

Financial Report

Year Ended June 30, 2018



BALL STATE
UNIVERSITY

Front Cover: Frog Baby

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To
The President and Board of Trustees
Ball State University

This financial report presents
the financial position of
Ball State University at June 30, 2018
and the results of activities for
the year then ended.

Bernard M. Hannon
Vice President for Business Affairs
and Treasurer

Ball State University's Report Date.....October 26, 2018

Report of the Treasurer

I respectfully submit the *Annual Financial Report of Ball State University* for the year ended June 30, 2018, on behalf of the Board of Trustees of Ball State University. The University received an unmodified opinion on the audit letter from the Indiana State Board of Accounts which is included in this annual report.

Contained within this report are the financial statements for the year ended June 30, 2018 with comparative information from the previous year. These statements, along with the Notes to the Financial Statements, Management's Discussion and Analysis, and Required Supplemental Information, present clearly the financial activity, and the financial strength and stability of the University. The University's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States.

About Us

The University initially began 100 years ago as an institution of higher education, meant to meet the growing economic needs and meet the demand for teachers in the east central Indiana region. The school faltered and closed three times before a family of five brothers purchased the land and buildings and donated them to the State of Indiana to secure the start of what is today Ball State University. The Ball family, widely known for their manufacturing of Ball glass jars, has continued to charitably support the school and the local community for generations. The ideals and steadfast philanthropic commitment needed to put this school on solid foundation has guided this institution to become a nationally respected multicultural and multidisciplinary institution of higher education.

Today, as we celebrate the centennial of our founding, Ball State's entrepreneurial spirit continues to shine through numerous expansions and additions of academic offerings, technological resources, immersive learning opportunities, community outreach projects, and state-of-the-art facilities. These investments are preparing bright students to take advantage of current and emerging job opportunities, meet society's most pressing needs, and serve the communities in which they will live and work.

As we continue to grow, to be nationally and globally recognized for our awards and achievements, we still hold fast to the virtues and values for which we stand. Our institutional icon, Beneficence, is a visual reminder of our beneficence pledge to maintain high standards of scholarship and excellence, to practice academic honesty, to act in a socially responsible way, and to value the intrinsic worth of every member of the community. The University's new branding campaign honors this pledge and Beneficence with the "We Fly" messaging:

We spark intellectual curiosity. Spirited and motivated, we learn, grow, and take flight. Our faculty and staff-everyone in our community-treat students as partners, from day one. In classrooms and labs, on the sports fields, in immersive learning projects off campus-with agility and perseverance-Cardinals fly. We are grounded in our values, lifted by our knowledge, and go confidently upward toward ever greater opportunities. Ours is a simple promise: to challenge each other to excel. And with Beneficence as our guide-We Fly.

Recognitions and Achievements

We have a vibrant campus community with inspired faculty who work closely with students to help stimulate intellectual growth and encourage them to engage in immersive learning opportunities with community and business leaders. This hands-on experience allows the student to graduate with real world experience. Below are only a few of the many rankings and recognitions received by Ball State University.

- Named by *U.S. News & World Report* to its 2018 Top 100 Public Universities.
- Listed among "Colleges Where Applications Are on Rise" by 24/7 Wall Street in 2018. In an analysis of 600 institutions, Ball State was No. 34, with applications up almost 73 percent in five years.
- Named one of the best universities in the Midwest by *The Princeton Review* for 14 years.
- Earned the Community Engagement Classification from the Carnegie Foundation for the Advancement of Teaching. The classification recognizes colleges and universities that demonstrate an institution-wide commitment to public service, civic involvement and community partnerships.
- Received a Higher Education Excellence in Diversity (HEED) Award from *Insight into Diversity* in 2016, 2017 and 2018.
- Ranked in the top 20 in the country for three graduate programs in *U.S. News & World Report's* 2017 "Best Online Programs:" MBA was 17th, nursing was 13th, and education was 16th. Our online bachelor's programs were also ranked 36th.
- Recognized as the first higher education institution in the country to earn Quality Matters' Learner Support Program Certification. Quality Matters (QM), provides a nationally recognized standard of best practices for online and blended learning.
- Named a Military Friendly School for nine years by Victory Media. In 2018, Victory Media also ranked our online programs No. 8 in the country.
- Ball State is among only 26 schools in the country to make *The Princeton Review's Green Honor Roll* announced in 2018. Schools on this list received a perfect score of 99, covering such issues as academics, construction, food sources, and recycling. Ball State is also in the organization's 2018 *Guide to 399 Green Colleges*.

Looking Ahead

Our campus has embarked on a new strategic plan that looks forward to 2040 as a testament to our unwavering desire and long-term commitment to advancement of the University. While the landscape of higher education is ever rapidly changing, the foundational values and dreams that were present in 1918 still hold true today. Our focus remains on the distinctive educational experience students receive at Ball State, and providing the tools and opportunities to help students realize success at the University and beyond.

We have many capital projects underway. The Health Professions Building, home to our new College of Health, will welcome its first students in the fall of 2019. Adjacent to this new state-of-the-art facility in our East Quadrangle will be the new Foundational Sciences Building, construction of which will begin in summer of 2019. These two new facilities position the University to better meet the demands of health and STEM programs that are critical not only to the health of the University, but to the State of Indiana and the nation as a whole. Many other capital projects are in various stages of planning or initial construction, including the planned refreshing of our student residence halls. Our charge is to maintain and wisely utilize campus resources, to provide safe and adequate physical spaces to meet the changing needs in higher education, and to provide quality educational opportunities to meet the evolving needs and demands of students.

University administrators and Muncie community leaders have pledged to work together for the betterment of the whole community. After much study and discussion, including several open community forums with all interested parties, the campus and community members are excited to engage with one another on joint efforts for the mutual benefit of the community. True to our roots of advancing education and community engagement, the Indiana State Legislature, granted Ball State the responsibility of appointing the governing board of the local public community school system. This exciting and challenging endeavor commenced on July 1, 2018.

Finally, as we embark on our historic centennial year, we will celebrate the University and honor its legacy. We embrace and pay homage not just to the Ball Family, but also to our students, alumni, donors, faculty, staff, community members and to the members of state government, past and present, who have collectively made this premier institution what it is today.

Sincerely,

Bernard M. Hannon
Vice President for Business Affairs and Treasurer

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

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

This financial report has been prepared
by the Office of University Controller
Ball State University, Muncie, Indiana 47306

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

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

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

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

Complaints regarding unlawful discrimination or retaliation should be filed within 45 calendar days following the alleged act or incident giving rise to the complaint with the Director of Institutional Equity and Internal Investigations in accordance with the *Ball State University Equal Opportunity and Affirmative Action Complaint Investigation Procedure and Appeal Process*. A copy of this document may be obtained by contacting the Director of Institutional Equity and Internal Investigations. Any individual or group found to have violated this policy will be subject to disciplinary or remedial action, up to and including termination of employment or expulsion from the University.

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

Revised by the Board of Trustees July 17, 2015

Ball State University Board of Trustees and President
2017-2018

Thomas C. Bracken, Muncie, IN

E. Renae Conley, Chicago, IL

R. Wayne Estopinal, Jeffersonville, IN

Brian Gallagher, Chevy Chase, MD

Richard J. Hall, Carmel, IN

Jean Ann Harcourt, Milroy, IN

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

Mike McDaniel, Indianapolis, IN

Matthew Momper, Fort Wayne, IN

Officers

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

University President

Geoffrey S. Mearns



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of the business-type activities and the discretely presented component unit of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ball State University Foundation (Foundation), a component unit of the University as described in Note A, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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 discretely presented component unit of the University, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal year 2018, the University adopted new accounting guidance GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. 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' Retirement Fund (PERF), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' Retirement Fund 1996 Account (TRF 1996), Schedule of Ball State University's Proportionate Share of the Net Pension Liability Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996), Schedule of Ball State University's Contributions Public Employees' Retirement Fund (PERF), Schedule of Ball State University's Contributions Teachers' Retirement Fund 1996 Account (TRF 1996), Schedule of Ball State University's Contributions Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996), Schedule of Ball State University's Changes in Net OPEB Liability and Related Ratios Multi-year Retiree Health Insurance Plan, Schedule of Ball State University's Changes in Net OPEB Liability and Related Ratios Multi-year Retiree Life Insurance Plan, Schedule of Ball State University's Contributions Multi-year Retiree Health Insurance Plan, Retiree Life Insurance Plan, Other Post-Employment Benefits Retiree Health and Life Insurance Plans, and notes to required supplementary information 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 Treasurer, General Information, Ball State University Board of Trustees and President, and Supplemental Information consisting of Student Enrollment Fall Headcount 1992-2017;

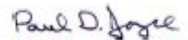
INDEPENDENT AUDITOR'S REPORT
(Continued)

Student Enrollment by Indiana Counties, Fall 2017; Student Enrollment by State, Fall 2017; Student Enrollment by Country, Fall 2017; and Student Financial Assistance 2006-2007 through 2017-2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The To the President and Board of Trustees, Report of the Treasurer, General Information, Ball State University Board of Trustees and President, and Supplemental Information consisting of Student Enrollment Fall Headcount 1992-2017; Student Enrollment by Indiana Counties, Fall 2017; Student Enrollment by State, Fall 2017; Student Enrollment by Country, Fall 2017; and Student Financial Assistance 2006-2007 through 2017-2018 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

October 26, 2018

Ball State University

Management's Discussion and Analysis

June 30, 2018

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 four associate-level programs, 178 undergraduate degree programs, 89 masters-level programs, 16 doctoral-level programs and two education specialists programs. The University is fully accredited by the Higher Learning Commission. Various schools, departments and programs are also accredited by numerous other professional agencies, licensing boards, and state agencies. The University operates Indiana's only K-12 laboratory school, 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 2017 totaled 19,014 full-time equivalent students from a total headcount of 22,513. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 16,390 full-time equivalent students from a total headcount of 16,825. The University attracts students from a variety of backgrounds and geographical locations. As of fall 2017, 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 68 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 2017-2018 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 3,155 full-time and 434 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, 2018, with selected comparative information for the two fiscal years ended June 30, 2017, and 2016. 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 and therefore are not comparable to those of the University.



Student artwork display in the Atrium Gallery

Financial Highlights

The total net position of the University decreased by \$16.1 million compared to the 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. 74, *Financial Reporting for Postemployment Benefit Plans other than Pensions Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, regarding other post-employment benefits (OPEB), which are discussed in more detail in Note I to the Financial Statements. 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. A more detailed discussion of the change in net position can be found later in this report. For fiscal year 2016-2017, the total net position of the University increased by \$2.4 million as compared to fiscal year 2015-2016, primarily due to a \$2.8 million increase in net position restricted for external grants. Also in fiscal year 2016-2017, the issue of student fee bonds to finance the new Health Professions Building accounted for an offsetting decrease in investment in capital assets, net of accumulated depreciation and related debt, an increase in net position restricted for construction, and a decrease in unrestricted net position due to the premium on the bonds.

The current ratio for the University, which is calculated by dividing current assets by current liabilities, increased from 4.87 to 1 at June 30, 2017, to 4.94 to 1 at June 30, 2018. The June 30, 2016 current ratio was 4.01 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, 2018, the University's viability ratio was 1.06 to 1, compared to 1.24 to 1 at June 30, 2017, which was down slightly from the June 30, 2016, viability ratio of 1.28 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.



Student class activity

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, 2018, 2017, 2016			
	2018	2017	2016
Assets:			
Current Assets	\$ 281,523,471	\$ 242,597,539	\$ 197,933,498
Noncurrent Assets:			
Capital Assets, Net of Depreciation	691,999,162	667,350,402	664,658,279
Other	200,435,705	172,495,176	166,161,888
Deferred Outflows of Resources	38,496,737	26,628,804	25,062,319
Total Assets and Deferred Outflows of Resources	\$1,212,455,075	\$1,109,071,921	\$1,053,815,984
Liabilities:			
Current Liabilities	\$ 56,966,036	\$ 49,774,724	\$ 49,411,657
Noncurrent Liabilities	419,342,829	327,311,261	273,716,582
Deferred Inflows of Resources	24,944,386	4,681,084	5,825,411
Total Liabilities and Deferred Inflows of Resources	\$ 501,253,251	\$ 381,767,069	\$ 328,953,650
Net Position:			
Net Investment in Capital Assets	\$ 376,564,162	\$ 416,710,402	\$ 452,598,279
Restricted	135,664,529	77,536,738	29,598,161
Unrestricted	198,973,133	233,057,712	242,665,894
Total Net Position	\$ 711,201,824	\$ 727,304,852	\$ 724,862,334
Total Liabilities, Deferred Inflows of Resources and Net Position	\$1,212,455,075	\$1,109,071,921	\$1,053,815,984

Current and Noncurrent Assets

Current assets, such as cash and cash equivalents, accounts receivable, and inventories, support the current operations of the University. Current assets increased \$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. The remaining current asset line items showed minimal variance to the prior fiscal year.

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

Noncurrent assets consist primarily of investments and capital assets, net of depreciation. 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 increase in investments occurred due to increased investments in longer duration assets, while the increase to capital assets is attributable to construction in process of the new Health Professions Building. The implementation of the new GASB Statement No. 75 in fiscal year 2017-2018 resulted in the new OPEB asset. Noncurrent assets at June 30, 2017, showed a \$9.0 million, or 1.1 percent, increase over the previous year. The increase included a \$5.7 million increase in investments and a \$2.7 million increase in capital assets, net of depreciation.

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, 2018, and June 30, 2017.



Partial eclipse viewing near Frog Baby

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources represent consumption or receipt of resources applicable to a future reporting period. The amounts recorded result from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27; 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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, 2018, was a \$11.9 million increase, and changes and differences to deferred inflows was a \$20.3 million increase. The increases are 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 changes and differences to deferred outflows at June 30, 2017, was a \$1.6 million increase, while changes and differences to deferred inflows was a \$1.1 million decrease, related primarily to annual activity for pensions during fiscal year 2016-2017. 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, 2017, for the 2017-2018 financial report, and June 30, 2016, for the 2016-2017 financial report.

