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

AUDIT REPORT

OF

BALL STATE UNIVERSITY

MUNCIE, INDIANA

July 1, 2008 to June 30, 2009

FILED
03/12/2010

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UNIVERSITY OFFICIALS

Office	Official	Term
President	Dr. Jo Ann M. Gora	08-08-04 to 06-30-10
Vice President, Business Affairs and Treasurer	Thomas J. Kinghorn	10-01-80 to 06-30-09
	Dr. Randall B. Howard	07-01-09 to 06-30-10
Associate Vice President, Finance and Assistant Treasurer	Dr. Randall B. Howard	09-01-06 to 06-30-09
Associate Vice President, Business Services and Controller	William A. McCune	07-15-91 to 06-30-10
President of the Board of Trustees	Thomas L. DeWeese	01-01-96 to 06-30-10

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Ball State University (University), as of and for the year ended June 30, 2009, and have issued our report thereon dated October 22, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the University's Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS
State Board of Accounts

October 22, 2009

STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF BALL STATE UNIVERSITY, DELAWARE COUNTY, INDIANA

Compliance

We have audited the compliance of Ball State University (University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A control deficiency in a university's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Ball State University as of and for the year ended June 30, 2009, and have issued our report thereon dated October 22, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the University's management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

State Board of Accounts

March 3, 2010

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Identification Number When No CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Student Financial Aid Cluster				
U.S. DEPARTMENT OF EDUCATION				
Federal Supplemental Education Opportunity Grant	84.007		$ 952,719	$ -
Federal Work-Study Program	84.033		442,761	-
Federal Work-Study Program - ARRA	84.033		152,739	-
Federal Pell Grant Program	84.063		12,594,901	-
Academic Competitiveness Grants	84.375		903,108	-
National Science and Mathematics to Retain Talent (SMART) Grant	84.376		122,958	-
Teacher Education Assistance for College and Higher Education (TEACH) Grant	84.379		7,000	-
Total U.S. Department of Education			15,176,186	-
Total Student Financial Aid Cluster			15,176,186	-
RESEARCH AND DEVELOPMENT CLUSTER				
U.S. DEPARTMENT OF AGRICULTURE				
Modeling Bat Distribution	10.XXX		7,870	-
U.S. DEPARTMENT OF COMMERCE				
Pass-Through University of Southern Indiana				
Economic Adjustment Assistance	11.307		44,696	-
U.S. DEPARTMENT OF DEFENSE				
Military Medical Research and Development	12.420		787,066	-
Pass-Through United States Army				
Basic , Applied, and Advanced Research in Science and Engineering	12.630		45,479	14,737
Total U.S. Department of Defense			832,545	14,737
U.S. DEPARTMENT OF THE INTERIOR				
Pass-Through Indiana Department of Natural Resources:				
Sport Fish Restoration	15.605		199,938	-
Migratory Bird Conservation	15.647		916	-
Assistance to State Water Resources Research Institutes	15.805		10,802	-
Historic Preservation Fund Grants-In-Aid	15.904		49,232	-
Total U.S. Department of the Interior			260,888	-
U.S. DEPARTMENT OF STATE				
Education Exchange - University Lecturers (Professors) and Research Scholars	19.401		2,662	-
U.S. DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction	20.205		35,223	-
Pass-Through Indiana Department of Transportation				
Highway Planning and Construction	20.205		40,828	-
Total U.S. Department of Transportation			76,051	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Aerospace Education Services Program	43.AAA		233,605	-
Pass-Through Purdue University				
Aerospace Education Services Program	43.AAA		24,533	-
Total National Aeronautics and Space Administration			258,138	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Identification Number When No CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)				
NATIONAL SCIENCE FOUNDATION				
Engineering Grants	47.041		(341)	-
Mathematical and Physical Sciences	47.049		25,434	-
Geosciences	47.050		85,570	-
Biological Sciences	47.074		8,216	-
Social, Behavioral, and Economic Sciences	47.075		84,973	-
Education and Human Resources	47.076		11,409	-
International Science and Engineering (OISE)	47.079		36,965	-
Pass-Through Purdue University				
Mathematical and Physical Sciences	47.049		60,585	-
Education and Human Resources	47.076		103,851	-
Pass-Through Indiana University				
Biological Sciences	47.074		7,099	-
Total National Science Foundation			423,761	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
New Jersey Meadowlands Commission Wetlands	66.XXX		1,562	-
U.S. DEPARTMENT OF ENERGY				
State Energy Program	81.041		(454)	-
Office of Science Financial Assistance Program	81.049		(171)	-
Renewable Energy Research and Development	81.087		(1,565)	-
Procurement Contract	81.xxx		9,638	-
Total U.S. Department of Energy			7,448	-
U.S. DEPARTMENT OF EDUCATION				
Overseas-Group Projects Abroad	84.021A		6,578	-
Fund for the Improvement of Postsecondary Education	84.116M		20,325	-
Fund for the Improvement of Postsecondary Education	84.116Z		(3,278)	-
Javits Gifted & Talented Students Education Grant Program	84.206A		223,296	-
Fund for the Improvement of Education	84.215X		209,249	-
Foreign Language Assistance	84.293		81,537	-
Pass-Through University of Illinois				
National Institute on Disability and Rehabilitation Research	84.133E		6,430	-
Pass-Through Indiana Department of Education				
Special Education-Grants to States	84.027A		1,789,374	146,932
Special Education-Technical Assistance on State Data Collection	84.373X		182,133	162,816
Pass-Through Madison Consolidated School District				
Fund for the Improvement of Education	84.215X		167,825	-
Pass-Through Indiana Commission on Higher Education				
Improving Teacher Quality State Grants	84.367A		(216)	-
Pass-Through Indiana University				-
State Improvement Grant	84.323		74,505	-
State Improvement Grant	84.323A		22,574	-
Pass-Through Delaware County Family Services				
Twenty First Century Community Learning Center	84.287C		11,902	-
Total U.S. Department of Education			2,792,234	309,748
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Academic Research Enhancement Award	93.390		78,487	-
Cancer Treatment Research	93.395		(141)	-
Heart and Vascular Diseases Research	93.837		344	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		29,296	-
Biomedical Research and Research Training	93.859		50,284	-
Aging Research	93.866		88,888	-
Pass-Through Indiana State Department of Health				
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283		392,824	276,906
Pass-Through Boston University				
Research Related to Deafness and Communication Disorders	93.173		89,458	-
Pass-Through Indiana Department of Child Services				
Chafee Foster Care Independence Program	93.674		336,179	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Identification Number When No CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER (continued)				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
Pass-Through Indiana Family and Social Services				
Chafee Foster Care Independence Program/Promoting Safe and Stable Families/Child Welfare Services-State Grants	93.674, 93.556, 93.645		3,791	-
Pass-Through Indiana University				
Diabetes, Endocrinology and Metabolism Research	93.847		11,681	-
Total U.S. Department of Health and Human Services			1,081,091	276,906
U.S. DEPARTMENT OF HOMELAND SECURITY				
Contract for Services	97.XXX		16,009	-
Total Research and Development Cluster			5,804,955	601,391
SPECIAL EDUCATION (IDEA) CLUSTER				
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education - Grants to States	84.027A		421,670	-
Total Special Education Cluster			421,670	-
CDBG - ENTITLEMENT and (HUD-Administered) SMALL CITIES CLUSTER				
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Community Development Block Grants/Small Cities Program	14.219		19,348	-
Total CDBG - Entitlement and (HUD-Administered) Small Cities Cluster			19,348	-
HIGHWAY SAFETY CLUSTER				
U.S. DEPARTMENT OF TRANSPORTATION				
State and Community Highway Safety	20.600		4,533	-
Total Highway Safety Cluster			4,533	-
CHILD CARE CLUSTER				
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		12,807	-
Total Child Care Cluster			12,807	-
CHILD NUTRITION CLUSTER				
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
School Breakfast Program	10.553		4,555	-
National School Lunch Program	10.555		41,047	-
Total Child Nutrition Cluster			45,602	-
OTHER PROGRAMS				
U.S. DEPARTMENT OF DEFENSE				
Pass-Through New Hampshire Academy of Applied Science				
Basic Scientific Research	12.431		3,704	-
Total U.S. Department of Defense			3,704	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Identification Number When No CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
OTHER PROGRAMS (continued)				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Community Development Block Grants/Brownsfields Economic Development Initiative	14.246		104,773	-
Pass-Through Indiana Department of Natural Resources				
Community Development Block Grants/State's Program	14.228		16,957	-
Total U.S. Department of Housing and Urban Development			121,730	-
U.S. DEPARTMENT OF INTERIOR				
Procurement Contract	15.XXX		50,000	-
Pass-Through Indiana Department of Natural Resources				
Historic Preservation Fund Grants-In-Aid	15.904		86,855	-
Total U.S. Department of Interior			136,855	-
U.S. DEPARTMENT OF LABOR				
COBRA Premium Assistance - ARRA	17.151		5,129	-
Trade Adjustment Assistance	17.245		12,701	-
Total U.S. Department of Labor			17,830	-
NATIONAL ENDOWMENT FOR THE ARTS				
Promotion of the Arts - Grants to Organizations and Individuals	45.024		(554)	-
Pass-Through Indiana Arts Commission				
Promotion of the Arts - Partnership Agreements	45.025		540	-
Total National Endowment for the Arts			(14)	-
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Pass-Through Indiana Humanities Council				
Promotion of the Humanities - Federal/State Partnership	45.129		(4,861)	-
Total National Endowment for the Humanities			(4,861)	-
U.S. NATIONAL FOUNDATION OF ARTS AND THE HUMANITIES				
Institute of Museum & Library Services	45.310		18,549	-
Pass-Through Howard County				
Promotion of the Arts - Partnership Agreements	45.310		976	-
Pass-Through State of Indiana Library				
Grants to States	45.310		29,207	-
Total National Foundation of Arts and the Humanities			48,732	-
NATIONAL SCIENCE FOUNDATION				
Pass-Through American Physical Society				
Mathematical and Physical Sciences	47.049		(13,080)	-
Total National Science Foundation			(13,080)	-
ENVIRONMENTAL PROTECTION AGENCY				
Environmental Education Grants	66.951		27,416	-
Total Environmental Protection Agency			27,416	-
U.S. DEPARTMENT OF EDUCATION				
Used Energy-Related Laboratory Equipment Grants	81.022		3,000	-
Fund for the Improvement of Postsecondary Education	84.116M		12,950	6,416
Fund for the Improvement of Postsecondary Education	84.116N		41,535	19
Javits Gifted and Talented Students Education Grant Program	84.206A		411,512	47,209

