationship of an employer to all employers, and is consistent with the manner in which contributions to the pension plan are determined. The TRF 1996 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 in the defined benefits plan per state statutes IC 5-10.2, IC 5-10-4, and 35 IAC 14. The full retirement benefit formula for TRF 1996 DB is Annual Pension Benefit = 1.1 percent times Average Annual Compensation times Years of Creditable Service. Average annual compensation uses the 20 highest calendar quarters, in groups of four consecutive calendar quarters with no quarters used more than once (includes member contributions paid for by the employer and up to $2,000 of severance). Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis.

Eligibility for Full and Early Retirement Pension Benefit

- Age 65 and 10 years of creditable service
- Age 60 and 15 years of creditable service
- Age 55 if age and creditable service total at least 85
- 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, 2018, there were 404 employees participating in TRF 1996 DB with annual pay equal to $23,077,307. The University recorded 405 employees participating in the TRF 1996 DB Account 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 compensation, as determined by state statute and the INPRS Board or Trustees.

The University has elected to make the contributions on behalf of the member. The University's contributions to TRF 1996 DB and the associated TRF DC contributions for the years ended June 30, 2019, and 2018, were $2,444,874 and $2,409,704, 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, and 35 IAC 14. TRF Pre-1996 DB is the employer-funded defined benefit component of the Teachers' Hybrid Plan, and the Teachers' Hybrid Members Defined Contribution Account (see Defined Contribution Retirement Funds section) is the other component.

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

Basis of the Allocation. The basis to determine the University's (an employer of the plan) proportionate share is a weighted calculation using a combination of wages reported by employers relative to the collective wages of the plan, and benefits paid to retirees of employers relative to total benefits paid by the plan. The weighted calculation is 31.5 percent for wages and 68.5 percent for benefits paid, which are determined by the non-retirees and retirees respective net pension liabilities. This method is used as it provides a fairer distribution so that employers with no active employees still show a proportionate share.

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

Benefits Provided. The plan was established to provide retirement, disability, and survivor benefits to regularly employed licensed teachers and administrators at certain state universities and other educational institutions hired before 1996, who have maintained continuous employment with the same covered institution since that date to June 30, 2005. The full retirement benefit formula for TRF Pre-1996 DB is Annual Pension Benefit = 1.1 percent times Average Annual Compensation times Years of Creditable Service. Average annual compensation uses the 20 highest calendar quarters, in groups of four consecutive calendar quarters with no quarters used more than once (includes member contributions paid for by the employer and up to $2,000 of severance). Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis.

Eligibility for Full and Early Retirement Pension Benefit

- Age 65 and 10 years of creditable service
- Age 60 and 15 years of creditable service
- Age 55 if age and creditable service total at least 85
- 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 each year. 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. As a non-employer contributing entity, the State of Indiana contributed $917.9 million in fiscal year ended June 30, 2018, to TRF Pre-1996. The actuarially determined contribution (ADC) for TRF Pre-1996 was $922.1 million. Employers contributed $4.2 million in fiscal year ended June 30, 2018.

TRF Pre-1996 Account members contribute three percent of covered payroll to their TRF Pre-1996 Defined Contribution Acount (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, 2018, the University showed 37 employees participating in the TRF Pre-1996 DB with annual payroll equal to $2,896,105. The University's contributions to the TRF Pre-1996 DB for fiscal year ended June 30, 2018, was $286,713. For the fiscal year ended June 30, 2019, the University shows 32 employees participating in the TRF Pre-1996 DB with annual payroll equal to $2,546,007. The University made contributions of $251,301 which included payments to the TRF DC on behalf of the members.

Pension 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 to view INPRS financial reports.

The Indiana General Assembly passed a series of legislative acts beginning in 2016 that paved the way for the creation of defined contribution plans separating the pension from the annuity savings account within hybrid plans. As a result, hybrid plans have separate defined benefit (DB) and defined contribution (DC) provisions.

Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit funds) were recategorized as defined contribution funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. DC member balances previously reported within PERF DB, TRF Pre-1996 DB, and TRF 1996 DB fund totals were transferred to the appropriate DC fund as of January 1, 2018.

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

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

Public Employees' Defined Contribution Account

Pension 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, and 35 IAC 1.2. The fund provides supplemental retirement benefits to PERF DB members.

Contributions. The University participates in the Public Employees' Hybrid Members Defined Contribution Account (PERF Hybrid 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 may withdraw their account balance upon retirement, termination, disability, or death. As of January 1, 2018, MetLife is an available option for members that choose to annuitize their defined contribution balance.

Teachers' Defined Contribution Account

Pension 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 and 35 IAC 14. 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 component.

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 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 may withdraw their account balance upon retirement, termination, disability, or death. As of January 1, 2018, MetLife is an available option for members that choose to annuitize their defined contribution balance.

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

At June 30, 2019, the University reported a liability of $35,763,227 for its proportionate share of the net pension liability, as compared to $51,089,530 for the year ended June 30, 2018. The net pension liability reported by the University was measured as of June 30, 2018, for fiscal year 2018-2019, and as of June 30, 2017, for fiscal year 2017-2018 reporting. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates for all plans.