Current and Noncurrent Liabilities

Current liabilities consist primarily of trade accounts and interest payable, accrued compensation and related benefits, deposits, unearned revenue, and the current portion of bonds that are payable within one year or less. Accounts payable and accrued liabilities may fluctuate from year to year based on timing of University initiatives and programmatic costs. For fiscal year 2017-2018, the University's current liabilities increased by \$7.2 million, or 14.4 percent. The net increase was primarily due to an increase in accounts payable of \$6.1 million, primarily related to construction project accruals. For fiscal year 2016-2017, the University's current liabilities increased minimally by \$0.4 million, primarily due to a decrease in accounts payable of \$3.0 million and an increase in the current portion of bonds payable of \$2.9 million.

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 \$92.0 million, or 28.1 percent, in fiscal year 2017-2018. 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.

In fiscal year 2016-2017, total noncurrent liabilities increased \$53.6 million. The effect of GASB Statements 68 and 71 for fiscal year 2016-2017 was an increase of \$6.7 million to pension liability. Bonds payable (long term liabilities, net) increased \$46.9 million over the previous fiscal year due to the issuance of new student fee bonds for the construction of the new Health Professions Building and the refunding of older student fee bonds at a lower rate.

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, 2018, the University had \$315.4 million of capital-related bond indebtedness outstanding, compared to \$250.6 million and \$212.1 million outstanding as of June 30, 2017, and June 30, 2016, respectively. The increase in indebtedness is due, as noted above, to the issuance of new revenue bonds issued for Phase I of the new North Residential Neighborhood project, 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 May 2018 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, steady demand and stable enrollment, manageable debt burden, and financial support from the State of Indiana, while Moody's noted the consistently strong capital and operating support from the State of Indiana, good unrestricted liquidity, and the University's significant role in Indiana higher education. Additional detail regarding the University's bonds payable are presented in the Notes to Financial Statements.

Capital Assets

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

The new Earl Yestingsmeier Golf Facility was dedicated on January 27, 2018. The indoor practice facility provides dedicated space for the men's and women's golf teams and features hitting bays, putting green and chipping area, golfing simulator, and club repair room. Approximately \$1.3 million and \$0.3 million was spent on the project in the last two fiscal years, respectively, with gifts from the Cardinal Commitment capital campaign.



Earl Yestingsmeier Golf Facility

Another Cardinal Commitment project, the Dr. Don Shondell Practice Center, was also completed in fiscal year 2017-2018. This new facility adjacent to Worthen Arena provides practice space for the men's and women's basketball and volleyball teams with two full-size courts suitable for either sport, a study room, meeting rooms, and an athletic training room. Expenditures totaled \$5.8 million and \$0.7 million, respectively, over the last two fiscal years.



Dr. Don Shondell Practice Center

Construction of the Health Professions Building in the new East Academic Quadrangle is well underway. The new home to the College of Health will feature modern classrooms, teaching laboratories, and clinical spaces. The building is scheduled to be

available for occupancy in the fall of 2019. Nearly \$24.6 million was expended on this project during fiscal year 2017-2018 and approximately \$2.1 million during fiscal year 2016-2017.



Health Professions Building construction

Once housing over 1,900 students, the LaFollette Complex on the north side of campus has reached the end of its useful life. The completed renovations to the neighboring Botsford/Swinford and Schmidt/Wilson Residence Halls of the Johnson Complex were the first step in replacing the LaFollette Complex. With those projects completed, the attention has now turned to the new North Residential Neighborhood project. Phase I of this project involves realignment of McKinley Avenue and the construction of a new residence hall and stand-alone dining facility. Expenditures for this first phase of work totaled \$6.6 million in fiscal year 2017-2018 and \$0.9 million during fiscal year 2016-2017. Design for Phase II of the North Residential Neighborhood, which includes a second new residence hall, is complete and construction is expected to begin in spring of 2019. Approximately \$0.7 million was spent on Phase II during fiscal year 2017-2018.



North Residential Neighborhood rendering

Design work for the new Foundational Sciences Building has been completed and construction is expected to begin in summer of 2019. The new science facility, to be constructed adjacent to the Health Professions Building in the East Academic Quadrangle, will serve the Chemistry and Biology departments and allow for teaching and research opportunities that the outdated Cooper Science Complex can no longer provide. Approximately \$1.4 million was expended on design and preliminary work for the Foundational Sciences Building during fiscal year 2017-2018.



Foundational Sciences Building rendering

Current operating funds were utilized to purchase \$4.2 million in capital equipment in fiscal year 2017-2018 and \$3.8 million in fiscal year 2016-2017. Some of these purchases replaced mostly fully-depreciated equipment dispositions originally costing \$3.3 million in fiscal year 2017-2018 and \$3.1 million in fiscal year 2016-2017.

Net Position

At June 30, 2018, total net position for the University was \$711.2 million, down \$16.1 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 \$376.6 million as of June 30, 2018. 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 \$58.1 million in fiscal year 2017-2018, totaling \$134.8 million as of June 30, 2018. Of these restricted expendable funds, \$125.5 million are funds restricted for construction, such as the bond proceeds for the Phase I of the North Residential Neighborhood and the new Health Professions Building or state appropriations for repair and rehabilitation. Approximately \$6.8 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 revenue bonds sold just prior to the end of the fiscal year offset by bond premiums on the same issue.

Aside from capital assets and restricted net position, the remaining \$199.0 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 Statement 75 for the University's defined benefit OPEB plans. Due to the new requirements, the University no longer has a prepaid position for retiree plan benefits, but now

recognizes a net OPEB liability which decreases unrestricted net position. Pension liability as required by GASB Statements No. 68 and 71 also results in a reduction to unrestricted net position. Additional information regarding the adjustments required by the GASB Statements are discussed within the Notes to Financial Statements. Overall, unrestricted net position decreased by \$34.1 million over the prior fiscal year primarily due to the OPEB adjustments noted and partially offset by a \$15.2 million increase in reserves for the renewal of non-state supported buildings.

At June 30, 2017, the University's net position was \$727.3 million. Approximately \$416.7 million was comprised of net investment in capital assets, net of accumulated depreciation and related debt. Additionally, the University had other net positions totaling \$310.6 million as of June 30, 2017, of which \$77.5 million was restricted net position. The \$77.5 million restricted net position was comprised of: \$0.9 million in nonexpendable endowment restricted for student scholarships, \$2.6 million restricted for student loans, \$67.2 million restricted for construction, and \$6.8 million restricted for external grants. The overall change in restricted net position was primarily due to unspent proceeds from the sale of student fee bonds issued for the Health Professions Building offset by bond premiums on the same bond issue.

Unrestricted net position at June 30, 2017, was \$233.1 million, a decrease of \$9.6 million over the prior fiscal year which was primarily attributable to a \$8.8 million reclassification of negative restricted net position, a \$6.0 million decrease in operating fund surpluses, a \$4.0 million increase in the pension liability, and a \$2.2 million decrease in endowment funds. These decreases were partially offset by an \$11.1 million increase in internal reserves.

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, 2018, 2017, 2016

	2018	2017	2016
Operating Revenues	\$ 274,775,505	\$ 274,006,946	\$ 265,002,481
Operating Expenses	483,568,353	493,066,361	481,846,017
Net Operating Income/(Loss)	\$ (208,792,848)	\$ (219,059,415)	\$ (216,843,536)
Net Non-Operating Revenues	232,342,886	213,822,564	220,356,991
Other Revenue – Capital Appropriations and Gifts	9,125,282	7,679,369	7,991,003
Increase in Net Position	\$ 32,675,320	\$ 2,442,518	\$ 11,504,458
Net Position - Beginning of Year	727,304,852	724,862,334	713,357,876
Change in Accounting Policy	(48,778,348)	—	—
Net Position - End of Year	\$ 711,201,824	\$ 727,304,852	\$ 724,862,334

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.

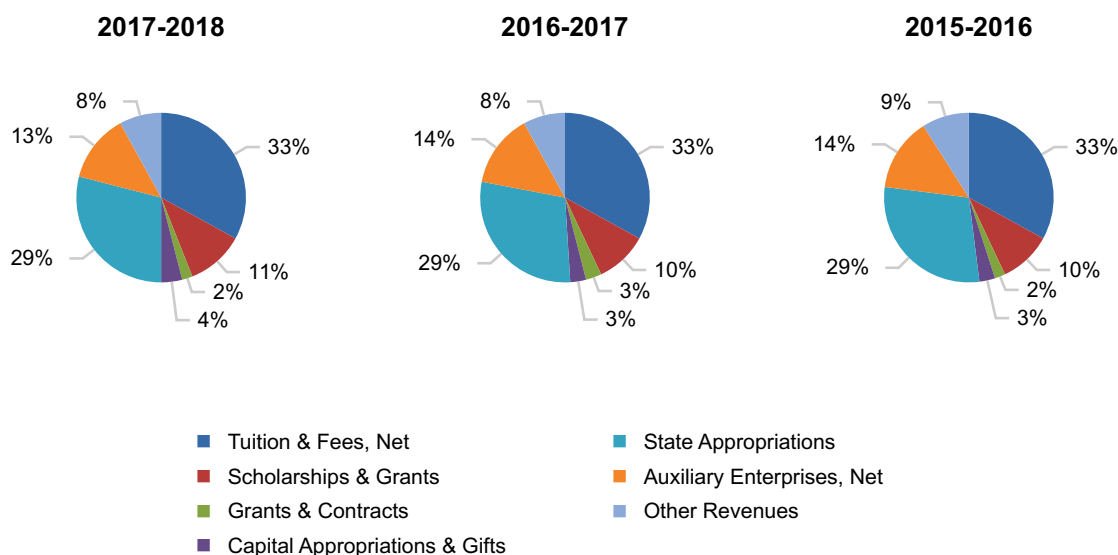
Total operating revenues increased just \$0.8 million, or 0.3 percent, in fiscal year 2017-2018. Gross revenue from student tuition and fees for fiscal year 2017-2018 increased 4.6 percent while scholarship allowances increased by 11.3 percent resulting in a net revenue increase of \$2.8 million. The 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.

In fiscal year 2016-2017, total operating revenues increased \$9.0 million, or 3.4 percent. Gross student tuition and fees for fiscal year 2016-2017 increased 4.1 percent while scholarship allowances increased by 8.6 percent resulting in a net revenue increase of \$3.6 million. The rise in tuition and fees resulted from a modest rate increase of 1.65 percent coupled with increased enrollment of 3.0 percent. These increases were slightly offset by a decrease in course fee revenue associated with

a decline in electronic textbook sales. Auxiliary enterprise revenue for residential life increased \$3.7 million after scholarship allowances.

For fiscal year 2017-2018, grants and contracts revenue decreased marginally by \$0.4 million from the prior year to total \$12.8 million. For fiscal year 2016-2017, grants and contracts revenue increased by \$1.1 million from the prior year to total \$13.2 million.

Total Revenues by Source

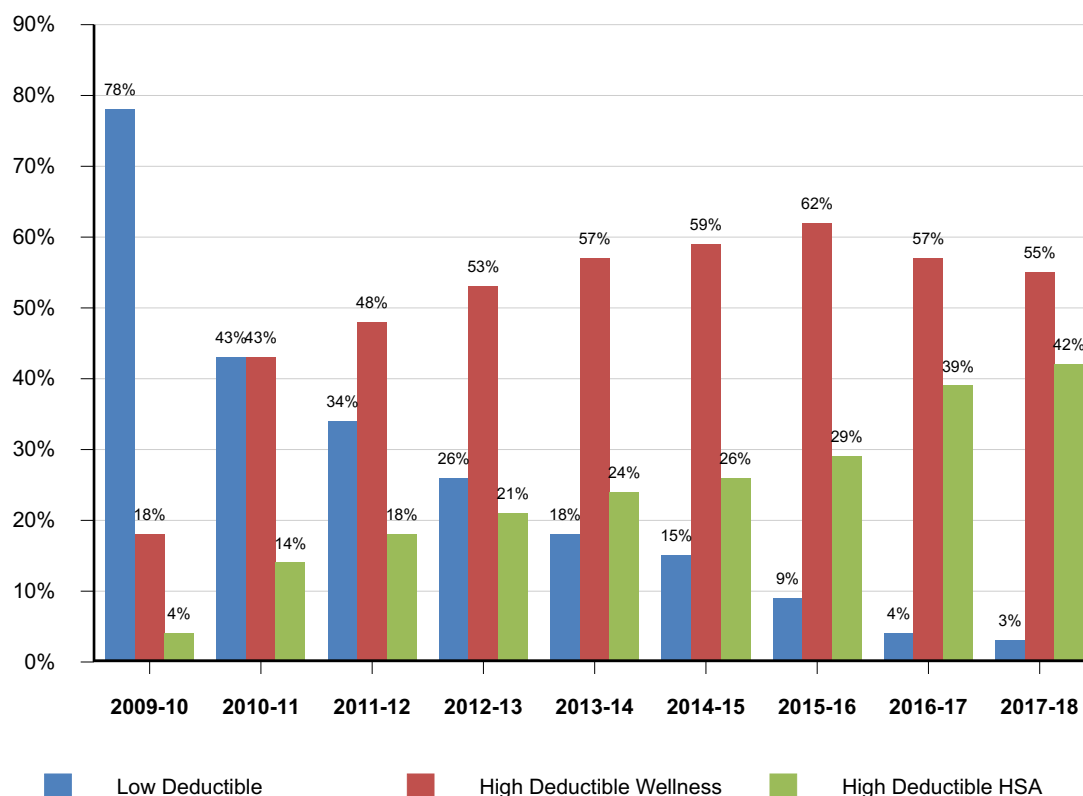


Operating Expenses

Operating expenses reduce net position and consist of all the costs necessary to perform and conduct the programs and primary purposes of the University. In fiscal year 2017-2018, operating expenses decreased \$9.5 million, or 1.9 percent. Personnel services and benefits account for approximately 70.0 percent of total operating expenses. Personnel services increased by \$3.2 million, or 1.3 percent in fiscal year 2017-2018 while benefits expense decreased by \$17.3 million. The benefits expense decrease is attributed 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. Student Aid, which includes financial aid and scholarships, increased by \$1.8 million, or 11.5 percent.

Operating expenses in fiscal year 2016-2017 increased \$11.2 million, and 2.3 percent. Personnel services increased \$4.2 million, due primarily to a 2.0 percent salary increase as well as adding new positions, while benefits increased by \$7.1 million. The large benefits increase was primarily due to the mandatory posting of pension benefits as required by GASB Statements 68 and 71, discussed in the accompanying Pension Plans and Other Post-Employment Benefits Note.