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Identification Number When No CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
OTHER PROGRAMS (continued)				
U.S. DEPARTMENT OF EDUCATION (continued)				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A		291,076	70,823
Pass-Through Ivy Tech Community College				
Vocational Education-Basic Grants to States	84.048		18,641	-
Pass-Through Indiana Department of Workforce Development				
Vocational Education-Basic Grants to States	84.048		5,000	-
Tech-Prep Education	84.243		36,785	-
Pass-Through Indiana Department of Education				
Vocational Education-Basic Grants to States	84.048		1,364	-
Safe and Drug Free Schools and Communities-State Grants	84.186		646	-
State Grants for Innovative Programs	84.298		593	-
Improving Teacher Quality State Grants	84.367		12,779	-
Pass-Through Indiana Commission Higher Education				
Improving Teacher Quality State Grants	84.367A		193,723	-
Pass-Through Greenfield Central School Corporation				
Mathematics and Science Partnerships	84.366		17,211	-
Pass-Through Muncie Community School Corporation				
Mathematics and Science Partnerships	84.366B		(2,093)	-
Pass-Through National Writing Project Corporation:				
National Writing Project	84.928A		90,305	-
Pass-Through State of Indiana				
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	87.394		442,884	-
Pass-Through Indiana State University				
Enhanced Assessment Instruments Program	84.368A		750	-
Pass-Through Indiana Family and Social Services Administration				
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.368A		14,355	-
Total U.S. Department of Education			1,593,016	124,467
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Advanced Education Nursing Traineeships	93.358		78,695	-
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		16,333	-
Pass-Through Head Start Action, Inc.				
Head Start	93.600		802	-
Pass-Through Indiana State Superintendent				
State Court Improvement Program	93.586		3,034	-
Pass-Through Indiana Department of Child Services				
Chafee Foster Care Independence Program/Promoting Safe and Stable Families/Child Welfare Services-State Grants	93.674, 93.556, 93.645		149,051	-
Pass-Through Delaware County Health Department				
Preventive Health and Health Services Block Grant	93.991		500	-
Pass-Through Center for Disease Control				
Vendor Contract for Services	93.XXX		12,329	-
Total U.S. Department of Health and Human Services			260,744	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Pass-Through Purdue University				
Learn and Serve America-School and Community Based Programs	94.004		29,451	-
Pass-Through Midwest Campus Compact M3C Fellows				
AmeriCorps	94.006		195	-
Pass-Through Indiana Campus Compact/Indiana University				
AmeriCorps	94.006		10,950	-
Total Corporation For National and Community Service			40,596	-
DEPARTMENT OF HOMELAND SECURITY				
Competitive Training Grants	97.068		391,234	-
Pass-Through Indiana Department of Homeland Security				
State Domestic Preparedness Equipment Support Program	97.004		6,613	-
Homeland Security Grant Program	97.067		11,448	-
Total Department of Homeland Security			409,295	-
Total Other Programs			2,641,963	124,467
Total Federal Awards			$ 24,127,064	$ 725,858

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

BALL STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant activity of Ball State University (university) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The purpose of the Schedule is to present a summary of those activities of the university for the year ended June 30, 2009, which have been financed by the U.S. Government (federal awards). For purposes of the Schedule, federal awards include all federal assistance and procurement relationships entered into directly between the University and the federal government, and sub-awards from agencies of the State of Indiana and others made under federally sponsored agreements. Because the Schedule presents only a selective portion of the activities of the University, it is not intended to and does not present the financial position, change in net assets or current revenues, expenditures, and other changes of the University. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. For reporting purposes, federal awards have been classified into three types:

1) Student Financial Aid
2) Research and Development
3) Other Federal Programs

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the university provided federal awards to subrecipients as follows for the year ended June 30, 2009:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Basic, Applied and Advanced Research in Science and Engineering	12.630	$ 14,737
Special Education-Grants to States	84.027A	146,932
Special Education-Technical Assistance on State Data Collection	84.373X	162,816
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	276,906
Fund for the Improvement of Postsecondary Education	84.116M	6,416
Fund for the Improvement of Postsecondary Education	84.116N	19
Javits Gifted and Talented Students Education Grant Program	84.206A	47,209
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	70,823
Totals		$ 725,858

Note 3. Guaranteed Student Loans

The following information is not included in the Schedule of Expenditures of Federal Awards. The University participates in the Direct Loan program.

The number of guaranteed student loans and total amount for each program were as follows for Ball State University students for the year ended June 30, 2009:

Program Title	Federal CFDA Number	Loan Amounts	Number Of Loans
Stafford Student Loan Program (Subsidized)	84.268	$ 37,319,622	8,350
Stafford Student Loan Program (Unsubsidized)	84.268	37,860,239	8,620
Parent Loan for Undergraduate Students (PLUS)	84.268	25,953,680	2,874
Totals		$ 101,133,541	19,844

Note 4. Other Programs Student Loans

The following information is not included in the Schedule of Expenditures of Federal Awards. The University participates in the Perkins and Nursing Student Loan programs.

Program Title	Federal CFDA Number	Loan Amounts
Federal Perkins Loan Program – Notes Receivable	84.038	$ 9,630,877
Nursing Student Loan Program – Notes Receivable	93.364	5,812
Totals		$ 9,636,689

Note 5. Other Considerations

As it pertains to the Federal Awards, the University was not required to have insurance in effect and it did not have any noncash assistance during the year for the year ending June 30, 2009.

BALL STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
SFA Cluster	Student Financial Aid Cluster
R & D Cluster	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $723,812

Auditee qualified as low-risk auditee?	Yes

BALL STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

BALL STATE UNIVERSITY
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2010, with, Dr. Randall B. Howard, Vice President of Business Affairs and Treasurer; William A. McCune, Associate Vice President, Business Services and Controller; Randy Sollars, Director of University Budgets; John McPherson, Interim Director of Scholarships and Financial Aid; Kathy Lucas, Director of Contracts and Grants; and Thomas Roberts, Director of Auditing. Our audit disclosed no material items that warrant comment at this time.

FINANCIAL REPORT

Year Ended June 30, 2009

BALL STATE UNIVERSITY

EDUCATION REDEFINED®

To

The President and Board of Trustees

Ball State University

This financial report presents

the financial position of

Ball State University at June 30, 2009,

and the results of activities for

the year then ended.

Randall B. Howard
Vice President for Business Affairs
and Treasurer

December 18, 2009

This financial report has been prepared

by the Office of Controller and Business Services

Ball State University, Muncie, Indiana 47306

Ball State University provides equal opportunity to all students and applicants for admission in its education programs, activities, and facilities without regard to race, religion, color, sex (except where sex is a bona fide qualification), sexual orientation, physical or mental disability, national origin, ancestry, or age.

Ball State University provides equal opportunity to all employees and applicants for employment in its recruitment, hiring, retention, promotion, tenure, transfer, layoff, return from layoff, training, and other employment decisions and in its compensation and benefits programs without regard to race, religion, color, sex (except where sex is a bona fide occupational qualification), sexual orientation, physical or mental disability, national origin, ancestry, age, or citizenship (for U.S. citizens and protected lawfully-admitted aliens).

The University also takes affirmative action to employ and advance minorities, women, qualified disabled persons, and qualified disabled veterans and veterans of the Vietnam era. Information concerning the University's affirmative action programs can be obtained from the Office of University Compliance, Ball State University, Muncie, IN 47306.

Each line administrator is responsible for ensuring that educational and employment decisions are made and implemented in accordance with the University's equal opportunity and affirmative action policy. All persons involved in the decision-making process, including members of faculty and other employee committees, shall act in a nondiscriminatory manner. The Office of University Compliance is responsible for developing, coordinating, and implementing policies and procedures for institutional compliance with all applicable federal and state equal opportunity laws and regulations and for preparing and monitoring compliance with required affirmative action programs.

Complaints regarding unlawful discrimination should be filed within 45 calendar days following the alleged act or incident giving rise to the complaint in the Office of University Compliance 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 Office of University Compliance.

The President will review the University's equal opportunity and affirmative action policy and programs at least once each year, measure progress against the objectives stated in the affirmative action programs, and report findings and conclusions to the Board of Trustees.

Ball State University

2008-2009

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STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Ball State University, a component unit of the State of Indiana, as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University as discussed in Note A, which represents 100% of the assets and revenues of the discretely presented component unit. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Ball State University, as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2009, on our consideration of Ball State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS
State Board of Accounts

October 22, 2009

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Ball State University
Management's Discussion and Analysis
June 30, 2009

Introduction

Ball State University (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. The State, in turn, transferred control of the school to the Board of Trustees of the Indiana State Normal School. 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 or selected 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.

The University is divided into seven academic colleges, offering eight associate-level programs, 178 undergraduate degree programs, 97 masters-level programs, 16 doctoral-level programs and four specialists programs. Ball State is fully accredited by the North Central Association of Colleges and Schools. In addition, various schools, departments and programs are accredited by numerous other professional agencies, licensing boards, and state agencies. The University also operates the state'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 2008 totaled 18,245 full-time equivalent students from a total headcount of 20,718. This is an increase of 326 full-time equivalent students over the prior year. On-campus enrollment totaled 16,102 full-time equivalent students from a total headcount of 16,901. The University provides on-campus housing in residence halls and apartments for approximately 6,700 students. As of the beginning of the 2008-2009 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 2,839 full-time and 475 part-time personnel. The campus facilities include approximately 113 buildings, 96 of which are considered major, on over 1,000 acres.

What follows is the Ball State University Financial Report for the year ended June 30, 2009, an objective record of the University's stewardship of its human, physical and financial resources. The University's management has prepared and is responsible for the completeness and fairness of the financial statements and the related footnote disclosures included in this report, along with this discussion and analysis. The discussion and analysis is designed to provide an objective analysis of the University's financial activities based on currently known facts, decisions, and conditions.

Using this Report

This financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows, prepared in accordance with *Statement No. 35 of the Governmental Accounting Standards Board, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, an Amendment of GASB Statement No. 34,* as well as subsequent applicable statements from the GASB. These financial statements focus on the financial condition of the University, the 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.

Capital assets include construction in progress and infrastructure, as well as completed capital projects and capital acquisitions.

This financial report also includes, in addition to the basic financial statements referred to above, management's discussion and analysis, the report of independent auditors, notes to the financial statements, and supplemental information. Included also, in accordance with GASB Statement No. 39, separately presented, are the financial statements and significant notes to the financial statements for the Ball State University Foundation. The Ball State University Foundation is a separate, not-for-profit corporation which solicits, collects and invests donations for the sole benefit of the University. The Foundation's financial statements are presented in accordance with the reporting principles of the Financial Accounting Standards Board and therefore are not comparable to those of the University.

In May, 2006, the American Institute of Certified Public Accountants issued its Statement on Auditing Standards (SAS) No. 112, "Communicating Internal Control Related Matters Identified in an Audit," which took effect in fiscal year 2007. This statement, which applies to all organizations who publish audited financial statements, including governmental and not-for-profit organizations, incorporates many of the more stringent definitions for reporting significant deficiencies and material weaknesses that are currently applicable to the audits of publicly held corporations. Related SAS Nos. 102-111 and No. 114 took effect in fiscal year 2008, and required the auditors to personally observe accounting processes and to compare these to the applicable written procedures to determine risk and internal control adequacy. In order to fully comply with provisions of the new internal control standards, the University has continued its detailed review of policies and procedures, documentation, processes, and training, with an emphasis on internal control aspects. In addition, business continuity plans have been updated and tested and the internal audit process expanded.

Current Economic Climate

The current economic recession has had a global impact and affected nearly all sectors of the economy. Institutions of higher education were not spared from the effects of this downturn. Many private institutions are facing dwindling enrollments as large tuition increases have been necessary to offset declining endowments. In contrast to these results, Ball State's enrollment is increasing.

As a state-supported public institution, Ball State relies on state appropriations for approximately one-half of its annual general fund budget or one-third of its total annual revenue. For the past two years, the State of Indiana has experienced revenue shortfalls and anticipates further declines in revenue which have had and will continue to have an impact on state budgeting. In January 2009, the Governor of Indiana announced a one percent reduction in the operating appropriations for Indiana's public institutions of higher education, applicable for the last six months of the 2008-09 fiscal year. The Governor further proposed a four percent cut to the appropriations for the 2009-11 biennium, when compared to the 2008-09 fiscal year. In approving the budget for the 2009-11 biennium, the Indiana Legislature took the Governor's recommendation, but restored both the one percent cut to 2008-09 and the four percent cut to 2009-11 through the use of federal stimulus funds available from the American Recovery and Reinvestment Act of 2009. The use of these federal stimulus funds is intended as a two-year stop gap measure as these funds will not be available beyond the 2009-11 biennium. Ball State's commitment to academic excellence combined with the uncertainty of future appropriations demands a careful balance between cost containment and the need to invest in its future.