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

June 30, 2018:	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

June 30, 2017:	PERF DB	TRF-1996 DB	TRF Pre-1996 DB	Aggregate
Proportionate Share	0.010432	0.0068661	—	
Net Pension Liability/(Asset)	$ 46,542,821	$ 4,546,709	$ —	$ 51,089,530
Deferred Outflow of Resources	$ 9,317,349	$ 4,051,680	$ —	$ 13,369,029
Deferred Inflow of Resources	$ 3,243,918	$ 1,931,114	$ —	$ 5,175,032
Pension Expense/(Income)	$ 9,405,117	$ 1,960,444	$ 8,606,566	$ 19,972,127

The University recognized expenses of $16,458,945 at June 30, 2019, and $19,972,127 at June 30, 2018. 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, 2018, was $113,889,073, and $124,414,362 at June 30, 2017. The total net pension liability for the TRF Pre-1996 DB Account at June 30, 2018, was $10,871,842,494, compared to $11,919,139,482 at June 30, 2017. 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 $9,615,553 for June 30, 2019, and $8,606,566 at June 30, 2018. 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, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Average Remaining Service Life for 2018:	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

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Average Remaining Service Life for 2017:	PERF DB 3.10 Years		TRF 1996 DB 14 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	$ 883,899	$ 36,121	$ 474,436	$ 220,416	$ —
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	7,362,258	2,333,496	1,692,554	648,732	—
Change of Assumptions	747,283	—	1,424,177	736,425	—
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	323,909	874,301	460,513	325,541	—
Contributions Subsequent to the Measurement Date	5,839,978	—	1,721,217	—	204,795
Total	$ 15,157,327	$ 3,243,918	$ 5,772,897	$ 1,931,114	$ 204,795

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
2019	$ 182,909	$ 331,810
2020	(1,622,667)	(88,421)
2021	(2,732,950)	(432,525)
2022	(618,458)	(350,149)
2023	—	(160,759)
Thereafter	—	(981,455)
Total	$ (4,791,166)	$ (1,681,499)

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, 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 4 years ended June 30, 2014	Period of 3 years ended June 30, 2014	
Investment Rate of Return (Accounting)	6.75%, includes inflation and net of investment expenses		
Cost of Living Increases (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% - 12.50%	
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 Account	TRF 1996 DB
Valuation Date:			
Assets	June 30, 2017		
Liabilities	June 30, 2016 - Member census data as of June 30, 2016, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016, and June 30, 2017. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2016 to the June 30, 2017 measurement date.		
Actuarial Cost Method (Accounting)	Entry Age Normal (Level Percent of Payroll)		
Actuarial Assumptions:			
Experience Study Date	Period of 4 Years ended June 30, 2014	Period of 3 Years ended June 30, 2014	
Investment Rate of Return (Accounting)	6.75%, net of investment expense, including inflation		
Cost of Living Increases (COLA) or "Ad Hoc" COLA	1%	1%	
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. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	Geometric Basis at June 30, 2018		Geometric Basis at June 30, 2017	
	Long Term Expected Rate of Return	Target Asset Allocation	Long Term Expected Rate of Return	Target Asset Allocation
Public Equity	4.4%	22.0%	4.9%	22.0%
Private Equity	5.4%	14.0%	5.7%	14.0%
Fixed Income - Ex Inflation-Linked	2.2%	20.0%	2.3%	20.0%
Fixed Income - Inflation-Linked	0.8%	7.0%	0.6%	7.0%
Commodities	2.3%	8.0%	2.2%	8.0%
Real Estate	6.5%	7.0%	3.7%	7.0%
Absolute Return	2.7%	10.0%	3.9%	10.0%
Risk Parity	5.2%	12.0%	5.1%	12.0%

Discount Rate. Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent at both June 30, 2018, and at June 30, 2017. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by state statute. Projected inflows from investment earnings were calculated using the 6.75 percent long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of the University's Proportionate Share of the Net Pension Liability. Net pension liability is sensitive to changes in the discount rate. 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, 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)

Discount Rate Sensitivity - Liability / (Asset) at June 30, 2017

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)%
$67,880,828	$46,542,821	$28,804,998	$11,362,991	$4,546,709	$(949,185)

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.

Pension Plans – 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:

	2019	2018	2017
Contributions	$ 12,927,533	$ 13,065,067	$ 12,894,655
Number or Participating Members	1696	1726	1694
Related Payroll	$ 131,006,992	$ 125,095,300	$ 120,522,440

Other Post-Employment Benefits

OPEB Plan Description. In addition to providing pension benefits, the University, as authorized by the University's Board of Trustees, provides certain health care and life insurance benefits for qualified retired employees. Substantially all of the University's regular employees may become eligible for those benefits.

The University has 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 health care plan is an open single-employer defined benefit plan that is administered by the University.

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 also 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. This new standard supersedes GASB Statement No. 43 and focuses on changes in the actuarial valuation and adds new disclosure requirements for financial reporting. The complement standard to GASB Statement No. 74 is GASB Statement No. 75 which replaces 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. As of June 30, 2018, out of a total of 3,190 (3,034 in 2017) benefits eligible active employees, 806 (775 in 2017) had fulfilled the age and service requirements for these retiree benefits. As of June 30, 2019, 1,106 retirees were enrolled in life insurance coverage, and 2,030 retirees, spouses and surviving spouses were enrolled in health insurance coverage. In addition, 800 active employees have met the age and service requirements for retirement as of June 30, 2019. 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,	2018	2017
Retirees with Life Insurance Coverage	1,108	1,079
Retirees, Spouses and Surviving Spouses with Health Insurance	2,027	2,015

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 are 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, reserve adjustments, and contributions to a VEBA Trust. 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, 2019, retirees contributed $3.2 million ($3.2 million in 2018) in premiums for health care coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed $10.4 million ($10.2 million in 2018) as its 75.0 percent requirement. Retirees not eligible for Medicare were limited to one plan option in calendar year 2018, the High Deductible Wellness plan. Monthly premiums paid by retirees not eligible for Medicare ranged from $108.10 for single coverage to $280.65 for family coverage. Medicare-eligible retirees and spouses each paid $115.36 for medical and prescription drug coverage. Both non-Medicare and Medicare-eligible retirees and spouses paid $11.49 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, 2019, retirees contributed $99.6 thousand ($97.5 thousand in 2018) in premiums for life insurance coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed $307.3 thousand ($299.6 thousand in 2018) 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, 2019, 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.