Health Plan Migration



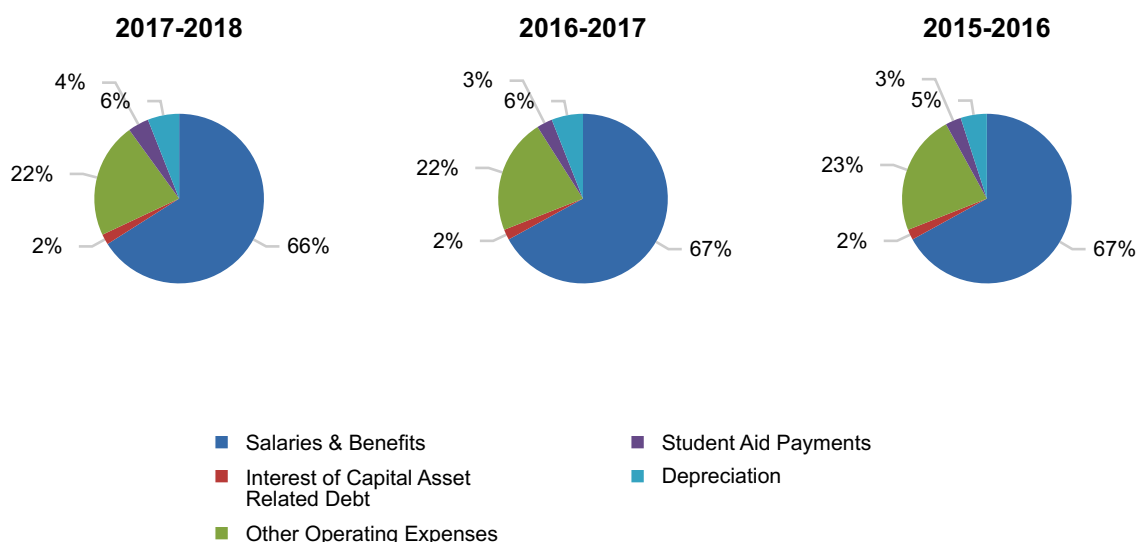
Benefit costs continue to rise and it can be a challenge to provide desirable and affordable offerings to employees. The University has worked to mitigate the effect of higher health care costs to reduce the impact on employees. The University is self-insured and offers health insurance to both active employees and to qualified retirees. The health care plan design is evaluated and analyzed using information from several third party experts and consultants utilizing industry best practices. The uncertain and evolving regulatory landscape regarding the future of the Patient Protection and Affordable Care Act (PPACA) complicates this analysis. Attempting to forecast future health care costs may be a daunting task, but it is necessary when developing plan designs and premiums.

The University offers active employees a choice of three different plans: Low Deductible; High Deductible Wellness; and High Deductible Health Savings Account (HSA). Retirees 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 nine 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 chart above. This migration should be indicative of a population that is more engaged and aware of their own health and well-being. The HSA plan has the lowest premiums and the highest cost share. The consumer driven plans encourage participants to be conscientious about the cost of health care and to choose medical providers based on quality of care and competitive pricing.

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, on-site workout facilities and classes, and free tobacco cessation programs, among many others. 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 performances over the last few years. Whenever a plan achieves a surplus for the year, it is held in reserve to be used for subsequent years where claims exceed premiums or to be contributed to the Voluntary Employee Beneficiary Association (VEBA) Trust. In order to adequately fund the VEBA Trust, the University must make payments that are equal to the 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. The plan surplus was \$4.3 million, \$4.0 million, and \$8.3 million, for fiscal years 2017-2018, 2016-2017, and 2015-2016, respectively. In fiscal years 2016-2017 and 2015-2016, payments were made to the VEBA trust in the amounts of \$6.5 million and \$1.6 million, respectively. All remaining funds are being held in reserve.

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 2017-2018, net non-operating revenues and expenses increased \$18.5 million, or 8.7 percent. Federal and state scholarships and state appropriations make up the majority of non-operating revenues. Federal and state scholarships and grants and state appropriations increased \$6.8 million and \$8.1 million, respectively.

In fiscal year 2016-2017, net non-operating revenues and expenses decreased by \$6.5 million, or 3.0 percent. Federal and state scholarship and grants and state appropriations increased by \$2.5 million and \$1.3 million, respectively. State pension contributions decreased by \$7.0 million in fiscal year 2016-2017 over the prior fiscal year.

Other Revenues

Other revenues increase net position and consist of capital appropriations, gifts and grants, as well as items that 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 fund 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 2017-2018 include \$2.7 million (\$2.6 million for fiscal year 2016-2017 and \$2.6 million for fiscal year 2015-2016) in appropriations for general repair and rehabilitation and \$1.9 million (\$2.8 million in fiscal year 2016-2017 and \$1.0 million in fiscal year 2015-2016) in draws against the geothermal appropriation. Capital gifts from the Ball State University Foundation totaled \$4.5 million (\$2.2 million for fiscal year 2016-2017 and \$4.4 million for fiscal year 2015-2016) for various capital projects.

<i>Renewal and Replacement Appropriations (millions of dollars)</i>					
2013	2014	2015	2016	2017	2018
\$0.0	\$14.2	\$13.8	\$3.6	\$5.4	\$4.6

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, 2018, 2017, 2016			
	2018	2017	2016
Cash and Cash Equivalents Provided By/(Used In):			
Operating Activities	\$ (173,762,282)	\$ (178,673,202)	\$ (181,270,683)
Non-Capital Financing Activities	232,339,252	212,301,949	211,362,907
Capital and Related Financing Activities	19,712,425	13,534,336	(19,726,858)
Investing Activities	41,200,281	(71,708,552)	(4,118,627)
Net Change in Cash and Cash Equivalents	\$ 119,489,676	\$ (24,545,469)	\$ 6,246,739
Cash and Cash Equivalents – Beginning of Year	87,856,786	112,402,255	106,155,516
Cash and Cash Equivalents – End of Year	<u>\$ 207,346,462</u>	<u>\$ 87,856,786</u>	<u>\$ 112,402,255</u>

The University's cash and cash equivalents increased in fiscal year 2017-2018 by \$119.5 million, and decreased in fiscal year 2016-2017 by \$24.5 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 Scholarship. Changes in capital and related financing activities result from the University's capital plan. Details are provided in the Debt Administration and Capital Assets sections in the Management's Discussion and Analysis. Cash flows from investing activities primarily consist of reinvesting the proceeds from investments as they mature.

Economic Factors That Will Affect the Future

Each year, the National Association of State Budget Officers publishes its Fiscal Survey of States. The Spring 2018 survey indicated that state fiscal conditions, as compared to the same time last year, showed signs of improvement and greater stability. State general fund budgets are expected to increase 3.2 percent in fiscal year 2018-2019 (without adjusting for inflation), with all program areas projected to see spending increases. Significant uncertainty surrounds the revenue forecasts, however, as states continue to analyze the impact of tax changes under the federal *Tax Cuts and Jobs Act*. Also, all states continue to face long-term spending pressures in areas ranging from health care and pensions to adequately funding K-12 education and infrastructure deficiencies.

In their 2018 outlooks for the higher education sector, both Moody's Investors Service and Standard & Poor's Ratings Services projected a grim future. Moody's downgraded its view of the higher education outlook, predicting that growth in aggregate operating revenue would not keep pace with expense growth. This is a turnaround from its 2017 outlook when Moody's noted that all revenue streams were expected to grow over the next 12-18 months, with aggregate annual revenue growth at or above 3.0 percent. Standard & Poor's cited the sector's limited flexibility in programming, financial operations, enrollment, resources, and student draw. Noting constraints on government support and unpredictable policy decisions at the state and federal levels, the American Association of State Colleges and Universities predicted that 2018 would be one of the most uncertain years for higher education. The University's ratings for all outstanding debt were confirmed in May 2018 by Moody's (Aa3/stable outlook) and Standard & Poor's (AA-/stable outlook).

Ball State University, as a public university, relied on the State of Indiana for approximately 29.7 percent of the total financial resources in fiscal year 2017-2018. State revenues for fiscal year 2017-2018 were 1.0 percent above forecast and 1.9 percent above fiscal year 2016-2017, allowing the state to close the year with a \$100.4 million surplus. State reserves ended the year at \$1.8 billion. The State of Indiana is rated Aaa by Moody's and AAA by Standard & Poor's, making it one of only a handful of states with top rankings by both ratings agencies.

Since 2004, the State of Indiana has used a performance funding formula for higher education. The formula is drafted and managed by the Indiana Commission for Higher Education (ICHE), which uses the formula to recommend funding to the Indiana legislature for appropriations to the various public universities in the state. The two constants in the funding formula have been to recommend increases in funding to campuses that increase the number of degrees awarded to resident undergraduate students, and to campuses that increase graduation rates. Due to deliberate actions by Ball State leadership, the University received a measurable operating increase during the 2017-2019 biennium.

Ball State is classified as a research campus and earns funding under the formula primarily for an increase in the number of degrees awarded to resident students, increases in the number of 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 and retention rates have been growing substantially. In a study conducted by ICHE, Ball State showed the largest increase in on-time (within four years) graduation rates among all Indiana public universities between 2009 and 2014.

The fall 2017 freshman class of more than 4,000 students was the most academically qualified and the most diverse in the history of the University, posting an average GPA of 3.50 and average SAT score of 1,609, above the national norm. The total enrollment of over 22,500 students was the largest ever.



McKinley Avenue

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, 2018 and 2017

	2018	2017
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 207,346,462	\$ 87,856,786
Short Term Investments	25,223,506	88,059,379
Accounts Receivable, Net, and Unbilled Costs	24,102,579	28,254,050
Inventories	1,212,088	1,217,463
Deposit with Bond Trustee	20,422,307	20,116,185
Notes Receivable, Net	1,486,115	1,653,777
Prepaid Retiree Benefits	—	13,853,579
Prepaid Expenses	1,730,414	1,586,320
Total Current Assets	<u>\$ 281,523,471</u>	<u>\$ 242,597,539</u>
Noncurrent Assets:		
Accounts and Notes Receivable, Net	\$ 9,706,355	\$ 8,963,825
Net OPEB Asset	3,201,057	—
Investments	187,528,293	163,531,351
Capital Assets, Net	691,999,162	667,350,402
Total Noncurrent Assets	<u>\$ 892,434,867</u>	<u>\$ 839,845,578</u>
Total Assets	<u>\$ 1,173,958,338</u>	<u>\$ 1,082,443,117</u>
Deferred Outflows of Resources:		
Pension Contributions	\$ 21,135,019	\$ 26,628,804
OPEB Contributions	17,361,718	—
Total Assets and Deferred Outflows of Resources	<u>\$ 1,212,455,075</u>	<u>\$ 1,109,071,921</u>
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 33,212,625	\$ 27,135,115
Deposits	8,124,679	7,348,237
Unearned Revenue	853,732	696,372
Long Term Liabilities – Current Portion	14,775,000	14,595,000
Total Current Liabilities	<u>\$ 56,966,036</u>	<u>\$ 49,774,724</u>
Noncurrent Liabilities:		
Liability for Compensated Absences	\$ 3,472,102	\$ 3,012,997
Net Pension Liability	51,089,530	53,221,971
Net OPEB Liability	20,373,014	—
Perkins Loan Program – Federal Capital Contribution	7,974,382	8,184,069
Long Term Liabilities, Net	336,433,801	262,892,224
Total Noncurrent Liabilities	<u>\$ 419,342,829</u>	<u>\$ 327,311,261</u>
Total Liabilities	<u>\$ 476,308,865</u>	<u>\$ 377,085,985</u>
Deferred Inflows of Resources:		
Pension Contributions	\$ 5,175,032	\$ 4,681,084
OPEB Contributions	19,769,354	—
Total Liabilities and Deferred Inflows of Resources	<u>\$ 501,253,251</u>	<u>\$ 381,767,069</u>

Ball State University

Statement of Net Position

As of June 30, 2018 and 2017

Net Position:

Net Investment in Capital Assets	\$ 376,564,162	\$ 416,710,402
Restricted for:		
Nonexpendable Scholarships	887,861	900,110
Expendable:		
Debt Service	—	—
Loans	2,468,115	2,608,693
Construction	125,507,168	67,246,654
External Grants	6,801,385	6,781,281
Unrestricted	198,973,133	233,057,712
Total Net Position	<u>\$ 711,201,824</u>	<u>\$ 727,304,852</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,212,455,075</u>	<u>\$ 1,109,071,921</u>

See accompanying Notes to Financial Statements

Ball State University Foundation, Inc.