Given this difficult economic environment, it is especially impressive to note that in July, 2008, Standard & Poor's upgraded the state's bond rating from AA+ to AAA, its highest credit rating. This was the first time the highest credit rating had been received by the state. Also, unlike most of its sister states, Indiana still retains a large surplus in various reserve accounts as of the end of the fiscal year ended June 30, 2009.

Despite the current economic challenges, Ball State is well positioned for the future. Thanks to many years of careful planning and stewardship, the impact to the University is less severe than it could have been. Although cost-saving measures have been undertaken, maintaining the quality of the students' educational experience was the highest priority in the decision-making process. The results of the Strategic Plan, as discussed in the following section, indicate that this priority is being met, and Ball State's reputation continues to grow.

Senator Richard Lugar at Geothermal Project Ground Breaking

One initiative which will result in annual savings of over $2.0 million when completed is the conversion to a geothermal-based district heating and cooling system. Funding for the first phase of this project is already in hand, and additional funding to accelerate the conversion is being sought through federal grants. Further details on this historic and groundbreaking project will be presented in other sections of this report.

The University has an ongoing capital improvement program of new construction and renovation for many of its facilities that are not supported by state appropriations. The use of internal reserves set aside over many years and specifically intended for this purpose has allowed the University to continue with its ambitious program and take advantage of favorable bidding conditions in the construction industry without concerns regarding how the projects would be financed. Buildings such as DeHority Residence Hall Complex, Thomas J. Kinghorn Residence Hall, and the L.A. Pittenger Student Center, discussed in more detail later in this report, are examples of projects funded by these reserves.

Finally, the University is well into its largest capital campaign ever with a $200.0 million goal that is more than the total of the last two campaigns combined. While it may seem like an unfortunate time for such a campaign, the response has been outstanding. The "Ball State Bold" campaign has already reached over 88.0 percent of its fundraising goal. The campaign is based on the University's strategic plan which is discussed in the next section.

Strategic Plan

The University's "Education Redefined" strategic plan is designed to enhance the distinctive opportunities offered by the University by emphasizing its entrepreneurial approach to learning, scholarship, and civic engagement. The University has a great tradition of faculty mentoring students by working with them side-by-side on the important issues of the day. The University is just beginning the third year of this five-year plan. The strategic plan has four major initiatives which will continue to build on Ball State's past and present strengths and successes.

Project 18 -- an Immersive Learning Project

First, the cornerstone of the plan is the offering of relevant immersive learning opportunities to each undergraduate student. Immersive learning experiences differentiate Ball State from other colleges and universities. These interdisciplinary, business and community-based, student-driven learning experiences provide the best education for young people about to enter a global society full of constant change and technological advancement. The immersive learning experiences also provide important services to people across our state, building strong partnerships with businesses and communities and proving Ball State's value to the citizens of Indiana.

Immersive learning opportunities challenge students to apply the knowledge they have acquired in academic settings to real-world situations. This is what truly distinguishes Ball State as an educational institution. This distinctiveness is critical to the health of the University. It is the key to healthy enrollment, quality students, and external support and it allows the University to clearly articulate its vision and stand apart from the competition.

Project 18, a statewide campaign to fight childhood obesity, is one example of an immersive learning project. Eleven Ball State students from a variety of majors partnered with the project's creator, Peyton Manning Children's Hospital at Saint Vincent, as well as Marsh Supermarkets and Strategic Marketing and Research, Incorporated, during the spring and summer of 2009. The students developed an 18-week health and wellness curriculum for third- through fifth-graders, which already has been adopted by 249 Indiana schools in 60 counties. The students also put together the Marsh Down the Aisle program, a nutrition awareness program instituted at the 92 Marsh stores in the state. Finally, the students produced a public-relations plan for Project 18 community outreach and assisted with educational activities designed to increase awareness about healthy eating and active lifestyles. During the summer, a Project 18 van traveled to more than 40 community events around central Indiana, reaching approximately 10,000 families.

Last year, 35 academic departments in all seven colleges coordinated 160 immersive learning projects involving over 2,700 students. Many of those projects encouraged economic development and quality-of-life improvements throughout the state. The University's current capital campaign includes a $40.0 million goal to endow and sustain even more immersive learning opportunities.

The second initiative of the strategic plan is a more selective and diverse student body. Applications for Fall 2008 topped 13,700, a 38.5 percent increase over the past three years. The increased number of applications has allowed the University to be more selective. The average SAT scores for the Fall 2008 incoming class were 27 points higher than Fall 2006 scores. In addition, while only 31.0 percent of Indiana's high school graduates in 2008 earned Academic Honors Diplomas, more than 55.0 percent of the 2008 incoming class earned this distinction, up from 50.9 percent in 2007, and 46.8 percent in 2006. In order to build more diversity into its student body, the University has increased its marketing efforts toward recruiting minorities and international students, with the intent to reach goals of 15.0 percent and 5.0 percent of total enrollment from underrepresented minority populations and international origins, respectively, by the year 2012.

Recruitment of higher quality students leads to better retention rates. Retention of first-year students who returned as sophomores for the Fall 2008 was 78.0 percent compared to 76.9 percent for the prior year. It is expected that higher quality students will also develop into graduates who will serve as ambassadors for the quality and uniqueness of a Ball State education. It is further anticipated that these ambassadors will increase the University's local and national reputation and encourage other high quality prospects to seek admission.

The third objective of the strategic plan focuses on increasing the number of nationally recognized faculty and academic programs. The quality and value of a Ball State education is outstanding. Increases in national rankings and recognition should reinforce this fact to external audiences and promote the University's brand among prospective students. Many of these public recognitions are discussed in more detail in the next section of this report. Another sign of the national respect being garnered by the University is the dramatic increase in the number of faculty who received external funding for their research last year. Ball State not only set a record in the number of proposals funded, but also saw an increase of nearly $6.0 million in grant funding from the previous year. Ball State students earned 19 major competitive scholarships and fellowships, including Fulbright, Goldwater, and National Science Foundation awards.

Finally, the plan seeks to create a vibrant and supportive campus atmosphere. A part of reaching this strategic goal is the further development and expansion of the campus community, construction of new facilities and the renovation of existing campus facilities to best support learning, scholarship, institutional effectiveness, and quality of life. The University has recently announced an initiative to convert its district heating and cooling system to geothermal energy. This project, once completed, will save $2.0 million annually in operating costs and reduce the University's carbon footprint nearly in half. In addition to the four newly constructed or completely renovated buildings opened over the last two years, several other major projects are currently underway.

While the University has yet to reach the midpoint of the Education Redefined strategic plan, it is the sound fiscal planning over many decades that has Ball State well-positioned to meet these challenges. Later sections of this report will go into more detail on how this long-term financial planning has enabled several major initiatives in the strategic plan such as increasing student selectivity, attracting key faculty and administrative personnel, upgrading administrative software and technology and the utilization of net capital assets for planned new construction and renewal projects.

Public Recognition

As pointed out above, increasing the number of nationally recognized faculty and academic programs is a goal of the Education Redefined strategic plan. These external recognitions promote the Ball State brand to prospective students and faculty. It is an honor to be recognized and further validates the efforts being undertaken by the University.

The University's commitment to immersive learning and leadership in emerging media earned it a ranking of 14th best in *U.S. News & World Report's* 2008 list of the nation's "Schools to Watch." This newly launched list honored colleges and universities making the most promising and innovative changes in academics, faculty, students, campus, or facilities. Also cited by the magazine for the sixth straight year were Ball State's innovative and award-winning first year programs enabling new students to succeed at the college level. These programs have helped the University achieve a retention rate of over 78.0 percent, rivaling select public universities and private universities. The University was again recognized by the *Princeton Review* as one of the best universities in the Midwest based on the University's excellent academic programs and the opinions of students reporting their campus experiences.

Several departments have been nationally recognized and ranked in their respective fields. In 2009, Architecture was named among "America's World-Class Schools of Architecture" by Design Intelligence. For the third straight year, Landscape Architecture was ranked in the top ten programs in the country in Design Intelligence's *America's Best Architecture and Design*

Schools. Entrepreneurship is ranked highly by *Entrepreneur* magazine, The Princeton Review, *U.S. News & World Report*, and *Fortune Small Business*. The School of Music was recognized by *In Tune* magazine in its "Best Music Schools" 2009 listing, along with other elite institutions such as Juilliard, Oberlin, and the Boston Conservatory. Many other departments, including Educational Leadership, Emerging Media, Telecommunications, and Journalism, have recently received recognition of their highly-rated programs.

In addition to these many academic recognitions, the University has been lauded for its commitment to sustainability and diversity. Ball State was listed in the National Wildlife Foundation's *Campus Environment 2008 Report Card* among schools that "have taken the lead in setting and reviewing goals for conservation and environmental or sustainability issues." Also, for the second year in a row, *Kiwi* magazine named Ball State as one of "75 institutions of higher learning that are protecting the planet." Specifically, Ball State's geothermal conversion project has garnered national attention in prominent media outlets, attracted inquiries and visits from other leading universities, and been discussed at the highest levels of state and national government. Ball State has also been recognized by *Minority Access* for its commitment to diversity, and recently ranked third in the country in the *Glass Ceiling Report Card*, which grades how well colleges and universities provide coaching opportunities for women.

Financial Highlights

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2009, as compared to the previous year. Net assets increased by $35.2 million, due primarily to an increase in restricted net assets for construction of $23.4 million, an increase in capital assets net of related debt of $33.9 million, minus a reduction in unrestricted net assets of $24.2 million.

The current ratio for the University, which is calculated by dividing current assets by current liabilities, increased from 2.64 to 1 at June 30, 2008, to 4.15 to 1 at June 30, 2009. This ratio is an indicator of the University's strong short-term financial flexibility. The robust increase in the current ratio is primarily due to much of the University's investment portfolio moving from long-term securities to short-term securities. One of the most basic determinants of clear financial health is the availability of expendable net assets 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, 2009, the University's viability ratio was 1.73 to 1. As the ratio grows above 1 to 1, so does the University's ability to respond to adverse conditions as well as its ability to attract capital from external resources and fund new objectives.

Appropriations, Gifts and Grants

Midway through the year, the University's 2008-09 operating appropriations from the State of Indiana were reduced by a total of one percent. The one percent appropriation reduction was imposed on all state universities as a result of declining state revenues and forecasts of even worse state revenue projections for the remainder of the year. Despite this $1.3 million reduction in state funding, the operating appropriations still showed a positive growth with a 2.9 percent increase from the prior year. In addition, the State, having withheld payment of one monthly appropriation in fiscal 2005, and having repaid $4.1 million of that amount during fiscal 2007, and $3.3 million in fiscal 2008, paid the final $3.3 million in fiscal 2009. This enabled the University to repay the final amount of the temporary internal borrowing which took place in 2005. Although the current biennium has reversed the trend of the prior two years' declining state appropriations, concern remains that operating appropriations are not keeping pace with annual inflation.

Beneficence

In fiscal 2009, a record 401 grant awards were received for research and other sponsored programs. These awards totaled nearly $26.1 million. This amount included significant grants from the Lilly Endowment, Intergraph Corporation, Indiana Department of Education, U.S. Department of Defense, Woodrow Wilson National Fellowship Foundation, Nielsen Research, Corporation for Public Broadcasting, U.S. Department of Education, and Seismic Micro-Technology. Grant awards may include cash received in advance, letters of credit, and cost reimbursable projects.

During fiscal 2009, supporters of the University contributed private gifts to the Ball State University Foundation totaling $14.0 million. In addition to funds received during the fiscal year, the University also obtained several major multi-year commitments in support of its capital campaign and strategic plan. These gifts will be reflected in future fiscal year giving reports.

