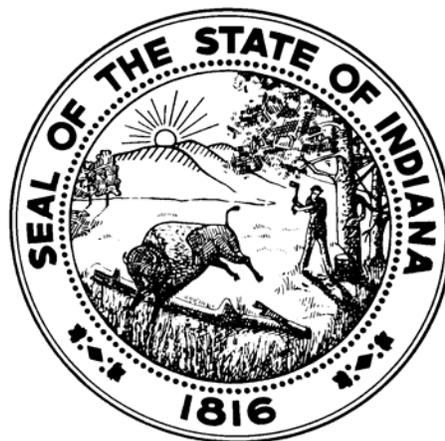


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

BALL STATE UNIVERSITY
NCAA FINANCIAL REPORT
MUNCIE, INDIANA

July 1, 2005 to June 30, 2006



FILED
01/19/2007



STATE OF INDIANA
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**INDEPENDENT ACCOUNTANT'S REPORT ON
THE APPLICATION OF AGREED-UPON PROCEDURES**

Dr. Jo Ann Gora
President
Ball State University
2000 W. University Avenue
Muncie, Indiana 47306

We have performed the procedures enumerated below, which were agreed to by the chief executive of Ball State University, solely to assist you in evaluating whether the accompanying statement of revenue and expenses of Ball State University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3 for the year ended June 30, 2006. Ball State University's management is responsible for the statement of revenue and expenses ("statement") and the statements compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenditures

- a. We obtained the Statement of Revenues and Expenditures for the Year Ended June 30, 2006, Exhibit A, as prepared by management and attached to this document. We recalculated the addition of the amounts on the statement, traced the University amounts on the statements to management's worksheets, and to the 3-35600 series of accounts on the University's financial accounting system. We compared the Foundation amounts to a summary of accounts obtained from the Ball State Foundation.
- b. We compared current year amounts with prior year amounts for each classification of University accounts on Exhibit A and supported fluctuations of greater than \$25,000 or 10% of the prior year's amount.
- c. We compared total revenues and expenditures by classification to the prior year's financial report, noting that the current year amounts compare favorably with the prior year amounts.
- d. The attached statement of Revenues and Expenditures is a summary of the transactions for the Intercollegiate Athletics. The statement includes the revenues and expenditures relating to Intercollegiate Athletics recorded in the Ball State Foundation's (an outside booster organization) accounting records. We did not examine any supporting documentation for the financial information reported by the Ball State Foundation.

**INDEPENDENT ACCOUNTANT'S REPORT ON
THE APPLICATION OF AGREED-UPON PROCEDURES**
(Continued)

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenue and Expenditures of Ball State University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