No funds from the reserves are used for any other purpose and cannot revert back the University.

The balances of the reserve funds for the fiscal years ended June 30, 2019, and 2018 are shown below:

	June 30, 2019	June 30, 2018
Reserve for Unreported Claims	$ 4,257,837	$ 3,845,844
Reserve for Self-Insurance	$ 6,510,795	$ 8,464,340
Reserve for Post-Retirement Health	$ 11,329,602	$ 7,135,725

Net OPEB Liability

At June 30, 2019, the University reported a Net OPEB Liability of $31,669,775 of which $21,152,230 was actuarially determined. The remaining $10,517,545 represents an accumulation of retiree health savings from plan operations that are held in reserve for future retiree health plan needs or will be contributed to the VEBA trust.

The net OPEB liability reported in fiscal year 2018-2019 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, 2018.
The measurement period for the OPEB plans are July 1, 2017 through June 30, 2018.
The reporting period is July 1, 2018 through June 30, 2019.

Net OPEB Liability was measured as of June 30, 2018.
The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date.

The Quad

Based on the actuarial study for June 30, 2018, and June 30, 2017, the components of the Net OPEB Liability (Asset) of the University (sponsor) were as follows:

	June 30, 2018	
	Health Care Plan	OPEB 115 Plan
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	$ 21,152,230	$ (2,594,296)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability June 30, 2018	93.15%	110.81%

	June 30, 2017	
	Health Care Plan	OPEB 115 Plan
Total OPEB Liability	$ 281,711,835	$ 22,351,708
Plan Fiduciary Net Position	(265,877,234)	(25,552,765)
Net OPEB Liability (Asset) June 30, 2017	$ 15,834,601	$ (3,201,057)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability June 30, 2017	94.38%	114.32%

Actuarial Assumptions. The Total OPEB Liability was determined by actuarial valuations for June 30, 2018, and June 30, 2017, using the following actuarial assumptions:

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

	June 30, 2018	June 30, 2017
Valuation Date:	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.
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Remaining Amortization Period:	20 years	21 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-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%
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 2018-2019, or 2017-2018.

School of Kinesiology in Human Performance Lab

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

		June 30, 2019	June 30, 2018
Asset Class	Target Allocation	Long-Term Expected Return	Long-Term Expected Return
International Equity	20.0%	7.0%	7.0%
Emerging Markets Equity	4.0%	8.1%	8.7%
Low Volatility Equity	4.0%	6.4%	6.3%
US Small Cap Equity	10.0%	6.5%	6.0%
US Large Cap Equity	32.0%	6.1%	5.6%
Fixed Income	20.0%	3.3%	3.4%
Real Estate	10.0%	6.6%	6.7%
Total	**100.0%**		

Notes:

- There were no investments identified at June 30, 2018, and June 30, 2017, 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 4.5 percent for June 30, 2019, and 8.3 percent for June 30, 2018. 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 Rage 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 3.62 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, 2018		
	Increase (Decrease)		
Health Care Plan	Total OPEB Liability	Plan Net Position	Net OPEB Liability
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	$ 27,168,500	$ 21,850,871	$ 5,317,629
Balances at June 30, 2018	$ 308,880,335	$ 287,728,105	$ 21,152,230

Health Care Plan	June 30, 2017 Increase (Decrease) Total OPEB Liability	Plan Net Position	Net OPEB Liability
Beginning Balance	$ 260,747,983	$ 224,965,896	$ 35,782,087
Changes for the Year:			
Service Cost	$ 6,599,790	$ —	$ 6,599,790
Interest	18,399,968	—	18,399,968
Difference Between Expected and Actual Experience	(4,229,345)	—	(4,229,345)
Changes in Assumptions	9,175,625	—	9,175,625
Contributions - Employer	(8,982,186)	15,482,186	(24,464,372)
Net Investment Income	—	34,411,338	(34,411,338)
Benefit Payments, Including Refunds	—	(8,982,186)	8,982,186
Net Changes	$ 20,963,852	$ 40,911,338	$ (19,947,486)
Balances at June 30, 2017	$ 281,711,835	$ 265,877,234	$ 15,834,601

Changes in Net OPEB Liability - Life

OPEB 115 Plan	June 30, 2018 Increase (Decrease) Total OPEB Liability	Plan Net Position	Net OPEB Liability(Asset)
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	$ 1,644,660	$ 1,037,899	$ 606,761
Balances at June 30, 2018	$ 23,996,368	$ 26,590,664	$ (2,594,296)