Combined and Consolidated Statements of Financial Position

As of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,456,572	\$ 2,314,000
Certificates of deposit	265,844	263,070
Contributions receivable, net	8,919,837	9,482,805
Investments	224,323,573	212,040,030
Investments held in split-interest agreements	1,747,856	1,720,560
Beneficial interest in remainder trusts	1,207,537	1,096,440
Other assets	810,412	743,851
Cash surrender value of life insurance	1,989,285	1,937,294
Property and equipment	9,187,915	9,215,502
Beneficial interest in perpetual trusts	2,670,960	2,556,014
Total assets	<u>\$ 252,579,791</u>	<u>\$ 241,369,566</u>
Liabilities		
Accounts payable	\$ 5,628,514	\$ 7,529,910
Accrued expenses	752,274	785,387
Line of credit	5,000,000	1,000,000
Notes payable	1,025,000	1,025,000
Term notes payable	10,300,000	11,300,000
Annuity obligations	1,796,481	1,865,323
Trust obligations	656,741	654,062
Total liabilities	<u>25,159,010</u>	<u>24,159,682</u>
Net Assets		
Unrestricted	(4,681,878)	(2,491,540)
Temporarily restricted	152,439,498	142,635,882
Permanently restricted	79,663,161	77,065,542
Total net assets	<u>227,420,781</u>	<u>217,209,884</u>
Total liabilities and net assets	<u>\$ 252,579,791</u>	<u>\$ 241,369,566</u>

See Note A in Notes to Financial Statements

Ball State University
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues:		
Student Tuition and Fees	\$ 253,485,988	\$ 242,310,313
Scholarship Allowances	(82,330,178)	(73,983,322)
Net Student Tuition and Fees	\$ 171,155,810	\$ 168,326,991
Federal Grants and Contracts	4,875,443	4,654,999
State & Local Grants and Contracts	2,480,670	2,432,258
Non-Governmental Grants and Contracts	5,489,721	6,126,332
Sales and Services of Educational Departments	9,227,155	9,141,266
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2018 - \$14,353,644; 2017 - \$12,060,040)	59,905,757	59,650,650
Other	10,799,856	10,899,429
Other Operating Revenues	10,841,093	12,775,021
Total Operating Revenues	\$ 274,775,505	\$ 274,006,946
Operating Expenses:		
Personnel Services	\$ 244,921,577	\$ 241,757,718
Benefits	79,569,751	96,879,658
Utilities	13,639,934	12,695,991
Repairs and Maintenance	16,253,722	16,841,701
Other Supplies and Expenses	83,397,824	81,739,709
Student Aid	17,513,607	15,711,576
Depreciation	28,271,938	27,440,008
Total Operating Expenses	\$ 483,568,353	\$ 493,066,361
Operating Income/(Loss)	\$ (208,792,848)	\$ (219,059,415)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarships and Grants	\$ 59,255,786	\$ 52,408,370
State Appropriations	153,449,894	145,366,234
Investment Income	2,361,350	2,011,538
Interest on Capital Asset Related Debt	(9,638,761)	(9,671,225)
Private Gifts	9,816,248	7,951,836
State Pension Contributions	8,606,566	8,760,094
Other Non-Operating Income	8,491,803	6,995,717
Net Non-Operating Revenues/(Expenses)	\$ 232,342,886	\$ 213,822,564
Income Before Other Revenues, Expenses, Gains or Losses	\$ 23,550,038	\$ (5,236,851)
Capital Appropriations	4,576,681	5,448,228
Capital Gifts	4,548,601	2,231,141
Increase in Net Position	\$ 32,675,320	\$ 2,442,518
Net Position – Beginning of Year	727,304,852	724,862,334
Change in Accounting Policy	(48,778,348)	—
Net Position – End of Year	\$ 711,201,824	\$ 727,304,852

See accompanying Notes to Financial Statements

Ball State University Foundation, Inc.
Combined and Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 736,351	\$ 16,763,798	\$ 2,345,312	\$ 19,845,461
Promotional activities and other revenue	564,363	—	—	564,363
Investment income, net of fees	4,110,159	9,780,427	1,664,417	15,555,003
Change in value of split-interest agreements	—	41,652	107,700	149,352
Rental and other income	622,400	—	—	622,400
Operating support fees	2,417,222	(2,417,222)	—	—
	8,450,495	24,168,655	4,117,429	36,736,579
Net assets released from restrictions	15,884,849	(14,365,039)	(1,519,810)	—
Total revenues, gains and other support	24,335,344	9,803,616	2,597,619	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)	9,803,616	2,597,619	10,210,897
Net Assets, Beginning of Year	(2,491,540)	142,635,882	77,065,542	217,209,884
Net Assets, End of Year	<u>\$ (4,681,878)</u>	<u>\$ 152,439,498</u>	<u>\$ 79,663,161</u>	<u>\$ 227,420,781</u>

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 1,073,440	\$ 11,286,291	\$ 1,925,745	\$ 14,285,476
Promotional activities and other revenue	520,326	—	—	520,326
Investment income (loss), net of fees	11,609,238	13,947,312	267,259	25,823,809
Change in value of split-interest agreements	215,094	138,721	297,828	651,643
Rental and other income	746,536	—	—	746,536
Operating support fees	2,023,448	(2,013,019)	(10,429)	—
	16,188,082	23,359,305	2,480,403	42,027,790
Net assets released from restrictions	11,420,512	(11,420,512)	—	—
Total revenues, gains and other support	27,608,594	11,938,793	2,480,403	42,027,790
Expenses				
University programs	11,782,849	—	—	11,782,849
Management and general	4,879,169	—	—	4,879,169
Fund raising	4,349,026	—	—	4,349,026
Total expenses	21,011,044	—	—	21,011,044
Change in Net Assets	6,597,550	11,938,793	2,480,403	21,016,746
Net Assets, Beginning of Year	(9,089,090)	130,697,089	74,585,139	196,193,138
Net Assets, End of Year	<u>\$ (2,491,540)</u>	<u>\$ 142,635,882</u>	<u>\$ 77,065,542</u>	<u>\$ 217,209,884</u>

See Note A in Notes to Financial Statements

Ball State University
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Source / (Uses) of Cash:		
Operating Activities:		
Tuition and Fees	\$ 173,178,497	\$ 169,973,980
Grants and Contracts	13,560,390	12,866,431
Payments to Suppliers	(74,331,934)	(80,548,205)
Payments for Maintenance and Repair	(16,253,722)	(16,841,701)
Payments for Utilities	(13,639,934)	(12,695,991)
Payments for Personnel Services	(245,033,238)	(244,479,939)
Payments for Benefits	(83,837,847)	(85,368,695)
Payments for Scholarships and Fellowships	(17,513,607)	(15,652,429)
Auxiliary Enterprise Charges:		
Room and Board	59,552,447	59,277,554
Other	10,875,712	10,899,429
Sales and Services of Educational Activities	8,625,228	9,152,837
Other Receipts/Disbursements/Advances	11,055,726	14,743,527
Net Cash Provided/(Used) by Operating Activities	<u>\$ (173,762,282)</u>	<u>\$ (178,673,202)</u>
Non-Capital Financing Activities:		
Federal and State Scholarships and Grants	\$ 59,498,923	\$ 52,408,370
State Appropriations	153,449,894	145,366,234
William D. Ford Direct Lending Receipts	131,157,517	127,077,179
William D. Ford Direct Lending Disbursements	(131,157,517)	(127,188,361)
Private Gifts	10,898,631	7,642,810
Foundation Receipts	567,844	620,684
Foundation Disbursements	(567,844)	(620,684)
Other Non-Operating Revenue	8,491,804	6,995,717
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>\$ 232,339,252</u>	<u>\$ 212,301,949</u>
Capital Financing Activities:		
Proceeds from Capital Debt	\$ 88,871,118	\$ 134,781,892
Capital Appropriations	4,576,681	5,448,228
Capital Gifts	4,548,601	2,231,141
Purchases of Capital Assets	(53,870,213)	(31,895,699)
Principal Paid on Capital Debt	(14,595,000)	(84,445,000)
Interest Paid on Capital Debt	(9,512,640)	(9,065,843)
Deposits with Trustee	(306,122)	(3,520,383)
Net Cash Provided/(Used) by Capital Financing Activities	<u>\$ 19,712,425</u>	<u>\$ 13,534,336</u>
Investing Activity:		
Proceeds from Sales and Maturities of Investments	\$ 893,357,357	\$ 105,424,198
Interest on Investments	5,383,127	3,702,083
Purchase of Investments	(857,540,203)	(180,834,833)
Net Cash Provided/(Used) by Investing Activities	<u>\$ 41,200,281</u>	<u>\$ (71,708,552)</u>
Net Increase/(Decrease) in Cash	<u>\$ 119,489,676</u>	<u>\$ (24,545,469)</u>
Cash – Beginning of the Year	87,856,786	112,402,255
Cash – End of the Year	<u><u>\$ 207,346,462</u></u>	<u><u>\$ 87,856,786</u></u>

Ball State University
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Net Operating Revenues/(Expenses) to		
Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ (208,792,848)	\$ (219,059,415)
Adjustments to Reconcile Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities:		
Depreciation Expense	28,271,938	27,440,008
Equipment Retired	949,515	1,763,568
GIK Donations	902,700	309,026
Pensions Covered by State of Indiana	8,606,566	8,760,094
Changes in Assets and Liabilities:		
Operating Receivables, Net	2,766,404	2,992,583
Inventories	5,375	296,528
Other Assets	(144,094)	(943,661)
OPEB Asset	(2,343,739)	—
Accounts Payable	5,396,849	(4,337,978)
Unearned Revenue	157,360	(190,692)
Deposits Held for Others	(276,399)	700,661
Compensated Absences	459,105	95,376
Pension Liability	(2,132,441)	6,748,105
OPEB Liability	(15,409,073)	—
Deferred Outflows	(11,867,933)	(1,566,485)
Deferred Inflows	20,263,302	(1,144,327)
Long Term Accounts and Notes Receivable	(574,869)	(536,593)
Net Cash Provided/(Used) by Operating Activities	<u>\$ (173,762,282)</u>	<u>\$ (178,673,202)</u>
Non-Cash Transactions		
TRF Pre-1996 Pension Expense Covered by State of Indiana	\$ 8,606,566	\$ 8,760,094
Gifts in Kind Donations	<u>\$ 902,700</u>	<u>\$ 309,026</u>
<i>See accompanying Notes to Financial Statements</i>		

Ball State University Foundation, Inc.
Combined and Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 10,210,897	\$ 21,016,746
Items not requiring (providing) cash:		
Depreciation and amortization	297,907	262,530
Net realized and unrealized (gains) losses on investments	(17,359,009)	(28,253,038)
Gain on sale of property and equipment	—	(10,710)
Change in value of trusts	(226,043)	(205,476)
Contributions of marketable equity securities	(3,751,099)	(1,975,138)
Contributions restricted for long-term investment	(2,345,312)	(1,925,745)
Net change in value of split-interest agreements	(93,459)	(83,806)
Changes In		
Contributions receivable, including accretion of discount on pledges receivable	562,968	954,515
Other assets	(66,561)	(32,190)
Accounts payable and accrued expenses	(1,934,509)	(2,492,892)
Net cash used in operating activities	<u>(14,704,220)</u>	<u>(12,745,204)</u>
Investing Activities		
Purchase of property and equipment	(270,320)	(1,961,385)
Proceeds from property and equipment and sale of real estate	—	2,312,377
Purchase of investments and certificates of deposit	(19,332,880)	(13,896,178)
Sales and maturities of investments and certificates of deposit	28,156,671	25,340,011
Net (increase) decrease in cash surrender value of life insurance	(51,991)	(171,447)
Net cash provided by investing activities	<u>8,501,480</u>	<u>11,623,378</u>
Financing Activities		
Borrowings under line of credit agreement	11,000,000	9,050,000
Payments under line of credit agreement	(7,000,000)	(10,050,000)
Proceeds from term notes payable	—	1,025,000
Reduction of term notes payable	(1,000,000)	(1,340,000)
Proceeds from contributions restricted for investment in permanent endowment	2,345,312	1,925,745
Net cash provided by financing activities	<u>5,345,312</u>	<u>610,745</u>
Net Increase (Decrease) in Cash	(857,428)	(511,081)
Cash and Cash Equivalents, Beginning of the Year	<u>2,314,000</u>	<u>2,825,081</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,456,572</u>	<u>\$ 2,314,000</u>
 Interest Paid	 \$ 439,954	 \$ 395,411

See Note A in Notes to Financial Statements

Ball State University

Notes to Financial Statements

June 30, 2018

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

Discrete Component Unit

The Ball State University Foundation (Foundation or BSUF) is a legally separate, tax-exempt Indiana nonprofit corporation that is an Internal Revenue Code Section 170(b) (1) (A) organization organized and operated for the benefit of the University. Under the reporting standards of the Governmental Accounting Standards Board (GASB), the Foundation is defined to be a component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation by-laws allow for thirty-one voting directors, seven of whom serve by position. The seven directors who serve by position include the following:

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

Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Transactions with the Foundation primarily involve the funding of expenditures for which the University funds are not available. These include both unrestricted funds and those restricted by donors. Expenditures include scholarships, funding of distinguished professorships, capital expenditures, and operational support. 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, including *FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the BSUF's financial information in the University's annual report for these differences.

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

Note 8: Line of Credit and Term Notes Payable (complete reproduction)

BSUF has a \$15,000,000 unsecured revolving line of credit with a bank which expired in June 2018, and was subsequently extended to June 30, 2019. At June 30, 2018 and 2017, there was \$5,000,000 and \$1,000,000, respectively, borrowed against this line. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus 2.00%. There is a minimum interest rate of 3.25%. The rate in effect at June 30, 2018 was 4.08%.

BSUF also has a term loan facility that is due December 30, 2018. The line is unsecured, with a fixed interest rate of 3.30%. There was \$300,000 and \$1,300,000 borrowed against this facility at June 30, 2018 and 2017, respectively. Repayments are \$250,000 quarterly and extending through December 2018, when the remaining balance outstanding is due.

On May 13, 2015, BSUF entered into a \$10,000,000 term credit agreement with a bank that is due on March 31, 2022. The agreement is unsecured with an interest rate of 1.22% over 30 day LIBOR, which was 3.30% and 2.44% at June 30, 2018 and 2017, 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, 2018 and 2017, management is not aware of any violations of the financial covenants.

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

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

Basis of Presentation

The financial statements of the University are prepared in accordance with the principles contained in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. The University has elected to report its financial results as a special-purpose government engaged only in business-type activities, using proprietary fund accounting and financial reporting.

Required financial statements consist of:

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

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

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

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, 2018, and June 30, 2017, were \$8,256,852 and \$7,282,864, 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, 2018, and June 30, 2017, were \$2,416,730 and \$2,439,230, respectively. Notes receivable due in greater than one year are classified as a noncurrent asset.

Capital Assets

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

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period that will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred outflows of resources reported in fiscal year 2016-2017 included only amounts connected to net pension liability, whereas deferred outflows of resources in fiscal year 2017-2018 included both net pension liability and net OPEB liability.

Unearned Revenue

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

Compensated Absences

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

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applied to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services. The deferred inflows of resources reported in fiscal year 2016-2017 were related to the University's net pension liability. For fiscal year 2017-2018, the recorded amount represents deferred inflows of resources for both 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 paid in June for first summer session and half of summer semester and in July for second summer session and the second half of summer semester.

Service Concession Agreements

The University has entered into agreements with various vendors. Some of these arrangements are considered to be Service Concession Agreements as Ball State University is the transferor and each of these entities is recognized as an operator under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*. However, none of the agreements have resulted in significant deferred inflows or outflows of resources that would require further disclosure as of June 30, 2018 and June 30, 2017.

New Accounting Pronouncements: Adoption of New Standard

For post-employment (OPEB) benefit plans that are administered through trusts or equivalent arrangements, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pensions Plans*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Similarly, 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*, 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. In accordance with GASB Statement No. 75, the June 30, 2018 financial statements reflect a \$48.8 million decrease in unrestricted net position due to a change in accounting principle. The June 30, 2017 financial statements have not been restated to include amounts related to GASB Statement No. 75 as information is not available to adequately calculate and report net OPEB liability and related balances as of June 30, 2017.