Other Postemployment Benefits

As of the most recent actuarial study, dated June 30, 2007, the University's liability for retiree health care was estimated to be $146.9 million if the actuarial effect of future Medicare Retiree Drug Subsidies were included, as it is under rules established by the Financial Accounting Standards Board (FASB) for non-governmental entities. The trust fund established to assist in financing this liability had a market value of $148.8 million at June 30, 2007, slightly higher than the actuarial liability. Due to weaknesses in the investment markets since then, the fund had a market value at June 30, 2009, of $114.1 million. Since the University's financial statements are prepared according to Governmental Accounting Standards Board (GASB) rules, which do not permit the inclusion of the actuarial effect of the Medicare Retiree Drug Subsidies, the actuarial liability must be reported as $171.9 million. It is expected that the funding level will vary with general economic conditions over time. For example, this liability had been actuarially fully funded in the late 1990's. The University has a systematic plan in place to fund the benefit in accordance with GASB Statement No. 45, and is currently showing a prepaid expense amount, as opposed to a liability, of $7.4 million, which indicates that the funding is slightly ahead of plan.

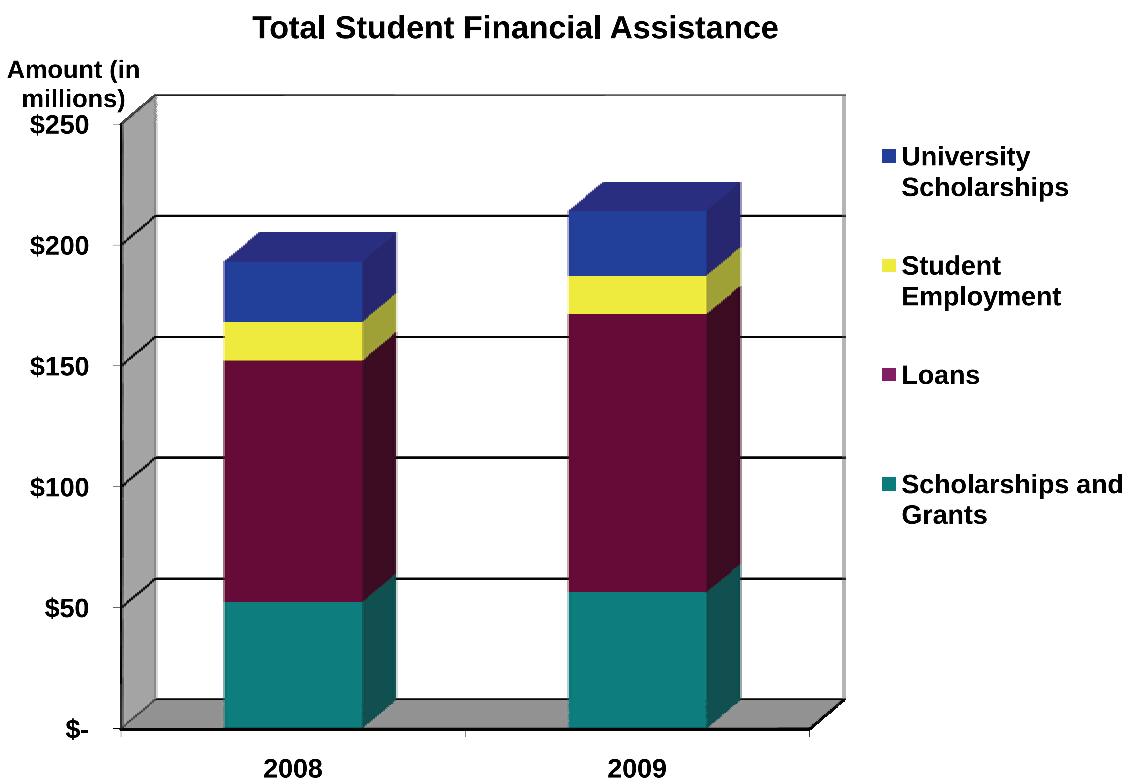
The University is not unique in providing health care as a benefit for its retirees. A 2007 survey by the American Association of University Professors, financed by the TIAA-CREF Institute, revealed that 82.0 percent of colleges and universities responding offer retiree health care as a benefit. In addition, a Kaiser Family Foundation survey in 2007, indicated that 98.0 percent of state and local governments surveyed offered retiree health care benefits to early retirees, and 81.0 percent offered these benefits to Medicare-eligible retirees. One of the University's financial strengths is that it has been engaged since the late 1980's in the systematic funding of this liability to its current status.

Scholarships and Financial Aid

Many students are provided assistance in covering the cost of their tuition and fees through college and university provided financial assistance. This assistance can be based on financial need or merit. Using The College Board's definition of tuition discounting for undergraduate students, Ball State's 2008-09 discount rate was 17.8 percent, consistent with the prior year's rate of 17.5 percent. This compares favorably to the benchmark average for four-year public institutions of 14.6 percent as calculated by The College Board in their 2006 study, "*Tuition Discounting: Not Just a Private College Practice*.

In addition to the types of financial aid included in the College Board study, several other types of aid such as federal and state financial assistance, federally guaranteed student loans, federal and state college work study, institutional aid providing room and board expenses, graduate assistants' and doctoral assistants' tuition remissions, other external scholarships, and University student wages are available to improve educational access for Ball State students. The University's total student financial assistance provided in 2008-09, as the graph indicates, was approximately $213.9 million compared to $193.0 million in the prior year.

Grants, scholarships, and remitted fees, which is financial assistance excluding loans and student employment, increased by 7.7 percent in 2009. This increase included $4.0 million in additional scholarships, grants, and awards and $2.0 million in institutional remitted fees. Including loans and student employment, all forms of financial assistance increased by 10.8 percent from the prior year.



The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report in summary fashion the financial position of the University as a whole and on its activities, focusing on the University's net assets. These statements include all assets, liabilities, revenues and expenses, using the accrual basis of accounting. The only exceptions are gifts and grants and interest on student loans, which are generally recorded only when received. The following is a summary of the major components of net assets at June 30, 2009.

Net Assets
June 30, 2009 and 2008

	2009	2008
Assets:		
Current Assets	$ 232,787,693	$ 132,225,250
Noncurrent Assets:		
Capital Assets, Net of Depreciation	467,063,383	412,039,503
Other	144,987,909	239,943,587
Total Assets	$ 844,838,985	$ 784,208,340
Liabilities:		
Current Liabilities	$ 56,037,267	$ 50,128,174
Noncurrent Liabilities	191,889,656	172,334,442
Total Liabilities	$ 247,926,923	$ 222,462,616
Net Assets:		
Invested in Capital Assets Net of Related Debt	$ 290,187,814	$ 256,317,359
Restricted	92,634,266	67,180,703
Unrestricted	214,089,982	238,247,662
Total Net Assets	$ 596,912,062	$ 561,745,724
Total Liabilities and Net Assets	$ 844,838,985	$ 784,208,340

Current and Other Assets

Current assets increased $100.6 million from the previous year, while other assets decreased by $95.0 million. This was due to a $100.2 million increase in cash, cash equivalents and short term investments, and a $95.1 million reduction in long term investments. Due to the turmoil in the credit markets that took place during the entire fiscal year, the University favored guaranteed investments of shorter maturity that offered attractive interest rates.

Debt Administration

The University had $176.9 million of bond indebtedness outstanding at June 30, 2009, compared to $155.7 million outstanding the prior year end. The increase is due to the issuance of Ball State University Student Fee Bonds, Series O, which were issued to finance, along with private support, the construction of the Student Recreation and Wellness Facility. These bonds have an insured rating of Aa2 (Moody's) and AAA (Standard & Poor's). In recent ratings, both Moody's and Standard and Poor's noted the University's consistently strong operating performance, strong liquidity levels, and moderate debt burden as positive indicators of future financial performance. The underlying ratings for the Series O Bonds are A1 (Moody's) and A+ (Standard & Poor's). More details regarding the University's bonds payable are presented in the Notes to Financial Statements.

Capital Assets

On June 30, 2009, the University had $290.2 million invested in capital assets, net of accumulated depreciation of $260.0 million and related debt of $176.9 million. Depreciation charges totaled $17.5 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost.

Tally Lounge at the L.A. Pittenger Student Center

Construction during 2009 included $21.0 million expended for construction of the new Thomas J. Kinghorn Residence Hall, $18.4 million expended for the major renovation of DeHority Residence Hall Complex, and $12.4 million expended for renovation of the L.A. Pittenger Student Center, all of which were funded from internally designated capital repair and replacement accounts. Also, $11.2 million was expended for the expansion and improvement of the Student Recreation and Wellness Facilities. Funding for the Recreation and Wellness Facilities will be provided by a combination of private support and the Student Fee Bonds, Series O, which were issued in fiscal 2009.

The University also broke ground in 2009 on the first component of its district geothermal heating and cooling system conversion. The system will incorporate four components (well fields, heat pump chillers in two district energy stations, hot and cold district loops, and building interfaces) to provide heating and cooling to 47 major campus buildings. This truly historic project will result in the largest full-scale district geothermal system in the country. It will also validate that district geothermal energy projects are economically viable, efficient, and good for our environment. The first phase of the conversion is being financed by student fee bonds issued in 2008. The University is aggressively pursuing funding for the second phase of work, including potential grant opportunities made possible by federal stimulus funds. The entire project, when completed, will save the University over $2.0 million per year, reduce dependence on fossil fuels, and cut the University's carbon footprint roughly in half. Approximately $1.1 million was expended on the geothermal project in 2009.

Additions and renovations to the Ball Honors House began in the fall of 2008 with construction scheduled to be complete in Fall 2009. When completed, this 1930's era residence will become the new home to the Honors College. The historic structure will include space reconfigured for offices, classrooms, and gathering areas, and is in the heart of campus. This project was made possible through the generous contributions of the house's former residents, the late Edmund F. and Virginia B. Ball. Renovation costs expended on the Ball Honors House during 2009 totaled $0.9 million.

Edmund F. and Virginia B. Ball Honors House

Current operating funds were utilized to purchase $6.0 million in capital equipment, some of which replaced mostly fully-depreciated equipment dispositions originally costing $4.1 million.

In 2007, the Indiana General Assembly approved $33.0 million in bonding authority for Phase I of the Central Campus Renovation Project and Utilities Improvement. In 2009, the General Assembly approved bonding authority in the amount of $19.7 million for Phase II of the project. The Central Campus Renovation Project involves the strategic renovation of three adjacent campus buildings: the historic North Quadrangle Building (constructed in three phases in 1926, 1932, and 1953), the ten-story Teachers College Building (constructed in 1966), and the Applied Technology Building (constructed in two phases between 1948 and 1950). Each structure, now decades old, is in critical need of renovation to address emerging instructional and technological requirements as well as outdated and inefficient mechanical and electrical systems. Phase I work in North Quad will include updates to mechanical/electrical/plumbing systems, improvements to circulation, and reconfiguration of the stacks space. Phase I will also address initial work in Teachers College and utilities improvements to the Central Campus area. Phase II of the project will build upon the improvements to Teachers College that began in Phase I and address similar issues in Applied Technology.

The University is committed to maintaining its capital assets in good condition. With many of the buildings on campus having been constructed 40 to 60 years ago, an emphasis on long-range planning is vital to ensure that proper funding is available for the care and upkeep of these facilities. The next section on net assets describes the components of this planning in more detail.