STATE BOARD OF ACCOUNTS

December 14, 2006

BALL STATE UNIVERSITY
STATEMENT OF REVENUES AND EXPENDITURES
INTERCOLLEGIATE ATHLETICS
For the Year Ended June 30, 2006

	2006						2005 Total
	Football	Mens Basketball	Womens Basketball	Other Sports	Non-Program Specific	Total	
<u>University Accounts:</u>							
Revenues:							
Ticket sales	\$ 163,979	\$ 450,353	\$ 8,672	\$ 9,432	\$ --	\$ 632,436	\$ 589,324
Contributions	24,000	20,000	16,000	207,643	258,072	525,715	572,540
Guarantees	1,100,000	--	--	3,500	--	1,103,500	635,600
Concession commissions	11,571	14,516	2,188	1,227	358	29,860	39,143
Royalty and licensing commissions	--	--	--	--	60,000	60,000	60,000
Printed programs	514	405	104	255	501	1,779	9,001
Parking fees	22,133	21,812	--	--	--	43,945	51,899
NCAA and MAC revenue	--	--	--	--	673,753	673,753	862,569
Dedicated student fees	354,108	--	--	--	7,188,172	7,542,280	6,975,500
Additional designated support	323	--	10,000	97,197	332,341	439,861	A 520,410
General fund support for:							
Salaries	83,608	--	232,122	883,559	732,323	1,931,612	1,900,465
Staff benefits	33,557	--	67,283	367,800	265,952	734,592	660,037
Other	19,386	13,942	7,899	47,979	209,770	298,976	277,339
TOTAL REVENUES	\$ 1,813,179	\$ 521,028	\$ 344,268	\$ 1,618,592	\$ 9,721,242	\$ 14,018,309	\$ 13,153,827
Expenditures:							
Coaches' salaries	\$ 766,483	\$ 363,910	\$ 232,122	\$ 1,055,823	\$ --	\$ 2,418,338	\$ 2,319,865
Salaries and wages	97,271	42,956	11,412	8,602	1,590,248	1,750,489	1,747,803
Staff benefits	294,392	108,842	67,927	416,528	497,539	1,385,228	1,304,393
Operating supplies	245,167	37,367	15,940	145,229	85,504	529,207	536,816
Rental of equipment and facilities	8,470	455	192	48,111	28,178	85,406	73,137
Awards	6,778	1,095	1,240	10,024	--	19,137	16,057
Guarantees	--	47,000	18,536	2,071	--	67,607	169,363
Telephone	25,911	14,466	8,168	19,366	45,518	113,429	116,832
Travel	486,060	153,392	99,038	690,161	39,971	1,468,622	1,130,427
Meals and lodging	162,477	13,423	18,020	32,312	2,043	228,275	208,022
Officials	38,040	38,880	35,650	48,379	--	160,949	146,843
Postage	23,437	10,803	4,059	12,967	17,188	68,454	69,655
Printing and photography	22,482	21,855	12,361	40,791	34,063	131,552	151,400
Grants-in-aid	1,799,803	317,757	275,774	2,085,255	(3,927)	4,474,662	4,298,036
Association dues	130	--	580	2,925	75,165	78,800	79,265
Equipment	7,920	1,684	--	481	21,500	31,585	113,954
Repairs and maintenance	529,557	3,409	632	2,841	61,187	597,626	123,618
Insurance	40,491	13,354	9,375	50,815	23,653	137,688	277,942
Provision for doubtful accounts	--	--	--	--	852	852	(846)
Other miscellaneous expenses	135,454	21,055	4,284	25,379	75,922	262,094	271,245
TOTAL EXPENDITURES	\$ 4,690,323	\$ 1,211,703	\$ 815,310	\$ 4,698,060	\$ 2,594,604	\$ 14,010,000	\$ 13,153,827
REVENUES OVER/(UNDER) EXPENDITURES	\$ (2,877,144)	\$ (690,675)	\$ (471,042)	\$ (3,079,468)	\$ 7,126,638	\$ 8,309	\$ (0)
<u>Foundation Accounts:</u>							
Revenues	\$ 2,845,329	\$ 47,638	\$ 28,928	\$ 398,165	\$ 662,375	\$ 3,982,434	\$ 1,745,868
Expenditures	214,213	67,407	40,081	332,374	579,904	1,233,979	752,715
REVENUES OVER/(UNDER) EXPENDITURES	\$ 2,631,116	\$ (19,769)	\$ (11,153)	\$ 65,791	\$ 82,471	\$ 2,748,455	\$ 993,153

A = Includes \$148,732.38 to fund deficit from Account 3-35600-0921

The accompanying notes are an integral part of the Schedule.

BALL STATE UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2006

Note 1. Basis of Presentation

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenditures of the intercollegiate athletics programs of the University for the year ended June 30, 2006. The Schedule includes those intercollegiate athletics revenues and expenditures made on behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year ended. Revenues and expenditures not directly identifiable to a specific sport are reported under the category, "Non-Program Specific."

Note 2. Affiliated Organizations

The University received \$1.2 million from the Ball State University Foundation, Inc. The amounts received are included in the accompanying schedule identified separately as Foundation Accounts. Approximately \$700,000 of these funds were for grant-in-aid scholarships for student athletes. The remaining \$500,000 is recorded in contribution revenue in the accompanying schedule.

Note 3. Capital Assets

Capital assets consists of buildings and equipment which are stated at historical cost or actual cost where determinable. Construction-in-Progress (CIP) is capitalized at actual cost as expenditures are incurred. All gifts of capital assets are recorded at fair market value as of the date of the donation.

Repair and replacement expenditures that do not extend the useful life of the asset, and expenditures for personal property of less than \$5,000 are expensed rather than capitalized.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 50 years for Buildings and 3 to 10 years for Equipment.

A summary of changes in capital assets associated with the Intercollegiate Athletics Programs follows for the year ended June 30, 2006:

Category	2005 Beginning Balance	Additions	Deletions	2006 Ending Balance
Depreciable Capital Assets:				
Buildings	\$ 51,037,015	\$ 808,123	\$ 99,996	\$ 51,745,142
Equipment	<u>704,819</u>	<u>92,379</u>	<u>37,546</u>	<u>759,652</u>
Total Capital Assets	<u>51,741,834</u>	<u>900,502</u>	<u>137,542</u>	<u>52,504,794</u>
Less: Accumulated Depreciation				
Buildings	16,140,752	1,001,742	-	17,142,494
Equipment	<u>554,849</u>	<u>75,241</u>	<u>16,696</u>	<u>613,394</u>
Total Accumulated Depreciation	<u>16,695,601</u>	<u>1,076,983</u>	<u>16,696</u>	<u>17,755,888</u>
Total Net Capital Assets	<u>\$ 35,046,233</u>	<u>\$ (176,481)</u>	<u>\$ 120,846</u>	<u>\$ 34,748,906</u>