Note B – Capital Assets

	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
Construction 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:					
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

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

Note C – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
Accrued Payroll	\$ 1,774,233	\$ 1,884,438
Compensated Absences	4,017,322	4,012,332
Interest Payable	5,647,338	7,130,920
Vendor and Other Payables	21,773,732	14,107,425
Total Accounts Payable and Accrued Liabilities	<u>\$ 33,212,625</u>	<u>\$ 27,135,115</u>

Note D – Other Liabilities

Other liability activity for the fiscal years ended June 30, 2018 and 2017, is summarized below as follows:

	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	<u>\$ 347,528,296</u>	<u>\$ 132,730,115</u>	<u>\$ 39,959,016</u>	<u>\$ 440,299,395</u>	<u>\$ 20,956,566</u>

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

Note E – Bonds Payable

Long term liabilities reported in the Statement of Net Position include principal obligations for outstanding bonds and the noncurrent portions of premiums received on certain bond series and unamortized deferred costs. The premiums are being amortized over the life of each series and reduce the recorded interest expense. The deferred costs represent losses on refunding of previous debt and are amortized over the shorter of the life of the old or new debt. The current portion of net unamortized premium and deferred costs are reflected in the Statement of Net Position as accounts payable and accrued liabilities.

Debt-Related Liabilities	Balance			Balance	
	June 30, 2017	Increases	Decreases	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

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

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, 2017	Retired 2017-2018	Outstanding June 30, 2018	Current Portion Outstanding June 30, 2018
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%	10/8/2013	2034	\$ 33,160,000	\$ 29,470,000	\$ 1,145,000	\$ 28,325,000	\$ 1,205,000
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%	1/27/2016	2036	\$ 53,230,000	\$ 51,050,000	\$ 2,650,000	\$ 48,400,000	\$ 2,790,000
Housing and Dining Series 2018	Fund North Residential Neighborhood Phase I which includes reconfiguration of McKinley Avenue and construction of one new residence hall and a stand-alone dining facility	3.25-5.00%	6/27/2018	2038	\$ 79,390,000	\$ —	\$ —	\$ 79,390,000	\$ —
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%	7/21/2004	2021	\$ 16,425,000	\$ 5,425,000	\$ 1,245,000	\$ 4,180,000	\$ 1,315,000
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%	1/30/2008	2028	\$ 63,615,000	\$ 12,360,000	\$ 1,045,000	\$ 11,315,000	\$ 1,095,000
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%	10/21/2013	2033	\$ 35,840,000	\$ 29,310,000	\$ 1,800,000	\$ 27,510,000	\$ 1,890,000
Series R	Fund construction of the new Health Professions Building and to refund the portions of the outstanding Student Fee Bonds, Series N and all outstanding Student Fee Bonds, Series O and Series P	2.00-5.00%	1/26/2017	2037	\$ 123,025,000	\$ 123,025,000	\$ 6,710,000	\$ 116,315,000	\$ 6,480,000
Subtotal Bonds Payable					\$ 404,685,000	\$ 250,640,000	\$ 14,595,000	\$ 315,435,000	\$ 14,775,000
Net Unamortized Premiums and Costs					—	28,456,927	(9,481,118)	37,938,045	2,164,244
Total Bonds Payable					\$ —	\$ 279,096,927	\$ 5,113,882	\$ 353,373,045	\$ 16,939,244

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

Bonds Payable As of June 30, 2018			
Fiscal Year	Principal	Interest	Total
2019	\$ 14,775,000	\$ 12,950,872	\$ 27,725,872
2020	17,810,000	14,115,663	31,925,663
2021	18,710,000	13,239,375	31,949,375
2022	18,110,000	12,317,575	30,427,575
2023	18,980,000	11,436,575	30,416,575
2024-2028	94,315,000	43,164,319	137,479,319
2029-2033	75,175,000	22,459,831	97,634,831
2034-2038	51,535,000	7,074,900	58,609,900
2039-2043	6,025,000	150,625	6,175,625
Total	<u>\$ 315,435,000</u>	<u>\$ 136,909,735</u>	<u>\$ 452,344,735</u>

Note F – Defeased Bonds

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

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

Issue	Final Maturity/ Call Date	Amount Outstanding	
		June 30, 2018	June 30, 2017
Student Fee Bonds, Series N	7/1/2018	\$ 2,300,000	\$ 25,955,000
Student Fee Bonds, Series O	1/1/2019	\$ 20,455,000	\$ 21,695,000
Student Fee Bonds, Series P	7/1/2020	\$ 23,820,000	\$ 25,115,000

Note G – Operating Leases

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. The total rental expense under these agreements was \$513,147 for the year ended June 30, 2018.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2018, are as follows:

Fiscal Year	Future Lease Payments
2019	\$ 376,211
2020	217,110
2021	167,642
2022	25,013
2023	2,550
Total	<u>\$ 788,526</u>

Note H – Deposits and Investments

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

As of June 30, 2018 and 2017, the University held deposits and investments, including endowment funds, as reflected below:

	June 30, 2018	June 30, 2017
Cash and Cash Equivalents	\$ 207,346,462	\$ 87,856,786
Short Term Investments	25,223,506	88,059,379
Long Term Investments	187,528,293	163,531,351
Total	<u>\$ 420,098,261</u>	<u>\$ 339,447,516</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely impact the fair value of individual investments. As interest rates rise the fair value of the underlying assets are reduced. Those assets with longer durations to maturity are the most susceptible to interest rate risk. The University has reduced its exposure to this risk by structuring subcomponents of the portfolio to a range of targeted balances. The targeted balances are determined by each of the subcomponent’s specific purposes.

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

Investment Type	Fair Value	Maturities (in years)			
	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	—	—	—
Foreign Obligations	35,009,729	20,404,103	14,158,020	447,606	—
Certificate of Deposits	34,572,502	—	34,572,502	—	—
Total	<u>\$ 420,098,261</u>	<u>\$ 232,569,968</u>	<u>\$ 150,492,839</u>	<u>\$ 22,065,872</u>	<u>\$ 14,969,582</u>

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

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

In December of 2016, the University's Board of Trustees approved changes to the investment policy that permitted investing in assets with maturities greater than five years in maturity. The changes permitted in the revised investment policy with respect to maturities over five years were implemented during fiscal year 2017-2018.

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, 2018, 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, 2018 and 2017, University deposits and investments were held with the respective credit ratings as illustrated below:

	Fair Value June 30, 2018						Fair Value June 30, 2017		
	Maturities (in years)						Maturities (in years)		
Credit Quality Rating	Less than 1	1-5	6-10	More than 10	Percentage of Total Pool	Less than 1	1-5	Percentage of Total Pool	
Short Term Ratings									
A-1+	\$ 1,094,302	\$ —	\$ —	\$ —	0.26%	\$ —	\$ —	0.00%	
A-1	—	—	—	—	—%	6,687,630	—	1.97%	
A-2	22,071,013	—	—	—	5.25%	2,693,979	—	0.79%	
Long Term Ratings									
AAA	7,654,878	37,096,653	3,200,864	11,140,594	14.07%	15,750	4,509,486	1.33%	
AA+	1,794,098	4,833,765	605,658	—	1.72%	56,846,969	92,120,878	43.89%	
AA	2,694,618	346,673	650,061	614,509	1.02%	1,566,963	2,718,414	1.26%	
AA-	23,205,371	7,726,623	—	752,171	7.54%	8,477,249	18,597,166	7.98%	
A+	750,279	11,662,052	1,003,760	—	3.19%	615,330	—	0.18%	
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%	99,012,295	45,585,407	42.6%	
Total	\$232,569,968	\$150,492,839	\$22,065,872	\$ 14,969,582	100.00%	\$175,916,165	\$163,531,351	100.00%	

In December of 2016, the University's Board of Trustees approved changes to the investment policy that permitted investing in assets with maturities greater than five years in maturity. The changes permitted in the revised investment policy with respect to maturities over five years were implemented during fiscal year 2017-2018.

Credit Risk Concentration

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

Investments held at individual financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and the Public Deposit Insurance Fund (PDIF). The amounts held in these institutions are subject to internal guidelines which generally limits the balances to less than 20 percent of the total market portfolio per financial institution.

Foreign Currency Risk

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

Fair Value Measurements

The University categorizes its fair value measurements within the fair value hierarchy as established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the underlying assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investments by Fair Value Level	June 30, 2018	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (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

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

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

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 \$887,861 in endowment funds at June 30, 2018. At June 30, 2017, endowments held at the University were \$900,110.

Note I – Pension Plans and Other Post-Employment Benefits

Public Employees' Retirement Fund

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

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

Benefits Provided. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan. As an instrumentality of the State of Indiana, Ball State University is allowed to participate in this plan. All full-time staff and service personnel are eligible to participate in the defined benefit plan. The benefit formula for PERF is Lifetime Annual Benefit = (Years of Creditable Service x Average Highest 20 quarters of Salary x .011) + Annuity Savings Account. Cost of living adjustments (COLA) are granted by the Indiana General Assembly on an ad hoc basis.

Eligibility for Pension Benefit Payment

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

Contributions. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the investment earnings credited to the member's account. The University has elected to make the contributions on behalf of the member. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-1.1. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the year ended June 30, 2017, participating employers were required to contribute 11.2 percent of covered payroll for members employed by the state. For the fiscal year ended June 30, 2017, there were 1,473 employees participating in PERF with an annual pay equal to \$51,878,741. In addition, there were 1,484 employees with an annual pay of \$52,322,298 participating in PERF for fiscal year ended June 30, 2018. The University's contribution to the PERF account for the years ended June 30, 2018 and 2017, were \$7,404,258 and \$7,330,823, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

Teachers' Retirement Fund 1996 Account

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

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

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

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

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

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

Benefits Provided. This plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. All faculty and professional personnel are eligible to participate in the defined benefits plan per state statute (IC 5-10.2). This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. Generally, the average annual compensation in this calculation is the average of the highest five years of annual compensation in a covered position.

Monthly pension benefits for members in pay status may be increased as COLA. Such increases are not guaranteed by statute and have historically been provided on an ad hoc basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2017.

Contributions. For the fiscal year ended June 30, 2017, there were 367 employees participating in TRF with annual pay equal to \$20,822,068. The University recorded 404 employees participating in the TRF 1996 Account with annual pay equal to 23,077,307 for fiscal year ended June 30, 2018. The University contributes at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.5 percent of covered payroll. The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The University has elected to make the contributions on behalf of the member. The University's contributions to both Teachers' Retirement Plans combined, including those made to the annuities on behalf of the members, for the fiscal year ended June 30, 2016, was \$1,922,027. The University's contribution to the Teachers' Retirement Fund 1996 account for the years ended June 30, 2018 and 2017, were \$2,409,704 and \$2,173,276, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

Teachers' Retirement Fund Pre-1996 Account

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

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

Basis of the Allocation. The basis to determine the University's (an employer of the plan) proportionate share is a weighted calculation using a combination of wages reported by employers relative to the collective wages of the plan, and benefits paid to retirees of employers relative to total benefits paid by the plan. The weighted calculation is 32.2 percent for wages and 67.8 percent for benefits paid, which are determined by the non-retirees and retirees respective net pension liabilities. This method is used as it provides a fairer distribution so that employers with no active employees still show a proportionate share.

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

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

Monthly pension benefits for members in pay status may be increased as COLA. Such increases are not guaranteed by statute, have historically been provided on an ad hoc basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2017.

Contributions. The State of Indiana makes contributions as the sole non-employer contributing entity. State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three percent year-over-year increase is being provided through state appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as part of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5. As a non-employer contributing entity, the State of Indiana contributed \$871.0 million in fiscal year ended June 30, 2017 to TRF Pre-1996. The actuarially determined contribution (ADC) for TRF Pre-1996 was \$2.3 billion. In fiscal year ended June 30, 2016, the state pre-funded one-time checks (a.k.a. 13th check) in accordance with 2016 HEA 1161 for \$20.7 million (which went into the Pension Stabilization Fund). Employers contributed \$4.5 million in fiscal year ended June 30, 2017.

TRF Pre-1996 Account members contribute three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to ten percent of their compensation into their annuity savings accounts. The University has elected to make three percent contributions on behalf of their participating employees. Prior to June 30, 2015, the University reported both Teachers' Retirement Funds as one fund. Due to the requirements of GASB Statement No. 68 and GASB Statement No. 71, the funds were reported separately starting June 30, 2015, and going forward. For the fiscal year ended June 30, 2017, the University showed 39 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to \$3,097,835. The University's contributions to the Teachers' Retirement Fund Pre-1996 for fiscal year ended June 30, 2017, was \$311,060. For the fiscal year ended June 30, 2018, the University shows 37 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to \$2,896,105. The University made contributions of \$286,713 which included payments for the annuity on behalf of the members.