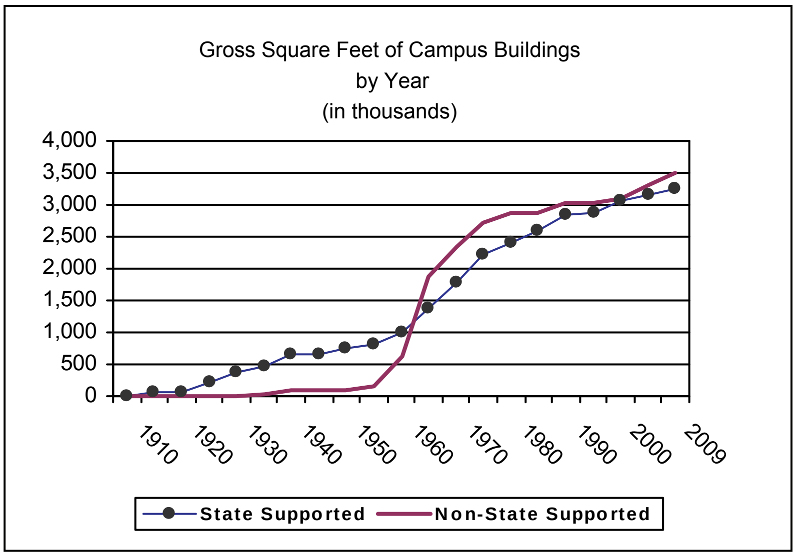
Net Assets

In addition to net capital assets of $290.2 million described above, the University had other net assets totaling $306.7 million. This includes $92.6 million in restricted net assets which was comprised of: $0.9 million in nonexpendable endowment restricted for student scholarships, $3.2 million restricted for debt service, $2.4 million restricted for student loans, $79.0 million restricted for construction, and $7.2 million restricted for external grants.

The remaining $214.1 million of net assets is in unrestricted net assets. Unrestricted net assets do not have externally imposed restrictions, but are internally restricted for specific authorized purposes at the end of each fiscal year. Unrestricted net assets represent resources derived from student fees, state appropriations, private gifts, and revenue from auxiliary enterprises. The specific purposes for which these assets are internally restricted include the stewardship and renewal of capital assets, campus expansion and development, technological advancements, new building construction, self-insurance reserves, prepaid expense for retiree benefits as calculated in accordance with GASB Statement No. 45, student scholarships, student loans, funding for instructional and athletic camps, workshops, and field trips, and other purposes. These internally restricted amounts are further discussed in the following sections.

Stewardship and Renewal of Capital Assets

The University's campus facilities have a current replacement value of approximately $1.6 billion based on an analysis of existing facilities and current construction cost indices. These facilities include 113 buildings (96 of which are considered major) totaling approximately seven million gross square feet. Campus buildings involve 33 acres of roof area, contain 107 elevators, 406 technology-equipped, general-purpose classrooms and technologically complex mechanical operating systems in each structure. The average building is 41 years old. The University also owns over 1,000 acres of land, approximately 715 of which are developed. Under the ground, the University has over 17 miles of steam, condensate and chilled water piping; over 22 miles of sewers; over eight miles of water piping; over 50 miles of electrical power distribution wiring; and over 5,319 miles of communication cable to connect buildings. Above the ground, the University has 1,367 outside lighting poles, 33 miles of sidewalks and service roads, and 66 acres of surface parking lots. All of these assets have their own unique life cycles for maintenance and renewal, and many systems or elements are now at or near the end of their useful lives.



The financing of construction and ongoing renewal of University property is dependent on the type and use of the facility involved. These next two sections discuss how these costs are handled for state supported and non-state supported buildings. Ongoing renewal of campus facilities and infrastructure systems is a key component of the University's strategic objective of creating a vibrant and supportive campus atmosphere.

State Supported Academic and Administrative Buildings

Buildings used primarily for academic or administrative purposes are typically funded through bond financing and state appropriations allocated on a biennial basis by the Indiana General Assembly. The construction of some academic buildings, such as the soon to be completed Ball Honors House and the planned Marilyn K. Glick Center for Glass, are funded through private support. As shown in the graph, approximately 50.0 percent of the campus square footage is dedicated to academic and administrative uses. Over the last several biennia, state appropriations for repair and rehabilitation of these buildings have been drastically cut. For instance, for the fiscal years 2004 and 2005, only 25.0 percent of the formula funding for renewal and replacement was appropriated, and during 2004, the amount was further reduced to 12.5 percent for the year. The appropriation in 2005-2007 increased to 43.0 percent of its full funding level. For the 2007-2009 biennium, the appropriation is at 50.0 percent of the formula funding. The second half of the 2007-09 appropriation has not yet been remitted to the University, but the General Assembly has approved the use of federal stimulus funds to restore this appropriation. Payment is expected in fiscal 2010. These cuts in renewal and replacement funding have led to significant deferred maintenance. Further deferral of these necessary expenditures will result in a deterioration of the University's facilities and greater renewal costs. In an effort to partially offset the decreased funding, approximately $2.3 million of internal University funds has been allocated for maintenance and equipment for targeted academic buildings

Non-State Supported Buildings

The remaining 50.0 percent of campus square footage consists of buildings which are not state supported. These buildings include dining and residence halls, parking facilities, the student center, performance venues, athletic facilities, and conference venues. These non-state supported buildings have a current replacement value of approximately $0.6 billion. Between now and 2016, over $181.3 million, in current dollars, is planned for investment in renewal projects on these facilities. As of the end of fiscal 2009, $76.2 million has been allocated from auxiliary operations revenues and student fees for the stewardship and renewal of these facilities. The following tables list major non-state supported projects currently underway or in the planning process for the next few years.

Major Construction Projects in Progress
Non-State Supported Buildings
($1.0 million or greater)

	Budget (in millions)
Thomas J. Kinghorn Residence Hall	$ 46.5
Student Wellness & Recreaton Facilities - A	39.0
L.A. Pittenger Student Center Renovaton	22.9
Noyer Commons	1.0
Total Major Projects in Progress	$ 109.4

Note A: Funded by $10.0 million in private gifts and $29.0 in student fee bonds.

Major Construction Projects in Planning
Non-State Supported Buildings
($1.0 million or greater)

	Budget (in millions)
Johnson Halls Renovation	$ 67.2
Studebaker East Renovation	22.1
Elliott Hall Renovaton	17.9
Studebaker West Sprinkler System	1.0
Total Major Projects in Planning	$ 108.2

With the age and number of buildings on campus, the maintenance needs to keep buildings in good condition are substantial. An independent study sponsored by the Lilly Endowment (*Financial Planning Guidelines for Facility Renewal and Adaption)* concluded that between two percent and four percent of plant replacement cost needs to be provided, on average, each year in order to adequately fund repairs and renewal and to adapt facilities to changing code requirements and evolving contemporary needs. Based on this and other studies, as well as direct experience over many years managing complex university facilities, an annual target of three percent of current replacement value is in order to adequately fund this stewardship responsibility for housing, dining, and other non-state supported buildings and avoid even higher costs brought about by accumulated deferred maintenance. For parking facilities, which are comprised of multi-level structures and paved and gravel lots, an annual target of two percent of current replacement value has been established. This methodology, which provides generational equity in funding across multiple student populations, is based on the premise that users should pay their fair share for the deterioration of the facilities they use. The goal is to maintain competitive, quality facilities at the lowest long-term cost to students. The Component Life-Cycle

Component Life-Cycle Illustrations

	Years
Roofs	15-20
Masonry Tuck Pointing	30-40
HVAC Systems	15-25
Foundations	80-100
Windows	40-50
Electrical Systems	15-30
Exterior Door Systems	15-20
Elevators	20-30
Lighting Fixtures	20-30

DeHority Residence Hall Complex

Illustrations table provides several examples of major repair and renewal components, as well as the typical life cycle for each. The balance in the repair and rehabilitation reserves for these non-state supported buildings will increase and decrease over time depending on the number and size of projects underway in any year.

The University is in the middle of a comprehensive plan to update its residence hall and dining facilities. Unlike capital expenditures for academic buildings, these improvements must be financed utilizing residence and dining revenues accumulated over past years, together with debt to be serviced utilizing future residence and dining revenues. All of this will need to be accomplished while, at the same time, maintaining room and board rates that are competitive with other housing options available to students. The University has formed a committee to explore the future needs for student accommodations, the key outcomes of which will be a determination of the appropriate number and types of rooms necessary to meet student demand.

Approximately $45.6 million of the $76.2 million set aside for the stewardship and renewal of non-state supported facilities is specifically for repair and rehabilitation of residence and dining hall facilities. The current replacement value for these facilities is $430.9 million. The University is committed to offering a strong residential experience for students with the type of accommodations that students attending college today expect. This commitment was demonstrated with the opening of Park Hall in Fall 2007. This residence hall, designed with student input, has been the first residence hall to be filled in each of the years since its opening. Overall, residence halls boasted a 99.0 percent occupancy rate in available student housing for Fall 2008. Over the next seven years, the University plans to use more than $140.3 million from the Residence Hall and Dining Repair and Replacement account, in current dollars, for scheduled major projects as well as ongoing capital repair and replacement projects. These uses include several major projects, like the renovation of DeHority Residence Hall Complex

Thomas J. Kinghorn Residence Hall

which was completed in 2009, construction of the new Thomas J. Kinghorn Residence Hall which is currently underway, and the upcoming renovation of the Arts & Journalism Café.

The University's non-state supported parking facilities consist of three parking garages with 1,498 spaces and 66 acres of surface parking with an additional 7,524 spaces. The current replacement value for these facilities is $44.5 million. To ensure the preservation of these facilities, a long-term plan has been developed to provide for necessary periodic maintenance and major renovations. The Parking Facilities Renewal account currently contains $3.4 million, funded primarily from parking revenues, including permits, daily fees, and citations. The renewal account has been used to fund asphalt repairs at parking lots throughout campus and the paving of the student and game day surface lots at Scheumann Stadium. The University plans to spend more than $6.7 million, in current dollars, over the next seven years and over $9.4 million in the next ten years for major and ongoing renewal of these facilities.

Other non-state supported facilities include the student center, health center, conference centers, Emens Auditorium and recreational and athletic facilities. These buildings have a total current replacement value of $124.6 million. A renewal plan is maintained for each of these facilities with projected needs for the next several years. In order to fund the renewal of these facilities, $27.2 million has been allocated from the applicable auxiliary revenues, as well as the student fees allocated for the support of these activities each year. Over the next seven years, more than $34.3 million in current dollars will be used from this account for major renovations as well as regular ongoing capital renewal projects. The current major renovations underway at the L. A. Pittenger Student Center are being financed using funds from the Facilities Renewal account for non-state supported buildings.

Campus Development, Technological Advancement, and Other Capital Projects

Ball State has always had a long-term master development plan for the campus. Since 1922 with the planning of the Old Quadrangle, which comprises the University's original academic core, to the construction plans for the next several years, orderly campus development has been a hallmark of the University. The University has strategically and prudently acquired land to allow for future development needs. Many of the buildings on campus today occupy land that the University purchased over many years' time. For example, the final parcels necessary to construct the new Thomas J. Kinghorn Residence Hall were purchased in the 2008 fiscal year. Acquiring property in a methodical and organized manner substantially ahead of a specific need is the most desirable and cost effective approach. Acquisitions carried out in such ways tend to yield lower costs, more orderly planning and help prevent negative community relations. Several areas directly east of campus have been identified for future expansion, and a program targeting properties in these areas has been initiated. The University has allocated $16.5 million for campus development purposes.

The University realizes the important part that technology plays in today's academic environment and has been nationally recognized for its commitment to offering the latest in computing equipment through a centralized university computing service. This has been accomplished by a consistent funding methodology supported by an annual allocation for technology equipment renewal. The account for computer equipment renewal has a balance of $8.0 million for updating this equipment as well as for automating other campus systems, such as the library circulation system.

To better serve the many needs of the university community, a broadly represented study group has been formed to examine existing administrative systems and processes, to evaluate risks and opportunities, and to prioritize modernizations and change requirements. This group concluded that student systems (including accounts receivable and financial aid), human resources, payroll, and potentially financial accounting systems, were among the top priorities for improvement due to various factors such as a prevalence of missing functionality, highly manual and paper-based workflows, duplication of effort, lack of high-quality customer interfaces and services, and risks inherent to several aging technologies. Toward this purpose, $8.8 million has been set aside for the purchase and/or development of new university-wide systems technology that will address the deficiencies of the aging systems. A contract has been awarded to a consultant who will assist the University in determining the best solution to its information systems needs. The University's goal is full implementation of this administrative systems technology within the coming years to coincide with the goals and mission of the University's strategic plan.