OPEB 115 Plan	June 30, 2017 Increase (Decrease) Total OPEB Liability	Plan Net Position	Net OPEB Liability(Asset)
Beginning Balance	$ 22,593,209	$ 23,450,527	$ (857,318)
Changes for the Year:			
Service Cost	$ 289,531	$ —	$ 289,531
Interest	1,557,695	—	1,557,695
Changes in Benefit Terms	(407,528)	—	(407,528)
Difference Between Expected and Actual Experience Loss (Gain)	(421,297)	—	(421,297)
Changes in Assumptions	—	—	—
Contributions - Employer	(1,259,902)	418,438	(1,678,340)
Net Investment Income	—	2,943,702	(2,943,702)
Benefit Payments, Including Refunds	—	(1,259,902)	1,259,902
Net Changes	$ (241,501)	$ 2,102,238	$ (2,343,739)
Balances at June 30, 2017	$ 22,351,708	$ 25,552,765	$ (3,201,057)

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

Health Care Plan

June 30, 2018	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 350,874,982	$ 308,880,335	$ 274,200,098
Plan Net Position	$ 287,728,105	$ 287,728,105	$ 287,728,105
Net OPEB Liability	$ 63,146,877	$ 21,152,230	$ (13,528,007)

Health Care Plan

June 30, 2017	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 319,569,039	$ 281,711,835	$ 249,206,874
Plan Net Position	$ 265,877,234	$ 265,877,234	$ 265,877,234
Net OPEB Liability	$ 53,691,805	$ 15,834,601	$ (16,670,360)

Sensitivity of Net OPEB Liability to the Single Discount Rate Assumption

OPEB 115 Plan

June 30, 2018	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
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	$ 701,772	$ (2,594,296)	$ (5,277,876)

OPEB 115 Plan

June 30, 2017	1% Decrease 6.00%	Current SDR Assumption 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 25,508,002	$ 22,351,708	$ 19,793,616
Plan Net Position	$ 25,552,765	$ 25,552,765	$ 25,552,765
Net OPEB Liability	$ (44,763)	$ (3,201,057)	$ (5,759,149)

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

Health Care Plan

June 30, 2018	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
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)	$ (16,193,370)	$ 21,152,230	$ 66,943,731

Health Care Plan

June 30, 2017	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Total OPEB Liability	$ 246,851,324	$ 281,711,835	$ 322,926,836
Plan Net Position	$ 265,877,234	$ 265,877,234	$ 265,877,234
Net OPEB Liability (Asset)	$ (19,025,910)	$ 15,834,601	$ 57,049,602

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 $31,669,775 for the fiscal year ended June 30, 2019, for the Health Care Plan. The OPEB 115 Plan is recorded as a Net OPEB Asset in the amount of $2,594,296 as trust assets surpass liabilities. The net OPEB liability (asset) was measured as of June 30, 2018, for fiscal year 2018-2019. 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.

Scramble Light

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:

June 30, 2018	Health Care Plan	OPEB 115 Plan	Aggregate
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

June 30, 2017	Health Care Plan	OPEB 115 Plan	Aggregate
Net OPEB Liability	$ 20,373,014	$ —	$ 20,373,014
Net OPEB (Asset)	$ —	$ (3,201,057)	$ (3,201,057)
Deferred Outflow of Resources	$ 16,897,876	$ 463,842	$ 17,361,718
Deferred Inflow of Resources	$ 18,340,472	$ 1,428,882	$ 19,769,354
OPEB Expense (Revenue)	$ 6,083,377	$ (496,419)	$ 5,586,958

On June 30, 2019, and June 30, 2018, 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 2018:	6.58 Years		
	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Outflows (Inflows) of Resources
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	$ 26,149,764	$ 16,606,946	$ (1,785,198)

Health Care Plan

Average Remaining Service Life for 2017:	6.63 Years		
	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Outflows (Inflows) of Resources
Differences Between Expected and Actual Experience	$ —	$ 3,591,492	$ (3,591,492)
Assumption Changes	7,791,795	—	7,791,795
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	14,748,980	(14,748,980)
Contributions Subsequent to the Measurement Date	9,106,081	—	—
Total	$ 16,897,876	$ 18,340,472	$ (10,548,677)

OPEB 115 Plan

Average Remaining Service Life for 2018:	7.20 Years		
	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Outflows (Inflows) of Resources
Differences Between Expected and Actual Experience	$ 290,617	$ 305,881	$ (15,264)
Assumption Changes	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	$ 1,606,432	$ 1,359,828	$ (228,616)

OPEB 115 Plan

Average Remaining Service Life for 2017:	7.30 Years		
	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Outflows (Inflows) of Resources
Differences Between Expected and Actual Experience	$ —	$ 363,589	$ (363,589)
Assumption Changes	—	—	—
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	—	1,065,293	(1,065,293)
Contributions Subsequent to the Measurement Date	463,842	—	—
Total	$ 463,842	$ 1,428,882	$ (1,428,882)

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	
2019	$	(2,081,477)
2020		(2,081,477)
2021		(2,081,477)
2022		1,605,768
2023		1,978,102
Thereafter		875,363
Total	$	(1,785,198)

OPEB 115 Plan

Year Ending June 30	Net Deferred Outflows of	
2019	$	(205,375)
2020		(205,375)
2021		(205,376)
2022		60,947
2023		124,692
Thereafter		201,871
Total	$	(228,616)

Future Changes to Retiree Healthcare Plan:

Due to anticipated long-term increases in health care liability and the volatility of the market effecting the trust investments, on September 9, 2019, the Board of Trustees approved a measure to close the retiree health care and dental plans to new hires beginning January 1, 2020. In addition, current employees must be in benefit eligible status before January 1, 2020 in order to qualify for the existing retiree health care and dental benefit.

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 $1,068,957.13. Current financial statements provided by the chapter show the housing corporation has the ability to service the debt and meet its other financial obligations.