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

At June 30, 2018, the University reported a liability of \$51,089,530 for its proportionate share of the net pension liability, as compared to \$53,221,971 for the year ended June 30, 2017. The net pension liability reported by the University was measured as of June 30, 2017, for fiscal year 2017-2018, and as of June 30, 2016, for fiscal year 2016-2017 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, 2017:	PERF	TRF-1996	TRF Pre-1996	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

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

The University recognized expenses of \$19,972,127 at June 30, 2018, and \$20,122,331 at June 30, 2017. For the TRF Pre-1996 plan, the University's proportionate share (amount) of the collective net pension liability was zero for both fiscal years. The portion of the non-employer contributing entity's (the state) total proportionate share (amount) of the collective net pension liability that was associated with the University was an amount equal to 100.0 percent of the net pension liability. The total of the University's proportionate share (amount) of the collective net pension liability, and the portion of the state's total proportionate share of the collective net pension liability associated with the University, reflects all of the net pension liability. The TRF Pre-1996 net pension liability associated with the University at June 30, 2017, was \$124,414,362, and \$122,758,869 at June 30, 2016. The total net pension liability for the TRF Pre-1996 Account at June 30, 2017, was 11,919,139,482, compared to \$12,052,671,460 at June 30, 2016. Since the TRF Pre-1996 Account was a special funding situation, the University was not required to report the net pension liability in the financial statements as the University was not legally responsible for the net pension liability and contributions to the pension plan. The University was required to show the pension expense paid by the state that was associated with its proportionate share totaling \$8,606,566 for June 30, 2018, and \$8,760,094 at June 30, 2017. 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, 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 3.10 Years		TRF 1996 14 Years		TRF Pre-1996
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences Between Expected and Actual Experience	\$ 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

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

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

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

Amortization of Net Deferred Outflows/(Inflows) of Resources - Debit/(Credit)	PERF	TRF 1996
2018	\$ 2,448,646	\$ 367,282
2019	2,855,767	718,216
2020	1,019,402	338,425
2021	(250,384)	27,434
2022	—	101,884
Thereafter	—	567,325
Total	\$ 6,073,431	\$ 2,120,566

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

Key methods and assumptions used in calculating the total pension liability at June 30, 2018, and at June 30, 2017, can be seen in the actuarial valuations presented as follows:

Description	PERF	TRF Pre-1996 Account	TRF 1996 Account
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 four years ended June 30, 2014	Period of three years ended June 30, 2014	
Investment Rate of Return (Accounting)	6.75%, includes inflation and net of investment expenses		
Cost of Living Increases (COLA) or "Ad Hoc" COLA	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		

Description	PERF	TRF Pre-1996 Account	TRF 1996 Account
Valuation Date:			
Assets	June 30, 2016		
Liabilities	June 30, 2015 - Member census data as of June 30, 2015, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015, and June 30, 2016. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2015, to the June 30, 2016 measurement date.		
Actuarial Cost Method (Accounting)	Entry Age Normal (Level Percent of Payroll)		
Actuarial Assumptions:			
Experience Study Date	Period of 4 Years ended June 30, 2014	Period of 3 Years ended June 30, 2014	
Investment Rate of Return (Accounting)	6.75%, net of investment expense, including inflation		
Cost of Living Increases (COLA) or "Ad Hoc" COLA	1%	1%	
Future Salary Increases, including Inflation	2.50% - 4.25%	2.5% - 12.5%	
Inflation	2.25%		
Mortality	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006	RP-2014 White Collar 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, 2017		Geometric Basis at June 30, 2016	
	Long Term Expected Rate of Return	Target Asset Allocation	Long Term Expected Rate of Return	Target Asset Allocation
Public Equity	4.9%	22.0%	5.7%	22.0%
Private Equity	5.7%	14.0%	6.2%	10.0%
Fixed Income - Ex Inflation-Linked	2.3%	20.0%	2.7%	24.0%
Fixed Income - Inflation-Linked	0.6%	7.0%	0.7%	7.0%
Commodities	2.2%	8.0%	2.0%	8.0%
Real Estate	3.7%	7.0%	2.7%	7.0%
Absolute Return	3.9%	10.0%	4.0%	10.0%
Risk Parity	5.1%	12.0%	5.0%	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, 2017 and at June 30, 2016. 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, 2017

Pre-Funded Defined Benefit

PERF			TRF 1996		
1% Decrease (5.75)%	Current Discount Rate (6.75)%	1% Increase (7.75)%	1% Decrease (5.75)%	Current Discount Rate (6.75)%	1% Increase (7.75)%
\$67,880,828	\$46,542,821	\$28,804,998	\$11,362,991	\$4,546,709	\$(949,185)

Discount Rate Sensitivity - Liability / (Asset) at June 30, 2016

Pre-Funded Defined Benefit

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

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

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

Required Supplementary Information and Other Supplementary Schedules

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

Pension Plans - General Plan Information – Defined Contribution Plan

Alternate Pension

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

The table below shows the amounts contributed for our participating members:

	2018	2017	2016
Contributions	\$ 13,065,067	\$ 12,894,655	\$ 12,755,862
Number of Participating Members	1,726	1,694	1,720
Related Payroll	\$ 125,095,300	\$ 120,522,440	\$ 122,759,453

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 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, 2017, out of a total of 3,034 (3,156 in 2016) benefits eligible active employees, 775 (786 in 2016) had fulfilled the age and service requirements for these retiree benefits. As of June 30, 2018, 1,108 retirees were enrolled in life insurance coverage, and 2,027 retirees, spouses and surviving spouses were enrolled in health insurance coverage. In addition, 806 active employees have met the age and service requirements for retirement as of June 30, 2018. 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 or are terminated. If the election is not requested at the time of retirement or termination, 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,	2017	2016
Retirees with Life Insurance Coverage	1,079	1,057
Retirees, Spouses and Surviving Spouses with Health Insurance	2,015	1,998

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, 2018, retirees contributed \$3.2 million (\$3.1 million in 2017) in premiums for health care coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed \$10.2 million (\$9.9 million in 2017) as its 75.0 percent requirement. Retirees not eligible for Medicare were limited to one plan option in calendar year 2017, the High Deductible Wellness plan. Monthly premiums paid by retirees not eligible for Medicare ranged from \$105.98 for single coverage to \$275.15 for family coverage. Medicare-eligible retirees and spouses each paid \$113.10 for medical and prescription drug coverage. Both non-Medicare and Medicare-eligible retirees and spouses paid \$11.26 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, 2018, retirees contributed \$97.5 thousand (\$82.5 thousand in 2017) in premiums for life insurance coverage to fulfill their 25.0 percent of total premium requirement, while the University contributed \$299.6 thousand (\$251.8 thousand in 2017) 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. It is the intent of Ball State University to contribute annually from the Health Care and OPEB 115 Plan an amount at least equal to the actuarially determined contribution (ADC). Beginning with the July 1, 2015, actuarial liability study, the University utilizes the Entry Age Normal Cost Method to calculate the ARC which is an acceptable cost method under GASB Statements No. 43 and No. 45 and required under GASB No. 74. Prior to the July 1, 2015 study, the University used the Projected Unit Credit Method. The change in funding method resulted in an increase in accrued liability but a decrease in normal cost, resulting in a net decrease in the ADC. Under this method, Normal Cost equals the employee's present value of benefits divided by the employee's present value of future payroll at entry age. The minimum contribution is equal to the ADC minus actual benefits paid on behalf of retirees and dependents. Additional amounts may be contributed if available.

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, 2018, the University is currently electing to hold 200 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 Post-Retirement Health fund to the VEBA is performed when funds are available and it is strategically appropriate.

No funds from either the reserves or the auxiliaries 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, 2018, and 2017 are shown below:

	June 30, 2018	June 30, 2017
Reserve for Unreported Claims	\$ 3,845,844	\$ 3,380,063
Reserve for Self-Insurance	\$ 8,464,340	\$ 5,926,311
Reserve for Post-Retirement Health	\$ 7,135,725	\$ 5,648,427

Net OPEB Liability

At June 30 2018, the University reported a Net OPEB Liability of \$20,373,014 of which \$15,834,601 was actuarially determined. The remaining \$4,538,413 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 2017-2018 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, 2017.

The measurement period for the OPEB plans are July 1, 2016 through June 30, 2017.

The reporting period is July 1, 2017 through June 30, 2018.

Net OPEB Liability was measured as of June 30, 2017.

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

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

	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)
Ball State University's Net OPEB Liability (Asset)	<u>\$ 15,834,601</u>	<u>\$ (3,201,057)</u>
Plan Fiduciary Net Position as a percentage of the		
Total OPEB Liability	94.38%	114.32%

Actuarial Assumptions. The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Methods and Assumptions Used to Determine Contribution Amounts for the Fiscal Year Ending June 30, 2018 *

Valuation Date:	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.
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	21 years
Asset Valuation Method:	Market value of assets
Price Inflation:	No explicit price inflation assumption used
Salary Increases:	3.5% per year
Investment Rate of Return:	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
Mortality:	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%
Dental Trend Rates:	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 valuation assumptions used in the June 30, 2016 actuarial valuation

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 2017-2018 or 2016-2017.

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

Asset Class	Target Allocation	Long-Term Expected Return
International Equity	20.0%	7.0%
Emerging Markets Equity	4.0%	8.7%
Low Volatility Equity	4.0%	6.3%
US Small Cap Equity	10.0%	6.0%
US Large Cap Equity	32.0%	5.6%
Fixed Income	20.0%	3.4%
Real Estate	10.0%	6.7%
Total	100.0%	

Notes:

- There were no investments identified at June 30, 2017 and June 30, 2016 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 15.2 percent. The plans rely on various investment managers hired by the University's Board of Trustees, with the advice of outside consultants to prudently invest the amounts contributed. These investment manager arrangements are in the form of mutual funds, separately managed accounts with securities in the possession of custodians other than the investment manager, a private investment trust, and a private closed-end real estate investment trust. Investments are reported by the managers and in some cases custodial banks at fair value. Fixed income securities maturing within one year of the date of the financial statements are classified as short term investments. The fair value of the investments in the core real estate fund is based on independent appraisals and internal valuations of recent acquisitions.

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

For the purpose of this valuation, the expected rate of return on OPEB plan investments remains unchanged at 7.0 percent; the municipal bond rate is 3.6 percent (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); 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

Health Care Plan	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, 2018	\$ 281,711,835	\$ 265,877,234	\$ 15,834,601

Changes in Net OPEB Liability - Life
June 30, 2018

OPEB 115 Plan	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)
Diff 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, 2018	\$ 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

Year Ended June 30, 2017

Health Care Plan			
	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 (Asset)	\$ 53,691,805	\$ 15,834,601	\$ (16,670,360)

OPEB 115 Plan			
	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 (Asset)	\$ (44,763)	\$ (3,201,057)	\$ (5,759,149)

Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption. Regarding the sensitivity of the net OPEB liability to changes in the healthcare 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 Healthcare Cost Trend Rate Assumption
Year Ended June 30, 2017

	Health Care Plan		
	1% Decrease	Current Healthcare 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 \$20,373,014 for the fiscal year ended June 30, 2018, for the Health Care Plan. The OPEB 115 Plan is recorded as a Net OPEB Asset in the amount of \$3,201,057 as trust assets surpass liabilities. The net OPEB liability (asset) was measured as of June 30, 2017, for fiscal year 2017-2018. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of those dates for all plans.

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

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
Pension Expense (Revenue)	\$ 6,083,377	\$ (496,419)	\$ 5,586,958

On 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 2017:	6.63 Years		Net Outflows (Inflows) of Resources
	Deferred Outflow of Resources	Deferred Inflow 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 2017:	7.3 Years		Net Outflows (Inflows) of Resources
	Deferred Outflow of Resources	Deferred Inflow 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)

**Net Outflows (Inflows of Resources not to include contributions subsequent to measurement date)*

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

<u>Health Care Plan</u>	
<u>Year Ending June 30</u>	<u>Net Deferred Outflow of Resources</u>
2018	\$ (2,941,268)
2019	(2,941,268)
2020	(2,941,268)
2021	(2,941,268)
2022	745,977
Thereafter	470,418
Total	<u>\$ (10,548,677)</u>

<u>OPEB 115 Plan</u>	
<u>Year Ending June 30</u>	<u>Net Deferred Outflows of Resources</u>
2018	\$ (324,031)
2019	(324,031)
2020	(324,031)
2021	(324,031)
2022	(57,708)
Thereafter	(75,050)
Total	<u>\$ (1,428,882)</u>

The following is a complete reproduction, for comparative purposes, of the Other Post-Employment Benefits Notes section from the BSU Financial Report Year Ended June 30, 2017:

Other Post-Employment Benefits

In addition to providing pension benefits, the University, as authorized by the University's Board of Trustees, provides certain health care and life insurance benefits for retired employees. Substantially all of the University's regular employees may become eligible for those benefits if they retire from the University after accruing the required years of service (15 years at age 62 with 15 years in the plan; 15 years at age 50 and 15 years in the plan for those hired before July 1, 2009; and for those employees who were hired August 31, 1999 and prior may also retire with health and life insurance benefits at the earlier of age 50 with 15 years of service or age 60 with 10 years of service and only 12 months participation in the plans). As of June 30, 2015, approximately 2,007 (1,957 at June 30, 2014) participants were eligible and were receiving one or both of these benefits.

Plan Description

The University's Health Care and OPEB 115 Plans (Plans) are single-employer defined benefit health and life insurance plans administered by the University. The Plans provide medical, dental, and prescription drug insurance benefits to eligible retirees and spouses and life insurance benefits to eligible retirees. IC 21-38-3-3 assigns authority to the University's Board of Trustees to establish and amend benefit provisions for the University. The Plans issue a publicly available financial report that includes financial statements and required supplementary information for the Plans as a whole and for the participants. That report may be obtained by contacting: Ball State University, Office of University Controller, AD 301, Muncie, IN 47306.

Funding Policy

The contribution requirements for members of the Plans are established by the University's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, as well as amounts necessary to prefund benefits as

determined annually by the University. In addition, the University has followed a practice of contributing additional amounts generated by savings within the employee plans as well as the retiree plans. For the fiscal year ended June 30, 2016, the University contributed \$7,591,506 (\$8,209,169 for 2015) for current claims and estimated applicable administrative costs and an additional \$1,924,605 (\$3,123,319 for 2015) from Medicare prescription drug subsidies, rebates on prescription drugs, and savings generated within the employee and retiree plans this year and last year, in order to prefund benefits. Plan members receiving benefits contributed \$3,115,598 (\$3,035,939 for 2015) for health insurance and \$69,070 (\$67,805 for 2015) for life insurance or approximately 25.0 percent of the total premiums assessed, through their required contributions, which for health insurance and dental insurance ranged, for those not eligible for Medicare, from \$100.97 to \$175.97 per month for single coverage and \$262.16 to \$337.16 for family coverage. For those eligible for Medicare, the monthly premiums remained unchanged from prior year at \$109.92 for medical and prescription drug coverage and \$10.73 (\$10.52 for 2015) for optional dental coverage. These premium amounts were also paid by Medicare-eligible spouses for their coverage. Retiree life insurance monthly premiums are on a sliding scale based on coverage in the last year employed. Retirees are eligible to receive 50.0 percent of the amount of coverage they have immediately prior to retirement or prior to reaching age 66, whichever occurs first, up to a maximum of \$37,500. Retirees pay \$0.173 per \$1,000 of coverage per month, which means the maximum monthly premium paid by retirees is \$6.50.