Nearly $11.6 million has been allocated to capital projects that are either in progress or recently authorized. These projects include furnishings and equipment for the Central Campus Academic Project and replacement or upgrade of the campus telephone system.

Insurance and Other Exposures

Because of its scale of operations, the University is able to reduce operating costs by self-insuring, where possible, rather than purchasing higher cost insurance coverage from an outside carrier. This means, however, that the University must provide reserves similar to the reserves that are required of commercial insurers. Self-insurance reserves total $17.3 million, of which $14.0 million pertains to the self-insured health care plan for employees, retirees, and their families. Of the $14.0 million, $5.0 million represents claims that were incurred but not yet paid as of year end, while $6.0 million is available for higher than anticipated claims in any given year. These amounts are established at the end of each year in consultation with the University's outside actuaries. The remaining $3.0 million in health care reserves consists primarily of funds received after year end for the Medicare Retiree Drug Subsidy, late rebates received from the University's prescription benefit manager, and funds left over due to actuarial estimates at year end being lower than budgeted for the other reserves mentioned previously. The actuary believes that at least part of this additional amount may be necessary to cover a possible shortfall in health care premiums due to employees moving to less expensive plan options. Of the remaining $3.3 million in insurance reserves, $1.8 million pertains to the employee and retiree life insurance plan, while the remaining $1.4 million is available to cover higher than expected expenditures in unemployment and workers' compensation, as well as the high deductibles for property and casualty insurance. In addition to the insurance reserves, the requirements of GASB Statement No. 45 resulted in the recognition of $7.4 million in prepaid retiree health care expense, an increase of $1.1 million over the prior year.

The University's student fee bonds are secured by pledges and first liens on student fees. While the Indiana General Assembly has appropriated amounts each year equal to the required payment on these bonds in the form of a Fee Replacement Appropriation, there is no guarantee that this appropriation will be renewed in any subsequent year, as the current General Assembly cannot legally bind future General Assemblies. To ensure that the University can meet its immediate obligations to bondholders, $14.3 million has been allocated from student fees for principal and interest payments on student fee bonds.

One of the primary emphases of the University's strategic plan is a more selective and diverse student body. It was anticipated that there would be an initial short-term decrease in overall enrollment resulting in a reduction in student fee revenues. The University set aside $7.1 million to partially offset the potential reduction in student fees from implementing the plan. The University has experienced positive student enrollment trends in the past two years due to increased freshman student enrollment and higher retention rates than in prior years. As a result of the increase in student enrollment, the $7.1 million has been repurposed to address current financial challenges, such as a tightening credit market as it relates to student loan availability, reductions in student financial aid programs, uncertainty relating to revenue collections for the State of Indiana, and reliance on federal stimulus funds for a significant portion of current funding.

The University has allocated $4.8 million as a contingency against unexpected expenses or catastrophic events. This reserve is intended to help offset the costs related to a significant, unforeseen event, such as a major pandemic, a major weather-related event, other adverse acts of nature, or other claims.

Other Allocations

The University is committed to assisting those students who are unable to meet the financial obligations of pursuing their education. As such, $0.4 million has been designated for emergency loans benefiting students with demonstrated need whose financial aid packages have not been finalized.

Additionally, the University has an aggressive plan to maintain existing financial aid programs. As external funds are expected to temporarily decrease due to short-term losses in certain endowments at the Ball State University Foundation and depletion of existing grant funds available for this purpose, the University has set aside $2.0 million for scholarship funding.

The University has also designated $2.0 million in unrestricted private donations to address new opportunities as they arise. For example, a portion of these funds will be used to support the startup of the new Marilyn K. Glick Center for Glass.

The University has also set aside $1.2 million for new academic initiatives. The University is in various phases of several ambitious projects – a new core curriculum, a significant effort to both develop and utilize new emerging media technology, a potential Ph.D. in environmental sciences, and a systematic need to provide start-up packages for a potentially large number of new tenure-track faculty over the coming years. These funds will be allocated to such initiatives as their financial plans and timing are finalized.

Another component of unrestricted net assets is residual balances in operating accounts. These balances totaling $33.2 million will be carried forward to the next year for their intended purposes. The balances also include fees collected but not yet expensed for specific purposes, including workshops, academic and athletic camps, and conferences.

Each year, the University is required by the Government Accounting Standards Board to adjust the carrying value of its investments to their market value as of June 30, even though the University seldom disposes of any investment instrument prior to its maturity. Interest rates at June 30, 2009 were lower than the coupon rates on some of the longer-term investments purchased in prior years leading to a positive market adjustment, $1.1 million of which was applied to the balances in unrestricted net assets.

Change in Net Assets

The following is a summary of the revenues and expenses resulting in the changes in net assets for the year ended June 30, 2009. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

Change in Net Assets
Year Ended June 30, 2009 and 2008

	2009	2008
Operating Revenues	$ 218,103,652	$ 205,666,146
Operating Expenses	389,835,817	379,483,947
Net Operating Income/(Loss)	$ (171,732,165)	$ (173,817,801)
Net Non-Operating Revenues	200,901,919	198,879,477
Other Revenue – Capital Appropriations and Gifts	5,996,584	11,260,036
Increase in Net Assets	$ 35,166,338	$ 36,321,712
Net Assets - Beginning of Year	561,745,724	525,424,012
Restatement - Change in Accounting Policy	-	-
Net Assets - End of Year	$ 596,912,062	$ 561,745,724

Operating Revenues

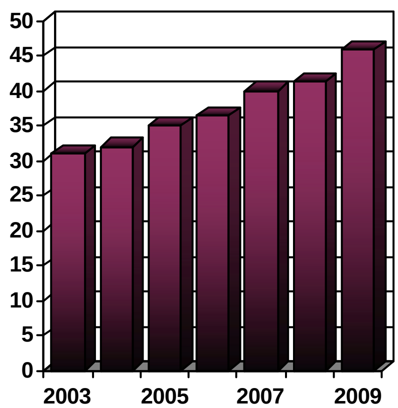
Operating revenues increase net assets and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining and athletics. In addition, federal, state, and private grants are considered operating if they are not for financial aid or capital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

Student tuition and fees net revenue increased $8.3 million as a result of rate increases and increased enrollment, and auxiliary enterprises revenue, including housing and dining net revenues, increased $4.5 million, due primarily to rate increases and increased occupancy in the residence halls. Scholarship allowances, generated by federal and state financial aid funds as well as internally generated discounts, have reduced tuition and fees revenue by $50.8 million and room and board revenue by $4.6 million.

Grants and Contracts revenue totaled $24.9 million, approximately the same as 2008, while Sales and Services of Educational Departments were essentially unchanged at $16.5 million compared to $16.4 million in 2008.

Operating Expenses

Total Health Care Expenditures (in millions of dollars)



Operating expenses reduce net assets and consist of all the costs necessary to perform and conduct the programs and primary purposes of the University. Included in this total are student aid payments of $6.7 million, which are in addition to $50.8 million and $4.6 million in scholarships and fee remissions netted against tuition and fees revenue and room and board revenues, respectively. Overall, operating expenses increased by $10.4 million over last year. This increase was due primarily to a $12.1 million increase in salaries and benefits. Other operating expenses decreased by $1.9 million, resulting from lower repairs and maintenance expense which more than offset higher utilities and depreciation expense.

Health care costs continue to be a major factor in the costs of operations at the University. After two years of relatively low increases, health care claims costs increased in fiscal year 2009 by nearly ten percent. While the previous years' results were favorable, this larger than usual increase was anticipated, and resulted in an average increase for the three years in line with recent trends. This trend is expected to continue into the foreseeable future, due to increasing costs for physicians, hospitals and prescription drugs, and increased usage by the University's employees and retirees. The higher costs and usage are due to the aging demographic profile of the Ball State employee population, technological advances in diagnostic and treatment techniques, expensive new prescription drugs, and advances in surgical procedures. To mitigate these trends, the University is expanding its health enhancement program activities, including offering free health risk assessments and screenings to employees as well as their spouses in the upcoming year, while continuing to work with employees on managing their chronic health conditions. In addition, a new PPO network will be used in fiscal year 2010 which should result in larger discounts for employees and the University. Finally, the University eliminated its Traditional Plan option, which, because of its lack of discounts, had become too expensive for the University and the few employees still in the Plan.

Non-Operating Revenues and Expenses

Non-operating revenues increase net assets, and non-operating expenses reduce net assets. 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).

For 2009, state appropriations increased by $7.6 million from the previous year, $3.2 million of which was increased debt service for student fee bonds, and $0.7 million of which offset a reduction in property tax revenues received in the previous year for Burris Laboratory School and the Indiana Academy for Science, Mathematics, and Humanities.

Private support was virtually unchanged at $8.6 million and represents the increased sharing by the Ball State University Foundation of the costs of fund raising as well as efforts to promote the University.

Federal and State Scholarships and Grants increased by $2.3 million, while Other Non-Operating Income decreased by $1.5 million. Other Non-Operating Income consists primarily of $2.1 million in Average Daily Membership and property tax receipts for the Indiana Academy for Science, Mathematics, and Humanities and property tax receipts for Burris Laboratory School; $1.0 million in Medicare Retiree Drug Subsidy; offset by $2.1 million in capital asset write-offs for the partial demolition of Irving Gymnasium and selected units of Scheidler Apartments .

Investment Income decreased by $5.0 million. The decrease in Investment Income was due to the reduction in interest rates, which resulted in lower interest earnings partially offset by an increase in the market value of the portfolio.

Other Revenues

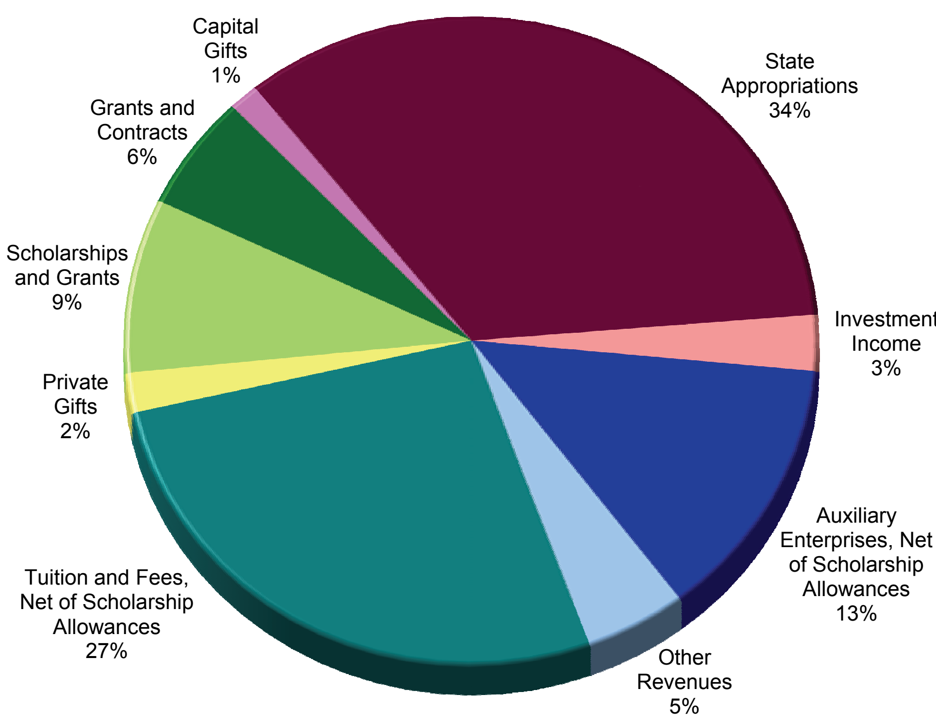
Renewal and Replacement Appropriations
(millions of dollars)