The University has outstanding commitments for capital construction contracts of $173,077,615 at June 30, 2019.

Note L – Risk Management

The University is exposed to risks of loss related to:

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

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

Separate funds and accounts have been established to measure the results of the various combinations of risk retention and commercial insurance. Periodically (in some cases annually), after reviewing exposures with insurance consultants and actuaries, adjustments are made to reflect potential liabilities arising from risk retention. The University has had no settlements in excess of insurance coverage for each of the past three fiscal years.

The University 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, 2019, and June 30, 2018, for both active employees and retirees was $4.3 million and $3.8 million, respectively, as determined by the University's actuarial consultants. Claims activity for each year was as follows:

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	$	4,257,837

June 30, 2018		
Unpaid Health Claims at July 1, 2017	$	3,380,063
Claims Incurred		48,806,504
Claims Paid		48,340,723
Unpaid Health Claims at June 30, 2018	$	3,845,844

Note M – Functional Expenses

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

	Functional Classification						
	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	Total
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
Total Operating Expenses	$ 246,163,322	$ 94,782,538	$ 17,075,099	$ 14,470,300	$ 109,331,097	$ 28,471,085	$ 510,293,441

The University's operating expenses by functional classification were as follows for fiscal year ended June 30, 2018:

	Functional Classification						
	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	Total
Instruction	$ 118,889,000	$ 34,481,936	$ 100,053	$ 1,766	$ 18,897,231	$ —	$ 172,369,986
Research	6,656,278	1,282,880	44,565	85	2,958,991	—	10,942,799
Public Service	5,018,315	1,528,961	—	21,607	4,150,208	—	10,719,091
Academic Support	30,602,548	9,948,909	53,961	7,802	10,095,828	—	50,709,048
Student Services	7,755,338	2,440,175	19,434	1,794	8,089,052	—	18,305,793
Institutional Support	28,139,523	12,955,274	3,924	(913,776)	11,373,729	—	51,558,674
Oper & Maint of Physical Plant	14,035,884	6,513,591	—	13,406,310	5,538,984	—	39,494,769
Scholarships & Fellowships	1,620,710	538,673	9,063,101	—	286,074	—	11,508,558
Auxiliary Enterprises	32,203,981	9,879,352	8,228,569	1,114,346	38,261,449	—	89,687,697
Depreciation	—	—	—	—	—	28,271,938	28,271,938
Total Operating Expenses	$ 244,921,577	$ 79,569,751	$ 17,513,607	$ 13,639,934	$ 99,651,546	$ 28,271,938	$ 483,568,353

Ball State University
Required Supplemental Information
June 30, 2019

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**
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**
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**
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
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	$ 3,247,355	$ —	$ 47,254,108	6.87%

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

Schedule of 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
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
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

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

Health Care Plan

Last 10 Fiscal Years*

Fiscal year ending June 30,	2018	2017
Total OPEB Liability:		
Service Cost	$ 6,830,783	$ 6,599,790
Interest on the Total OPEB Liability	19,577,788	18,399,968
Changes of Benefit Terms	—	—
Difference Between Expected and Actual Experience	9,434,332	(4,229,345)
Change of Assumptions **	487,135	9,175,625
Benefit Payments, Including Refunds of Employee Contributions ^	(9,161,538)	(8,982,186)
Net change in Total OPEB Liability	$ 27,168,500	$ 20,963,852
Total OPEB Liability - Beginning	281,711,835	260,747,983
Total OPEB Liability - Ending (a)	$ 308,880,335	$ 281,711,835
Plan Fiduciary Net Position:		
Employer Contributions ^	$ 9,161,538	$ 15,482,186
Nonemployer Contributing Entities Contributions	—	—
Employee Contributions	—	—
OPEB Plan Net Investment Income	21,850,871	34,411,338
Benefit Payments, Including Refunds of Employee Contributions ^	(9,161,538)	(8,982,186)
OPEB Plan Administrative Expense	—	—
Other	—	—
Net Change in Plan Fiduciary Net Position	$ 21,850,871	$ 40,911,338
Plan Fiduciary Net Position - Beginning	265,877,234	224,965,896
Plan Fiduciary Net Position - Ending (b)	$ 287,728,105	$ 265,877,234
Net OPEB Liability - Ending (a) - (b)	$ 21,152,230	$ 15,834,601
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	93.15%	94.38%
Covered Payroll #	$ 203,494,948	$ 194,729,643
Net OPEB Liability as a Percentage of Covered Payroll	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,	2018	2017
Total OPEB Liability:		
Service Cost	$ 299,665	$ 289,531
Interest on the Total OPEB Liability	1,532,799	1,557,695
Changes of Benefit Terms **	—	(407,528)
Difference Between Expected and Actual Experience	337,477	(421,297)
Change of Assumptions	976,135	—
Benefit Payments, Including Refunds of Employee Contributions ^	(1,501,416)	(1,259,902)
Net Change in Total OPEB Liability	$ 1,644,660	$ (241,501)
Total OPEB Liability - Beginning	22,351,708	22,593,209
Total OPEB Liability - Ending (a)	$ 23,996,368	$ 22,351,708
Plan Fiduciary Net Position:		
Employer Contributions ^	$ 468,068	$ 418,438
Nonemployer Contributing Entities Contributions	—	—
Employee Contributions	—	—
OPEB Plan Net Investment Income	2,071,247	2,943,702
Benefit Payments, Including Refunds of Employee Contributions ^	(1,501,416)	$ (1,259,902)
OPEB Plan Administrative Expense	—	—
Other	—	—
Net Change in Plan Fiduciary Net Position	$ 1,037,899	$ 2,102,238
Plan Fiduciary Net Position - Beginning	25,552,765	23,450,527
Plan Fiduciary Net Position - Ending (b)	$ 26,590,664	$ 25,552,765
Net OPEB Liability - Ending (a) - (b)	$ (2,594,296)	$ (3,201,057)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	110.81 %	114.32 %
Covered Payroll #	$ 203,494,948	$ 194,729,643
Net OPEB Liability as a Percentage of Covered Payroll	(1.27)%	(1.64)%

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 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
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
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.