Annual OPEB Cost and Net OPEB Obligation

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

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

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

	Year	Annual	Percentage	Net OPEB
	Ending	OPEB Cost	of Annual OPEB Cost Contributed	Obligation (Asset)
Health Insurance	6/30/2014	\$ 8,435,393	102.6%	\$ (8,492,491)
	6/30/2015	6,896,136	119.0%	(9,805,524)
	6/30/2016	8,151,644	113.7%	(10,923,483)
Life Insurance	6/30/2014	\$ 456,105	204.4%	\$ (1,280,754)
	6/30/2015	334,382	301.1%	(1,953,242)
	6/30/2016	93,109	1,149.2%	(2,930,096)

Funded Status and Funding Progress

		Actuarial		Unfunded			UAAL as
	Valu-	Value of	Accrued	AAL	Funded	Covered	a % of
	ation	Assets	Liability	(UAAL)	Ratio	Payroll	Covered
	Date		(AAL)				Payroll
Health	7/1/16	\$ 224,965,896	260,747,983	\$ 35,782,087	86.3%	\$ 181,818,904	19.7 %
Life	7/1/16	23,246,027	22,593,209	(652,818)	102.9%	\$ 181,818,904	(0.4)%
Total		<u>\$ 248,211,923</u>	<u>\$ 283,341,192</u>	<u>\$ 35,129,269</u>	87.6%	\$ 181,818,904	19.3 %
Health	7/1/15	\$ 226,660,904	\$ 259,673,454	\$ 33,012,550	87.3%	\$ 175,587,314	18.8 %
Life	7/1/15	23,817,938	21,548,055	(2,269,883)	110.5%	\$ 175,587,314	(1.3)%
Total		<u>\$ 250,478,842</u>	<u>\$ 281,221,509</u>	<u>\$ 30,742,667</u>	89.1%	\$ 175,587,314	17.5 %

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are consistent with the long-term perspective of the calculations.

In the July 1, 2015, Actuarial Valuation Report, the Entry Age Normal cost method was used. The change in cost method from the Projected Unit Credit cost method was done in anticipation of a requirement contained in GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which is in effect for fiscal year ending June 30, 2017. As a result, the ARC, as calculated by the actuaries, is lower than was seen in previous valuations as this cost method shifts the payment responsibility into future periods thus increasing the Actuarial Accrued Liability (AAL). Another change that significantly impacted the July 1, 2015, actuarial study, and caused a lower funded percentage, was the use of a new mortality table published in 2014. This study shows that both males and females are living longer and thus incurring health claims over a longer period of time that, in turn, drives up the liability projection. The change in AAL between the July 1, 2015, and July 1, 2016, actuarial studies was minimal.

The prior study used a 7.5 percent discount rate and the July 1, 2016, study is using a 7.0 percent discount rate. Most other actuarial assumptions remained unchanged. This lower rate more accurately portrays the experience of the investment trust asset growth over the last several years. It is the University's intent to make annual contributions (through a combination of benefits paid from general assets and contributions to the VEBA Trust) that are at least as large as the ARC. If the plans were "unfunded," the ARC would be calculated using a discount rate reflective of the University's internal rates of return, which would result in a significantly larger ARC. The actuarial assumptions for 2016 and 2015 also included an annual health care cost trend rate for medical and prescription drug to be 8.25 percent the first year and reduced to an ultimate 3.5 percent after ten years. The dental cost trend rate for 2016 increased to 4.5 percent from 4.0 percent and drops to 3.5 percent after ten years. Administrative costs relating to the healthcare trends are included. A payroll growth rate was reduced to 3.5 percent for 2016 as opposed to 4.0 percent. The actuarial value of the plan assets is market value for the VEBA Trust (Retiree Healthcare). The OPEB 115 Trust (Retiree Life Insurance) calculates actuarial value of the plan assets as market value adjusted for the value of the IBNP (Incurred But Not Processed claims) at year end. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2015, was 22 years.

Fund Balances and Activity

The VEBA Trust fund established for the sole purpose of funding future retiree health care had the following activity for the years ended June 30, 2016 and June 30, 2015:

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

These funds cannot under any circumstances revert to the University.

The OPEB 115 Trust Fund (formerly Life Insurance Continuance Fund) established for the sole purpose of funding future retiree life insurance benefits had the following activity for the years ended June 30, 2016 and June 30, 2015:

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

These funds cannot under any circumstances revert to the University.

Note J – Included Entities

The University operates 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 \$65,131,931 at June 30, 2018.

Note L – Risk Management

The University is exposed to risks of loss related to:

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

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

Separate funds and accounts have been established to measure the results of the various combinations of risk retention and commercial insurance. Periodically (in some cases annually), after reviewing exposures with insurance consultants and actuaries, adjustments are made to reflect potential liabilities arising from risk retention. The University has had no settlements in excess of insurance coverage for each of the past three fiscal years. The University accounts for incurred, but not reported, health care claims by calculating an amount based on a review of applicable claims submitted after year end, as well as past experience.

This estimated liability at June 30, 2018, and June 30, 2017, was \$3.8 million and \$3.4 million, respectively, as determined by the University's actuarial consultants. Claims activity for each year was as follows:

June 30, 2018	
Unpaid Health Care 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	<u>\$ 3,845,844</u>

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

Note M – Functional Expenses

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

	Functional Classification						Total
	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	
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	<u>\$ 244,921,577</u>	<u>\$ 79,569,751</u>	<u>\$ 17,513,607</u>	<u>\$ 13,639,934</u>	<u>\$ 99,651,546</u>	<u>\$ 28,271,938</u>	<u>\$ 483,568,353</u>

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

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

Ball State University

Required Supplemental Information

June 30, 2018

Schedule of Ball State University's Proportionate Share of the

Net Pension LiabilityPublic Employees' Retirement Fund (PERF)Last 10 Fiscal Years*

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.010432	\$ 46,542,821	\$ 51,754,607	89.9%	76.6%
2016	0.0106414	\$ 48,295,404	\$ 50,999,766	94.7%	75.3%
2015	0.0106374	\$ 43,325,088	\$ 50,950,992	85.0%	77.3%
2014	0.0099214	\$ 26,072,795	\$ 48,439,081	53.8%	84.3%
2013	0.0098422	\$ 33,710,313	\$ 47,254,108	71.3%	78.8%

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

Schedule of Ball State University's Proportionate Share of the

Net Pension LiabilityTeachers' Retirement Fund 1996 Account (TRF 1996)Last 10 Fiscal Years*

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0068661	\$ 4,546,709	\$ 20,731,715	21.9%	90.4%
2016	0.0063119	\$ 4,926,567	\$ 18,180,579	27.1%	87.8%
2015	0.0059797	\$ 3,148,778	\$ 16,389,126	19.2%	91.1%
2014	0.007277	\$ 346,027	\$ 18,832,391	1.8%	99.1%
2013	0.0065355	\$ 2,055,229	\$ 15,926,895	12.9%	93.4%

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

Schedule of Ball State University's Proportionate Share of the

Net Pension LiabilityTeachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)Last 10 Fiscal Years*

Fiscal Year	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Portion of the Non-Employer Contributing Entities Total Proportionate Share (Amount) of the Collective NPL Associated with the University	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	—	\$ —	100.00%	\$ 912,685,000	N/A	28.8%
2016	—	\$ —	100.00%	\$ 989,093,000	N/A	28.4%
2015	—	\$ —	100.00%	\$ 1,074,827,000	N/A	30.0%
2014	—	\$ —	100.00%	\$ 1,262,828,000	N/A	33.6%
2013	—	\$ —	100.00%	\$ 1,383,428,000	N/A	31.7%

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

Schedule of Ball State University's ContributionsPublic Employees' Retirement Fund (PERF)Last 10 Fiscal Years*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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 ContributionsTeachers' Retirement Fund 1996 Account (TRF 1996)Last 10 Fiscal Years*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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 ContributionsTeachers' Retirement Fund Pre-1996 Account (TRF Pre-1996)Last 10 Fiscal Years*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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,	2017
Total OPEB Liability;	
Service Cost	\$ 6,599,790
Interest on the Total OPEB Liability	18,399,968
Changes of Benefit Terms	—
Difference Between Expected and Actual Experience	(4,229,345)
Change of Assumptions **	9,175,625
Benefit Payments, Including Refunds of Employee Contributions ^	\$ (8,982,186)
Net change in Total OPEB Liability	\$ 20,963,852
Total OPEB Liability - Beginning	260,747,983
Total OPEB Liability - Ending (a)	\$ 281,711,835
Plan Fiduciary Net Position;	
Employer Contributions ^	\$ 15,482,186
Nonemployer Contributing Entities Contributions	—
Employee Contributions	—
OPEB Plan Net Investment Income	34,411,338
Benefit Payments, Including Refunds of Employee Contributions ^	(8,982,186)
OPEB Plan Administrative Expense	—
Other	—
Net Change in Plan Fiduciary Net Position	\$ 40,911,338
Plan Fiduciary Net Position - Beginning	224,965,896
Plan Fiduciary Net Position - Ending (b)	\$ 265,877,234
Net OPEB Liability - Ending (a) - (b)	\$ 15,834,601
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	94.38%
Covered Payroll #	\$ 194,729,643
Net OPEB Liability as a Percentage of Covered Payroll	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

Last 10 Fiscal Years*

Fiscal year ending June 30,	2017
Total OPEB Liability:	
Service Cost	\$ 289,531
Interest on the Total OPEB Liability	1,557,695
Changes of Benefit Terms **	(407,528)
Difference Between Expected and Actual Experience	(421,297)
Change of Assumptions	—
Benefit Payments, Including Refunds of Employee Contributions ^	(1,259,902)
Net Change in Total OPEB Liability	\$ (241,501)
Total OPEB Liability - Beginning	22,593,209
Total OPEB Liability - Ending (a)	\$ 22,351,708
Plan Fiduciary Net Position:	
Employer Contributions ^	\$ 418,438
Nonemployer Contributing Entities Contributions	—
Employee Contributions	—
OPEB Plan Net Investment Income	2,943,702
Benefit Payments, Including Refunds of Employee Contributions ^	(1,259,902)
OPEB Plan Administrative Expense	—
Other	—
Net Change in Plan Fiduciary Net Position	\$ 2,102,238
Plan Fiduciary Net Position - Beginning	23,450,527
Plan Fiduciary Net Position - Ending (b)	\$ 25,552,765
Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (3,201,057)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	114.32 %
Covered Payroll #	\$ 194,729,643
Net OPEB Liability as a Percentage of Covered Payroll	(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 plan provisions (retiree contributions).

^ Includes amount being paid outside of trust.

Payroll provided separately by the employer.

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

Health Care Plan

Last 10 Fiscal Years*

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution ^	Contribution Deficiency (Excess)	Covered Payroll #	Actual Contribution as a Percentage of Covered Payroll
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
2017	\$261,383	\$418,438	\$(157,055)	\$194,729,643	0.21%

* 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.

The following is a complete reproduction, for comparative purposes, of the Other Post-Employment Benefits Required Supplemental Information section from the BSU Financial Report Year Ended June 30, 2017:

Other Post-Employment Benefits
Retiree Health and Life Insurance Plans

		Actuarial			Funded Ratio	Covered Payroll	UAAAL as
		Valuation Date	Value of Assets	Acrued Liability (AAL)			a % of Covered Payroll
Health		7/1/2016	\$224,965,896	\$260,747,983	86.3%	\$181,818,904	19.7%
Life		7/1/2016	23,246,027	22,593,209	102.9%	\$181,818,904	(0.4)%
Total			<u>\$248,211,923</u>	<u>\$283,341,192</u>	87.6%	\$181,818,904	19.3%
Health		7/1/2015	\$226,660,904	\$259,673,454	87.3%	\$175,587,314	18.8%
Life		7/1/2015	23,817,938	21,548,055	110.5%	\$175,587,314	(1.3)%
Total			<u>\$250,478,842</u>	<u>\$281,221,509</u>	89.1%	\$175,587,314	17.5%
Health		7/1/2013	\$181,841,263	\$203,498,679	89.4%	\$161,541,171	13.4%
Life		7/1/2013	21,672,127	21,579,195	100.4%	\$161,541,171	(0.1)%
Total			<u>\$203,513,390</u>	<u>\$225,077,874</u>	90.4%	\$161,541,171	13.3%
Health		7/1/2011	\$156,645,643	\$181,683,897	86.2%	\$157,397,746	15.9%
Life		7/1/2011	21,487,762	22,261,030	96.5%	\$157,397,746	0.5%
Total			<u>\$178,133,405</u>	<u>\$203,944,927</u>	87.3%	\$157,397,746	16.4%
Health		7/1/2009	\$114,147,732	\$192,195,650	59.4%	\$151,120,585	51.6%
Life		7/1/2009	16,546,332	20,150,137	82.1%	\$151,120,585	2.4%
Total			<u>\$130,694,064</u>	<u>\$212,345,787</u>	61.5%	\$151,120,585	54.0%
Health		7/1/2007	\$148,827,822	\$171,887,451	86.6%	\$136,645,256	16.9%
Life		7/1/2007	25,238,907	19,036,901	132.6%	\$136,645,256	(4.5)%
Total			<u>\$174,066,729</u>	<u>\$190,924,352</u>	91.2%	\$136,645,256	12.3%

Ball State University

Notes to Required Supplemental Information

June 30, 2018

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

Actuarial Assumptions per Fiscal Year
PERF

Fiscal Year	Experience Study Date	Investment Rate of Return (Accounting)	Cost of Living Increases (COLA) or "Ad Hoc" COLA	Future Salary Increases, including Inflation	Inflation	Mortality-Healthy	Mortality-Disabled
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

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
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

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
2017	Period of 3 years ended June 30, 2014	6.75%, includes Inflation and net of investment expenses	1.00%	2.5% - 12.5%	0.0225	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

To assist in the review of the Health Care and OPEB 115 Plans:

Changes to OPEB Benefit Terms

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, 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 *

Valuation Date:	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.
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	21 years
Asset Valuation Method:	Market value of assets
Price Inflation:	No explicit price inflation assumption used
Salary Increases:	3.5% per year
Investment Rate of Return:	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
Mortality:	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%
Dental Trend Rates:	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"