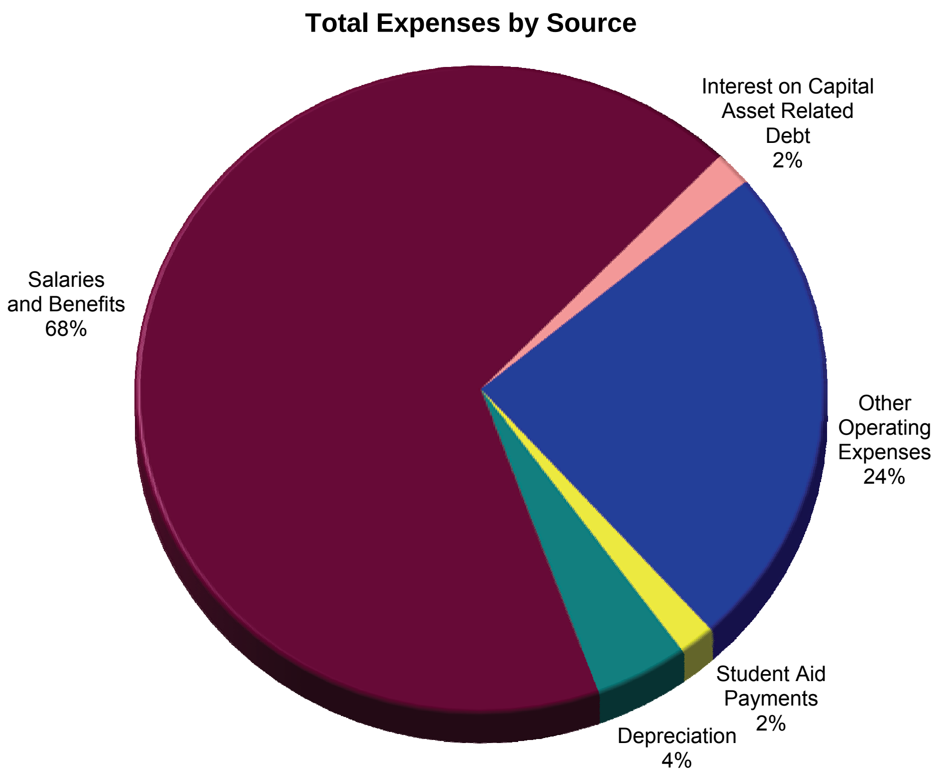
2004	2005	2006	2007	2008	2009
$0.7	$0.7	$2.6	$2.6	$3.4	$0.0

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

There were no capital appropriations distributed by the State of Indiana for renewal and replacement in 2009. The State plans to utilize federal stimulus funds to distribute the funds appropriated for 2009, but it is not certain when this distribution will occur. The University does have a receivable for capital gifts from the Ball State University Foundation to fund several capital projects, including the construction of the new Student Recreation and Wellness Facilities.

Total Revenues by Source





Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the University during the period. Unlike the Statement of Revenues, Expenses and Changes in Net Assets, which reports revenues when they are earned and expenses when they are incurred, regardless of when cash is received or disbursed, the Statement of Cash Flows reports actual cash received and disbursed. The focus of the Statement of Cash Flows is on the increase or decrease in cash and cash equivalents. The Statement of Cash Flows helps the user assess the University's ability to generate future net cash flows, meet obligations as they come due, and assess the University's needs for external financing.

Cash Flows
Year Ended June 30, 2009 and 2008

	2009	2008
Cash and Equivalents Provided By/(Used In):		
Operating Activities	$ (156,168,666)	$ (167,688,714)
Non-Capital Financing Activities	202,370,723	193,268,186
Capital and Related Financing Activities	(55,050,247)	11,865,066
Investing Activities	59,808,623	(29,312,375)
Net Increase in Cash and Equivalents	$ 50,960,433	$ 8,132,163
Cash and Equivalents – Beginning of Year	31,361,587	23,229,424
Cash and Equivalents – End of Year	$ 82,322,020	$ 31,361,587

The major components of cash flows provided from operating activities are tuition and fees and auxiliary enterprise activities (housing and dining fees). More cash was provided by tuition and fees and auxiliary enterprise activities than in the prior year due to rate increases and increased occupancy in the residence halls. The major components of cash flows used in operating activities are payments for employees (including benefits) and payments to suppliers and service providers. More cash was expended for salaries due to pay increases, while less cash was expended for supplies and repairs and maintenance.

Cash flows provided from non-capital financing activities primarily reflect state appropriations received of $152.1 million, federal and state scholarships and grants receipts of $37.5 million, and Private Gifts received from the Ball State University Foundation of $8.9 million.

Cash flows from capital financing activities reflect a decrease in cash for the year, due primarily to cash expenditures for capital assets in 2009 offset by bonds issued for the Student Recreation and Wellness Facilities.

Cash flows from investing activities, most of which consists of reinvesting the proceeds from investments as they mature, resulted in a net increase in cash equivalents due to relatively attractive interest rates for fully-insured short duration investments during the turmoil in the investment markets in 2009.

Economic Factors That Will Affect the Future

Like many institutions across the nation, the University is subject to the pressures of today's economy. The challenges brought by economic uncertainty must be weighed against the opportunities that will arise from it. As outlined below, the University has positioned itself to take advantage of these opportunities and minimize the effects of the economic downturn.

Early in calendar year 2009, Moody's Investors Service issued their annual outlook report for higher education, in which they said that the outlook for the next year and a half was negative for the first time since they began issuing the report in the mid-1990's. The report identified four critical risks facing U.S. higher education institutions, especially private colleges and universities:

- Increased pressure on tuition and financial aid, due to declines in household income, investments, home equity, and scarcity of loans. On the plus side, Moody's believes that college education is a nondiscretionary expense that families will not postpone.
- The impact of investment losses on endowment income and contributions, and consequently on operations.
- The impact of increased illiquidity due to endowment investments in hedge funds, private equity and other private investment vehicles, which have become more illiquid in the troubled market than had been anticipated.
- Volatility in variable-rate debt markets.

Contrary to perhaps many institutions, these risks have had little impact to date on the University. The University has experienced increases in both enrollment and financial aid over the last year. Also, while the Ball State University Foundation has been subject to the same decreases in investment income as other foundations, the University relies on the Foundation for only about two percent of its operating revenues. Furthermore, the University's debt is financed entirely at fixed rates to avoid the volatility of variable-rate markets.

As a public institution, the economic health of the University is closely tied to that of the State of Indiana in that the University relies on the State as a major source of funding for the educational program-related needs of the University. The actual State funding for operations for the last six months of 2009 was reduced by one percent, and the budget for the 2009-2011 biennium was reduced by four percent. However, federal funds provided to the State through the American Recovery and Reinvestment Act (ARRA) were used in the State Budget Act to restore both the one percent reduction in fiscal year 2009 and the four percent reduction in funding for the upcoming biennium. Despite this restoration to prior levels, it is probable that appropriations for 2009-2010 will again be reduced as the State's actual revenues are currently falling short of forecasts. Furthermore, the ARRA funding is not available beyond 2011, which means that the University could be faced with permanent reductions in appropriations in the near future. Eventually, the economic downturn will improve and state revenues will again begin to increase. Also, as mentioned earlier in this report, the State of Indiana is in a stronger financial position than many other states. Based on these assumptions, the University is hopeful that the legislature will be able to replace stimulus funds with increased appropriations over the coming years. In the interim, the University plans to address reductions in appropriations through cost containment and increased revenue from other sources.

The University's enrollment increased slightly in Fall 2008, in spite of new, higher admission standards that have been implemented. Through a combination of attracting more qualified students and the related benefit of higher retention rates, the University expects enrollment to continue to increase. By executing components of the Strategic Plan related to providing immersion experiences for all students, securing national recognition for additional program areas, increasing the numbers of international students through targeted efforts in specific countries, fostering growth in graduate study programs, and taking steps that add to the vibrancy of the campus experience for students, the ability to attract greater numbers of high ability students will be enhanced.

The University received a record 401 grant awards totaling approximately $26.1 million for research and other sponsored programs in 2009. Related to this is the University's encouragement of appropriate commercial promotion of intellectual property through the establishment of the Ball State Innovation Corporation and related entities. This is potentially an exciting new source of revenue for the University as well as an incentive for creative work by the faculty and an attraction to prospective new faculty.

In the next ten years, it is projected that a significant number of faculty and administrators will retire from the University with a similar experience expected in some sectors on a national level. The result will be significant pressure to support competitive salary and benefit programs that will enable the University to attract the best personnel. Meeting this challenge is critical to preserving the quality of a Ball State University education and achieving national stature in various programs.

Like all employers, the University is challenged by the need and desire to offer a quality health care program in a very fluid cost environment. Technological advances in medical testing and treatment, as well as new prescription drugs, and federal and state legislative and regulatory pronouncements, all add to the cost and uncertainty involved in the management of this important employee benefit. In an additional effort to manage long-term health care costs, the University has initiated a comprehensive Health Enhancement Program for employees and their families. It is expected that over time this investment will more than be returned through lower costs and improved productivity. It is also expected that Federal government action will take place in the years ahead that will likely have a positive impact on the University's long-term funding structure. The University will continue to monitor developments in this area and take whatever actions are necessary to offer the most effective and efficient health care program possible. Based on the plan the University has followed, the current status of the health care program for both active employees and retirees provides a positive asset in recruiting and retaining university personnel.

The University must ensure that the necessary resources are provided to keep pace with the growing needs to renew aging facilities and to adapt these facilities to the changing academic needs that will occur over the life of any long-lived asset. Financial Planning Guidelines for Facility Renewal and Adaptation, a study cited earlier in this report, estimates that between two percent and four percent of plant replacement cost needs to be provided, on average, each year to accomplish this task. With the combination of internally designated sources and state-appropriated funds, the University will have the resources necessary to retain the effectiveness of its physical assets in achieving the University's mission.

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, the University remains in a strong position to be a major asset of significant benefit to the citizens of the State of Indiana.