Schedule of Ball State University's OPEB Contributions Multi-year

Health Care Plan

Last 10 Fiscal Years*

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution ^	Contribution Deficiency (Excess)	Covered Payroll #	Actual Contribution as a Percentage of Covered Payroll
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*

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution ^	Contribution Deficiency (Excess)	Covered Payroll #	Actual Contribution as a Percentage of Covered Payroll
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.

Ball State University
Notes to Required Supplemental Information
June 30, 2019

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, 2018:

Plan Amendments

In 2018, there were no changed to the Plan that impacted teh 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
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

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
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

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
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	0.01	3.0% – 12.5%	0.03	N/A	N/A

Notes to Required Supplementary Information

Changes to OPEB Benefit Terms

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 beneifts 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, 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.

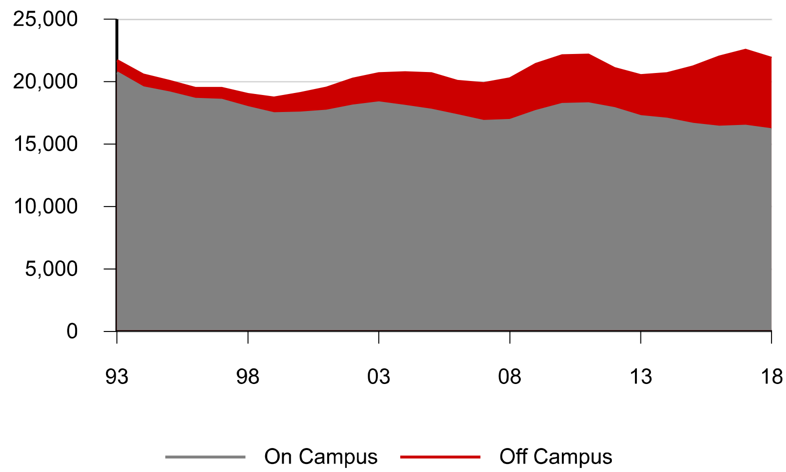
Methods and Assumptions Used to Determine OPEB Contribution Amounts for the Fiscal Year Ending:

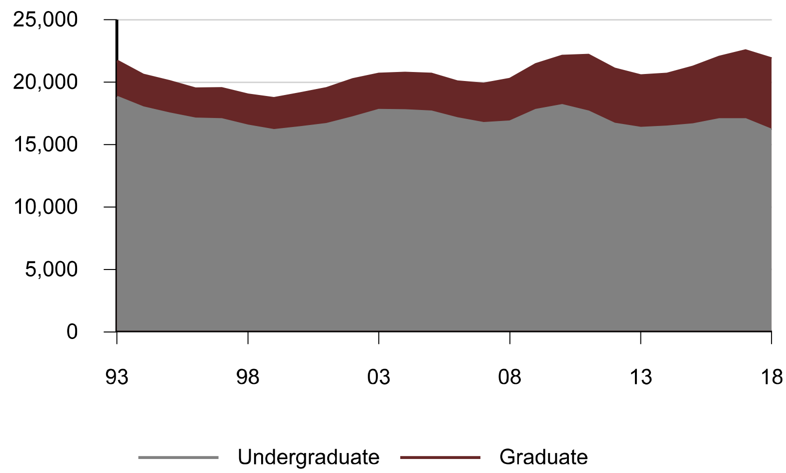
	June 30, 2018	June 30, 2017
Valuation Date:	June 30, 2017	June 30, 2016
Notes:	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.	Actuarially determined contribution rates are calculated annually as of June 30. The valuation date is 12 months prior to the fiscal year end.
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Remaining Amortization Period:	20 years	21 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-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%
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"