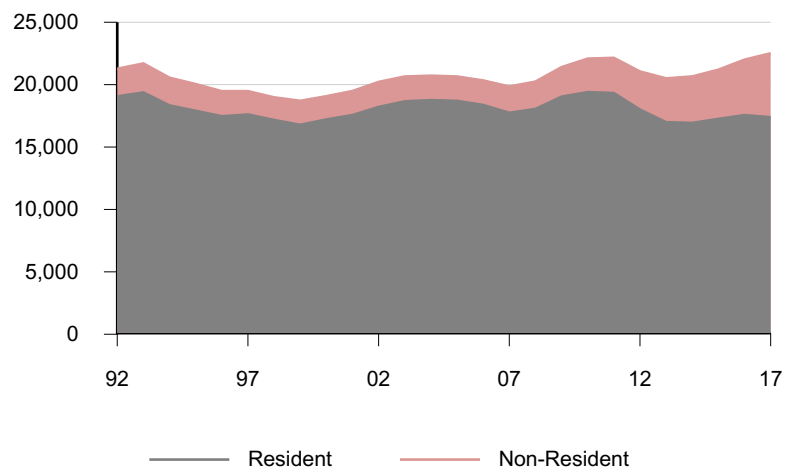
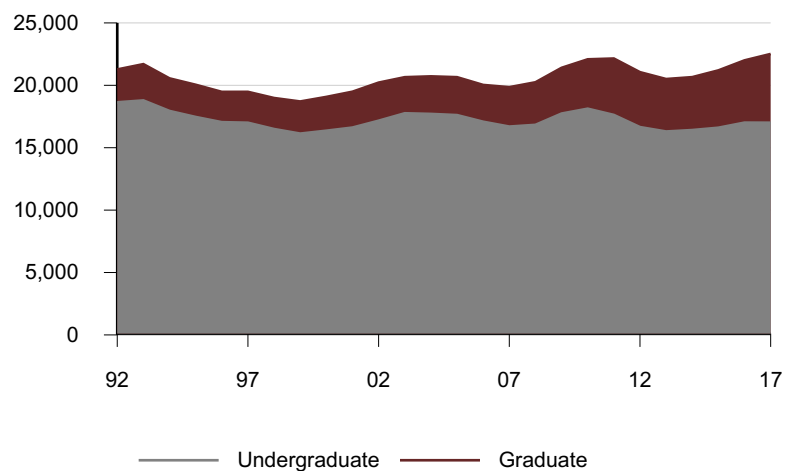
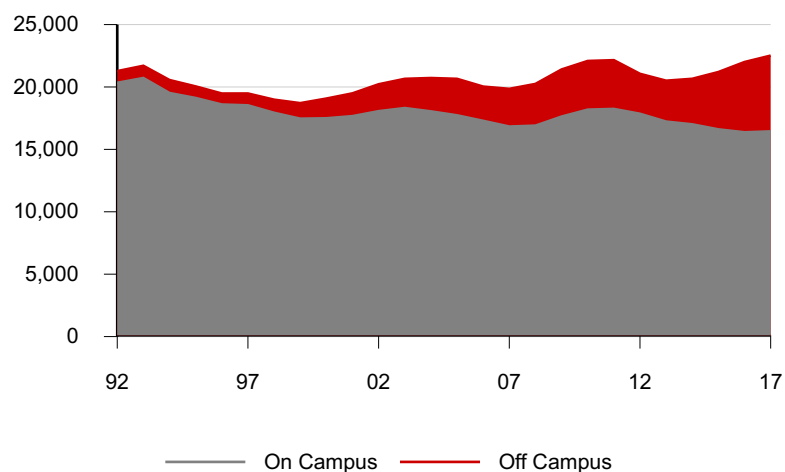
* Based on valuation assumptions used in the June 30, 2016 actuarial valuation

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 1992-2017

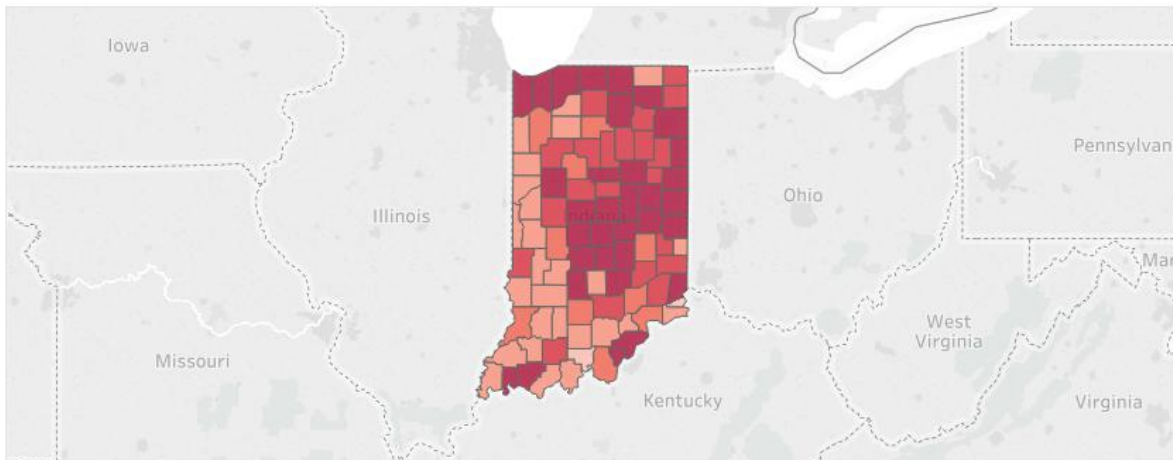




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Student Enrollment by Indiana Counties, Fall 2017



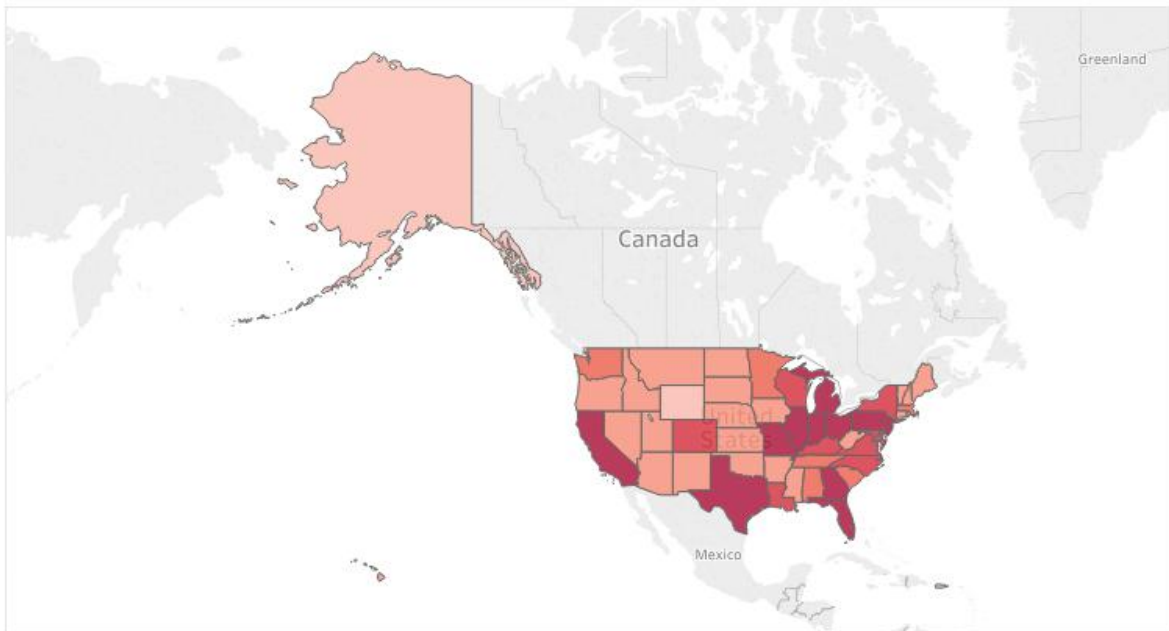
Unknown	11	Franklin	71	Madison	773	Shelby	108	Enrollment 1 - 5 Students 6 - 25 Students 26 - 50 Students 51 - 100 Students Over 100 Students
Adams	151	Fulton	48	Marion	1,955	Spencer	14	
Allen	904	Gibson	23	Marshall	94	St Joseph	494	
Bartholomew	172	Grant	233	Martin	8	Starke	24	
Benton	12	Greene	15	Miami	56	Steuben	53	
Blackford	92	Hamilton	2,207	Monroe	133	Sullivan	12	
Boone	268	Hancock	393	Montgomery	71	Switzerland	8	
Brown	14	Harrison	46	Morgan	146	Tippecanoe	300	
Carroll	35	Hendricks	518	Newton	7	Tipton	57	
Cass	72	Henry	262	Noble	106	Union	20	
Clark	101	Howard	271	Ohio	4	Vanderburgh	174	
Clay	23	Huntington	92	Orange	10	Vermillion	7	
Clinton	77	Jackson	75	Owen	16	Vigo	62	
Crawford	5	Jasper	35	Parke	9	Wabash	53	
Daviess	14	Jay	192	Perry	10	Warren	20	
De Kalb	82	Jefferson	41	Pike	7	Warrick	113	
Dearborn	102	Jennings	30	Porter	309	Washington	18	
Decatur	66	Johnson	408	Posey	16	Wayne	199	
Delaware	2,434	Knox	36	Pulaski	23	Wells	94	
Dubois	63	Kosciusko	185	Putnam	43	White	60	
Elkhart	331	La Porte	181	Randolph	184	Whitley	87	
Fayette	71	Lagrange	24	Ripley	60			
Floyd	108	Lake	650	Rush	45			
Fountain	19	Lawrence	42	Scott	21			



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Student Enrollment by State, Fall 2017



Alabama	28	Illinois	1,364	Nebraska	15	South Carolina	41
Alaska	5	Indiana	17,388	Nevada	12	South Dakota	7
Arizona	24	Iowa	20	New Hampsh..	13	Tennessee	44
Arkansas	15	Kansas	21	New Jersey	154	Texas	140
California	220	Kentucky	54	New Mexico	8	U.S. Armed For..	8
Colorado	54	Louisiana	52	New York	77	Unknown	77
Connecticut	16	Maine	8	North Caroli..	59	Utah	21
Delaware	3	Maryland	54	North Dakota	6	Vermont	6
District of Co..	5	Massachuse..	29	Ohio	745	Virginia	74
Florida	172	Michigan	396	Oklahoma	17	Washington	33
Georgia	102	Minnesota	39	Oregon	10	West Virginia	11
Guam	3	Mississippi	10	Pennsylvania	128	Wisconsin	96
Hawaii	16	Missouri	133	Puerto Rico	2	Wyoming	5
Idaho	6	Montana	9	Rhode Island	4		

Enrollment

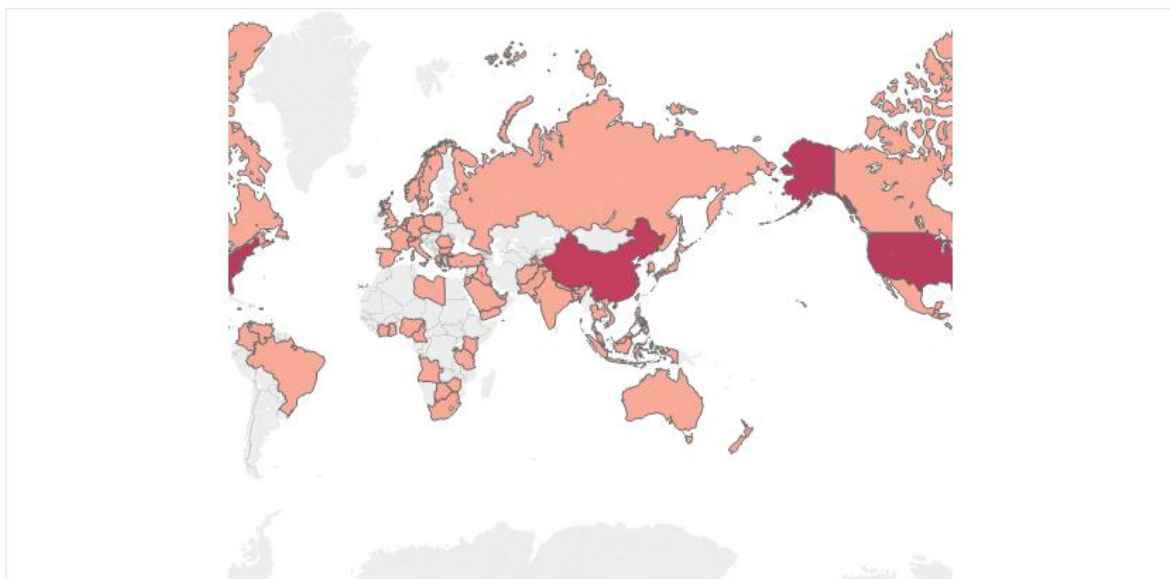
- 1 - 5 Students
- 6 - 25 Students
- 26 - 50 Students
- 51 - 100 Students
- Over 100 Students



BALL STATE UNIVERSITY

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Student Enrollments by Country, Fall 2017



Afghanistan	1	France	3	Nepal	1	Sweden	1	<div>Enrollment</div> <div><div></div>1 - 5 Students</div> <div><div></div>6 - 25 Students</div> <div><div></div>26 - 50 Students</div> <div><div></div>51 - 100 Students</div> <div><div></div>Over 100 Students</div>
Angola	1	Germany	3	Netherlands	1	Switzerland	1	
Australia	4	Ghana	9	New Zealand	1	Taiwan	6	
Bahrain	1	Greece	1	Nigeria	6	Tajikistan	3	
Bangladesh	11	Guatemala	1	Norway	1	Tanzania	1	
Belgium	1	Honduras	1	Pakistan	2	Thailand	1	
Bermuda	1	India	15	Philippines	1	Trinidad and Tobago	4	
Botswana	1	Indonesia	1	Poland	1	Turkey	2	
Brazil	4	Iraq	2	Qatar	2	United Arab Emirates	1	
Bulgaria	1	Italy	2	Romania	1	United Kingdom	5	
Cameroon	1	Jamaica	1	Russia	1	United States	22,059	
Canada	17	Japan	7	Rwanda	1	Venezuela	1	
China	213	Jordan	2	Saint Vince..	1	Vietnam	3	
Colombia	2	Kenya	1	Saudi Arabia	60	Yemen	1	
Costa Rica	2	Kuwait	1	Singapore	2	Zimbabwe	1	
Cote d'Ivoire	1	Libya	4	South Africa	1			
Czech Republic	1	Malaysia	1	South Korea	14			
El Salvador	1	Mexico	3	Spain	4			

Student Financial Assistance

2006-2007 through 2017-2018
(in millions of dollars)