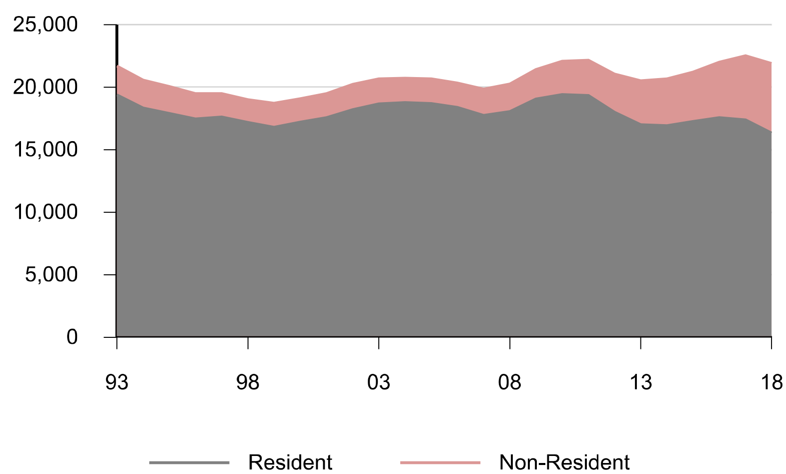
Supplemental Information

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 1993-2018



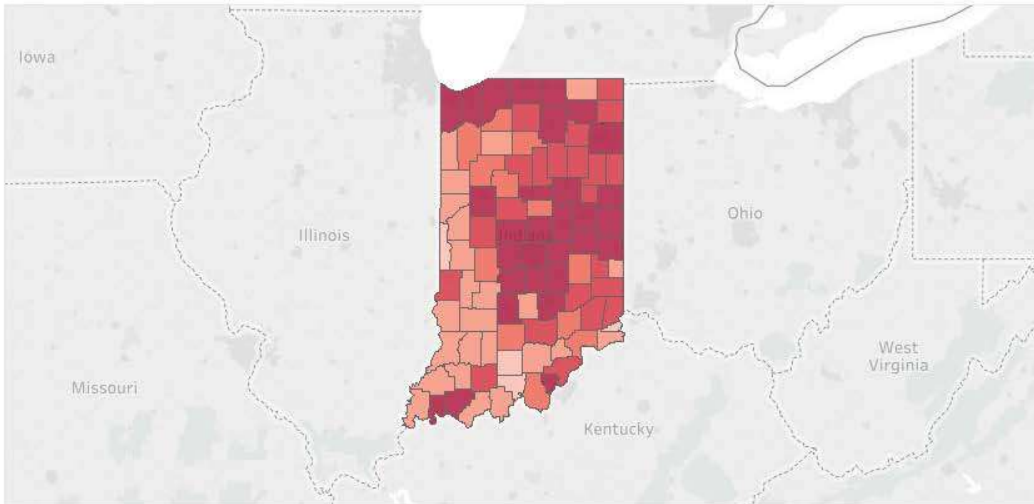




BALL STATE UNIVERSITY

Office of Institutional Research and Decision Support

Student Enrollment by Indiana Counties, Fall 2018



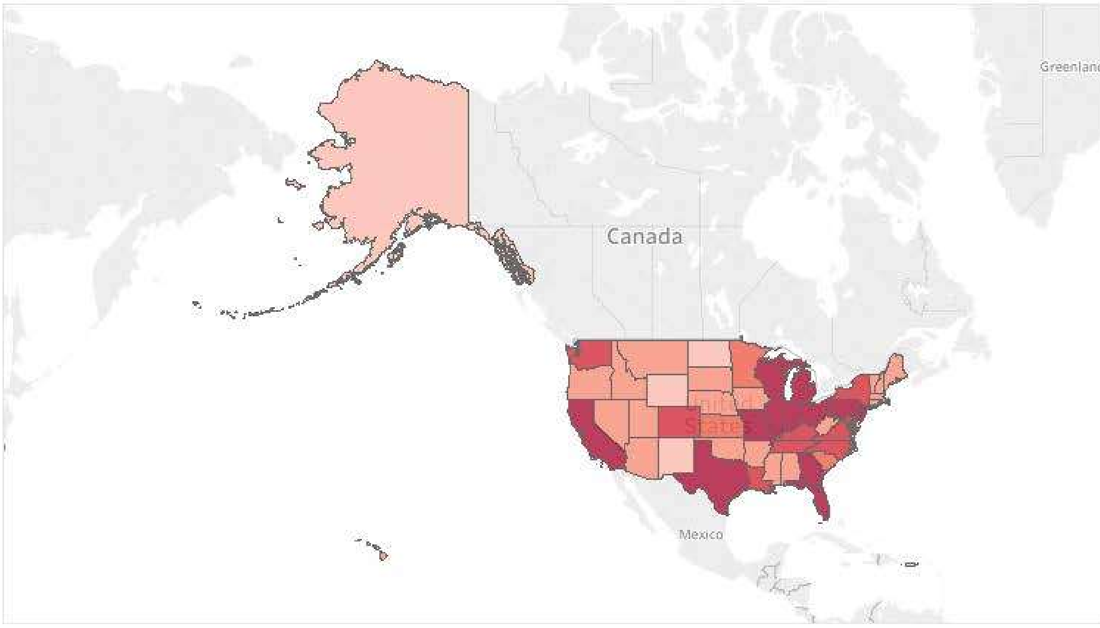
Unknown	12	Fountain	19	Lake	626	Ripley	52
Adams	97	Franklin	69	Lawrence	37	Rush	41
Allen	863	Fulton	43	Madison	627	Scott	16
Bartholomew	157	Gibson	21	Marion	1,960	Shelby	102
Benton	13	Grant	226	Marshall	97	Spencer	9
Blackford	87	Greene	16	Martin	9	St Joseph	486
Boone	259	Hamilton	2,112	Miami	53	Starke	30
Brown	16	Hancock	398	Monroe	124	Steuben	70
Carroll	43	Harrison	47	Montgomery	66	Sullivan	14
Cass	63	Hendricks	474	Morgan	129	Switzerland	6
Clark	90	Henry	272	Newton	7	Tippecanoe	249
Clay	12	Howard	253	Noble	102	Tipton	47
Clinton	71	Huntington	86	Ohio	5	Union	22
Crawford	1	Jackson	69	Orange	5	Vanderburgh	152
Daviess	9	Jasper	35	Owen	10	Vermillion	4
De Kalb	81	Jay	147	Parke	13	Vigo	55
Dearborn	97	Jefferson	40	Perry	17	Wabash	64
Decatur	58	Jennings	26	Pike	8	Warren	17
Delaware	2,292	Johnson	391	Porter	305	Warrick	109
Dubois	54	Knox	25	Posey	16	Washington	21
Elkhart	301	Kosciusko	183	Pulaski	21	Wayne	190
Fayette	54	La Porte	173	Putnam	49	Wells	81
Floyd	108	Lagrange	25	Randolph	197	White	46
						Whitley	76

Enrollment
- 1 - 5 Students
- 6 - 25 Students
- 26 - 50 Students
- 51 - 100 Students
- More then 100 Students

BALL STATE UNIVERSITY

Office of Institutional Research and Decision Support

Undergraduate and Graduate Enrollment by State, Fall 2018



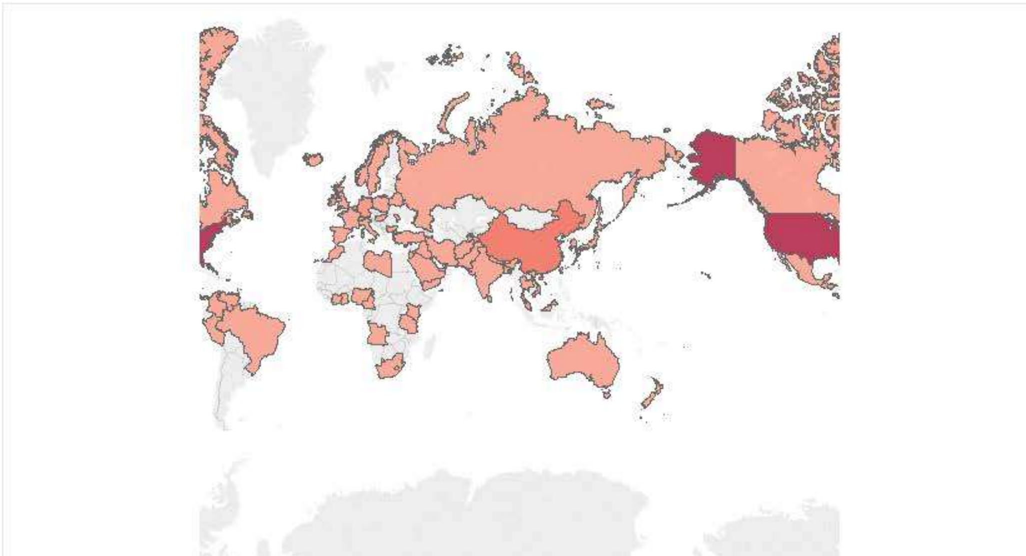
Alabama	24	Illinois	1,304	Nebraska	15	South Carolina	49
Alaska	5	Indiana	16,430	Nevada	14	South Dakota	7
Arizona	20	Iowa	21	New Hampsh..	15	Tennessee	54
Arkansas	13	Kansas	32	New Jersey	143	Texas	178
California	265	Kentucky	64	New Mexico	5	U.S. Armed For..	7
Colorado	65	Louisiana	69	New York	82	Unknown	102
Connecticut	20	Maine	13	North Caroli..	91	Utah	25
Delaware	5	Maryland	70	North Dakota	5	Vermont	7
District of Co..	4	Massachuse..	17	Ohio	784	Virginia	78
Florida	213	Michigan	440	Oklahoma	15	Washington	52
Georgia	108	Minnesota	40	Oregon	12	West Virginia	7
Guam	2	Mississippi	16	Pennsylvania	148	Wisconsin	119
Hawaii	22	Missouri	131	Puerto Rico	3	Wyoming	4
Idaho	12	Montana	8	Rhode Island	7		

Enrollment
- 1 - 5 Students
- 6 - 25 Students
- 26 - 50 Students
- 51 - 100 Students
- More then 100 Students

BALL STATE UNIVERSITY

Office of Institutional Research and Decision Support

Student Enrollments by Country, Fall 2018



Unknown	1	Cyprus	1	Kuwait	1	Singapore	1
Afghanistan	2	Federal Repu..	1	Libya	4	South Africa	1
Angola	1	France	4	Malaysia	1	South Korea	8
Australia	2	Germany	3	Mexico	4	Spain	3
Bahrain	1	Ghana	10	Moldova	1	Sri Lanka	2
Bangladesh	13	Guatemala	1	Morocco	1	Sweden	1
Barbados	2	Honduras	1	Nepal	2	Switzerland	1
Belarus	1	Hong Kong	1	New Zealand	1	Taiwan	4
Belgium	1	Hungary	1	Nigeria	8	Tajikistan	2
Bermuda	1	Iceland	1	Niue	1	Tanzania	1
Brazil	4	India	10	Norway	2	Thailand	2
Bulgaria	1	Iran	1	Pakistan	2	The Bahamas	1
Cameroon	1	Iraq	1	Panama	1	Trinidad and Tobago	3
Canada	30	Ireland	1	Peru	2	Turkey	3
China	178	Italy	3	Poland	1	United Arab Emirates	3
Colombia	2	Japan	7	Russia	1	United Kingdom	7
Costa Rica	2	Jordan	1	Saint Vince..	1	United States	21,461
Cote d'Ivoire	2	Kenya	3	Saudi Arabia	45	Venezuela	1
						Vietnam	3
						Yemen	1

Enrollment
- 1 - 5 Students
- 6 - 25 Students
- 26 - 50 Students
- 51 - 100 Students
- More then 100 St

Student Financial Assistance
2007-2008 through 2018-2019
(in millions of dollars)