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Ball State University

Statement of Net Assets
June 30, 2009 and 2008

	2009	2008
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 82,322,020	$ 31,361,587
Short Term Investments	93,669,147	44,451,795
Accrued Interest Receivable – Investments	3,014,272	4,379,221
Accounts Receivable, Net, and Unbilled Costs	27,161,432	29,429,094
Inventories	1,582,140	1,551,670
Deposit with Bond Trustee	12,063,353	11,546,628
Notes Receivable, Net	2,970,179	1,516,953
Prepaid Retiree Benefits (Note I)	7,442,075	6,303,323
Prepaid Expenses	2,563,075	1,684,979
Total Current Assets	$ 232,787,693	$ 132,225,250
Noncurrent Assets:		
Endowment Investments	$ 2,263,814	$ 2,820,802
Accounts and Notes Receivable, Net	11,134,852	10,475,681
Other Long Term Investments	131,589,243	226,647,103
Capital Assets, Net (Note D)	467,063,383	412,039,504
Total Noncurrent Assets	$ 612,051,292	$ 651,983,090
Total Assets	$ 844,838,985	$ 784,208,340
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 32,396,852	$ 28,168,885
Deposits	8,733,185	5,172,983
Deferred Revenue	6,801,661	8,764,731
Long Term Liabilities – Current Portion	8,105,569	8,021,575
Total Current Liabilities	$ 56,037,267	$ 50,128,174
Noncurrent Liabilities:		
Liability for Compensated Absences (Note B)	$ 8,236,826	$ 7,762,157
Advances on Long Term Grants	430,917	2,535,417
Perkins Loan Program – Federal Capital Contribution	9,612,895	9,340,173
Long Term Liabilities, net (Note E)	173,609,018	152,696,695
Total Noncurrent Liabilities	$ 191,889,656	$ 172,334,442
Total Liabilities	$ 247,926,923	$ 222,462,616
Net Assets:		
Invested in Capital Assets, Net of Related Debt	$ 290,187,814	$ 256,317,359
Restricted for:		
Nonexpendable Scholarships	913,753	912,496
Expendable:		
Debt Service	3,209,956	2,994,946
Loans	2,368,504	2,292,847
Construction	78,981,642	55,548,137
External Grants	7,160,411	5,432,277
Unrestricted	214,089,982	238,247,662
Total Net Assets	$ 596,912,062	$ 561,745,724
Total Liabilities and Net Assets	$ 844,838,985	$ 784,208,340

Ball State University Foundation

Statement of Financial Position

June 30, 2009 and 2008

	2009	2008
Assets:		
Cash	$ 555,887	$ 248,043
Interest and Dividends Receivable	46,964	73,611
Contributions Receivable, Net of Allowances of $804,850 and $787,055	21,567,114	21,563,680
Property Held for Sale	2,142,508	2,142,508
Investments in Marketable Securities	139,528,795	195,936,094
Investments Held in Split-Interest Agreements	1,928,987	2,601,648
Beneficial Interest in Remainder Trusts	1,519,384	1,910,864
Bond Issue Costs and Other Assets	310,377	173,638
Cash Surrender Value of Life Insurance	894,626	895,567
Property and Equipment	2,975,259	2,490,442
Beneficial Interest in Perpetual Trusts	1,945,852	1,816,762
Total Assets	$ 173,415,753	$ 229,852,857
Liabilities:		
Accounts Payable	$ 9,871,603	$ 5,296,320
Grants Payable	1,341,508	1,341,508
Accrued Expenses	163,834	143,169
Line of Credit	5,100,000	5,000,000
Annuity Obligations	1,989,427	1,921,262
Trust Obligations	529,481	860,831
Bonds Payable	10,000,000	10,000,000
Total Liabilities	$ 28,995,853	$ 24,563,090
Net Assets:		
Unrestricted	$ (12,355,124)	$ 29,559,889
Temporarily Restricted	89,572,170	110,224,493
Permanently Restricted	67,202,854	65,505,385
Total Net Assets	$ 144,419,900	$ 205,289,767
Total Liabilities and Net Assets	$ 173,415,753	$ 229,852,857

*See Note A in Notes to Financial Statements

Ball State University

Statement of Revenues, Expenses and Changes in Net Assets
Years Ended June 30,2009 and 2008

	2009	2008
Operating Revenues:		
Student Tuition and Fees	$ 167,309,088	$ 155,172,883
Scholarship Allowances	(50,776,032)	(46,947,251)
Net Student Tuition and Fees	$ 116,533,056	$ 108,225,632
Federal Grants and Contracts (Note C)	8,763,228	9,728,707
State & Local Grants and Contracts	2,683,996	3,018,535
Non-Governmental Grants and Contracts	13,453,388	12,201,608
Sales and Services of Educational Departments	16,528,236	16,410,865
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2009 - $4,564,553, 2008 - $4,230,573)	48,241,157	43,599,172
Other	8,714,161	8,823,332
Other Operating Revenues	3,186,430	3,658,295
Total Operating Revenues	$ 218,103,652	$ 205,666,146
Operating Expenses:		
Personnel Services	$ 200,444,278	$ 193,246,069
Benefits (Note I)	68,304,580	63,418,317
Utilities	11,140,075	10,067,117
Repairs and Maintenance	10,632,052	14,518,914
Other Supplies and Expenses	75,143,713	75,632,944
Student Aid	6,709,257	6,567,478
Depreciation	17,461,862	16,033,108
Total Operating Expenses	$ 389,835,817	$ 379,483,947
Operating Income/(Loss)	$ (171,732,165)	$ (173,817,801)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants	$ 37,496,147	$ 35,206,521
State Appropriations (Note C)	148,856,819	141,253,533
Investment Income	12,046,177	17,089,020
Interest on Capital Asset Related Debt	(6,896,723)	(5,733,666)
Private Gifts	8,589,209	8,762,676
Other Non-Operating Income	810,290	2,301,393
Net Non-Operating Revenues/(Expenses)	$ 200,901,919	$ 198,879,477
Income Before Other Revenues, Expenses, Gains or Losses	$ 29,169,754	$ 25,061,676
Capital Appropriation	-	3,363,151
Capital Gifts	5,996,584	7,896,885
Increase in Net Assets	$ 35,166,338	$ 36,321,712
Net Assets – Beginning of Year	561,745,724	525,424,012
Net Assets – End of Year	$ 596,912,062	$ 561,745,724

Ball State University Foundation

Statement of Activities

Years Ended June 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:								
Contributions	$ 1,365,367	$ 10,622,848	$ 2,007,918	$ 13,996,133	$ 1,225,266	$ 20,307,962	$ 1,708,063	$ 23,241,291
Promotional Activities and Other Revenue	(1,383)	-	-	(1,383)	41,944	-	-	41,944
Investment Income (Loss)	(31,709,782)	(14,540,553)	(34,842)	(46,285,177)	(5,365,900)	5,004,501	(1,959,956)	(2,321,355)
Change in Value of Split-Interest Agreements	153,510	(180,860)	(558,198)	(585,548)	(74,492)	(125,437)	(707,253)	(907,182)
Operating Support Fees	949,728	(931,253)	(18,475)	-	1,013,183	(959,727)	(53,456)	-
	$ (29,242,560)	$ (5,029,818)	$ 1,396,403	$ (32,875,975)	$ (3,159,999)	$ 24,227,299	$ (1,012,602)	$ 20,054,698
Net Assets Released from Restrictions	13,501,194	(13,802,260)	301,066	-	13,879,778	(15,111,713)	1,231,935	-
Net asset reclassification	1,820,245	(1,820,245)	-	-	-	901,649	(901,649)	-
Total Revenues, Gains and Other Support	$ (13,921,121)	$ (20,652,323)	$ 1,697,469	$ (32,875,975)	$ 10,719,779	$ 10,017,235	$ (682,316)	$ 20,054,698
Expenses:								
University Capital Projects	$ 23,008,713	$ -	$ -	$ 23,008,713	$ 24,476,772	$ -	$ -	$ 24,476,772
Management and General	1,283,140	-	-	1,283,140	1,354,313	-	-	1,354,313
Fund Raising	3,702,039	-	-	3,702,039	3,554,566	-	-	3,554,566
Total Expenses	$ 27,993,892	$ -	$ -	$ 27,993,892	$ 29,385,651	$ -	$ -	$ 29,385,651
Change in Net Assets Before Reclassification	$ (41,915,013)	$ (20,652,323)	$ 1,697,469	$ (60,869,867)	$ (18,665,872)	$ 10,017,235	$ (682,316)	$ (9,330,953)
Reclassification of Legacy Funds	-	-	-	-	-	51,611,902	(51,611,902)	-
Net Assets, Beginning of Year	29,559,889	110,224,493	65,505,385	205,289,767	48,225,761	48,595,356	117,799,603	214,620,720
Net Assets, End of Year	$ (12,355,124)	$ 89,572,170	$ 67,202,854	$ 144,419,900	$ 29,559,889	$ 110,224,493	$ 65,505,385	$ 205,289,767

*See Note A in Notes to Financial Statements

Ball State University

Statement of Cash Flows

Years Ended June 30, 2009 and 2008

		2009		2008
Source / (Uses) of Cash:				
Operating Activities:				
Tuition and Fees	$	116,457,287	$	106,655,429
Grants and Contracts		20,117,452		21,178,589
Payments to Suppliers		(68,493,002)		(75,978,927)
Payment for Maintenance and Repair		(10,632,052)		(14,518,914)
Payments for Utilities		(11,140,075)		(10,067,117)
Payments for Personnel Services		(199,719,225)		(191,303,169)
Payments for Benefits		(70,881,133)		(70,520,384)
Payments for Scholarships and Fellowships		(6,502,140)		(6,782,906)
Auxiliary Enterprise Charges:				
Room and Board		48,144,566		43,682,354
Other		7,868,021		9,481,817
Sales and Services of Educational Activities		16,536,452		16,848,728
Other Receipts/Disbursements/Advances		2,075,183		3,635,786
Net Cash Provided/(Used) by Operating Activities	$	(156,168,666)	$	(167,688,714)
Non-Capital Financing Activities:				
Federal and State Scholarships and Grants	$	37,496,147	$	35,206,521
State Appropriations		152,135,238		144,592,938
William D. Ford Direct Lending Receipts		74,330,196		55,341,412
William D. Ford Direct Lending Disbursements		(74,330,196)		(55,341,412)
PLUS Loans Receipts		24,507,444		25,641,458
PLUS Loans Disbursements		(24,507,444)		(25,641,458)
Private Gifts		8,945,144		13,895,506
Foundation Receipts		1,783,682		1,584,588
Foundation Disbursements		(1,783,682)		(1,584,588)
Other Non-Operating Revenue		810,290		2,301,393
Other Receipts		2,983,904		(2,728,172)
Net Cash Provided/(Used) by Non-Capital Financing Activities	$	202,370,723	$	193,268,186
Capital Financing Activities:				
Proceeds from Capital Debt	$	29,448,768	$	65,650,249
Capital Appropriations		-		3,363,151
Capital Gifts		5,996,584		7,896,885
Unamortized Bond Premium		(195,256)		(463,295)
Purchases of Capital Assets		(75,075,340)		(29,797,003)
Principal Paid on Capital Debt		(8,021,575)		(27,233,003)
Interest Paid on Capital Debt		(6,686,703)		(5,038,450)
Deposits with Trustee		(516,725)		(2,513,468)
Net Cash Provided/(Used) by Capital Financing Activities	$	(55,050,247)	$	11,865,066
Investing Activity:				
Proceeds from Sales and Maturities of Investments	$	263,062,997	$	216,001,165
Interest on Investments		12,593,032		13,957,809
Purchase of Investments		(215,847,406)		(259,271,349)
Net Cash Provided/(Used) by Investing Activities	$	59,808,623	$	(29,312,375)
Net Increase/(Decrease) in Cash	$	50,960,433	$	8,132,163
Cash – Beginning of the Year	$	31,361,587	$	23,229,424
Cash – End of the Year		82,322,020		31,361,587
Net Increase/(Decrease) in Cash	$	50,960,433	$	8,132,163

Ball State University

Statement of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of Net Operating Revenues/(Expenses) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	$ (171,732,165)	$ (173,817,801)
Adjustments to Reconcile Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	17,461,862	16,033,108
Equipment Retired	2,589,599	1,727,556
Changes in Assets and Liabilities:		
Operating Receivables, Net	(1,366,625)	(3,634,045)
Inventories	(30,470)	(80,665)
Other Assets	(2,016,848)	(7,173,058)
Accounts Payable	3,782,192	(31,971)
Deferred Revenue	(1,963,070)	1,379,835
Deposits Held for Others	849,088	(70,167)
Compensated Absences	474,669	(116,300)
Advance on Long Term Grants	(2,104,500)	(4,541,278)
Long Term State Appropriations Receivable	-	3,339,406
Long Term Accounts and Notes Receivable	(2,112,398)	(703,334)
Net Cash Provided/(Used) by Operating Activities	$ (156,168,666)	$ (167,688,714)

Ball State University Foundation

Statement of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Operating Activities:		
Change in Net Assets	$ (60,869,867)	$ (9,330,953)
Items not Requiring/(Providing) Cash:		
Depreciation and Amortization	52,659	59,196
Bad Debt Expense	482,363	169,633
Net Unrealized (Gain)/Loss on Investments	39,905,212	8,657,652
Net (Gain)/Loss on Sales of Investments	4,720,600	(5,700,366)
Change in Value of trusts	262,390	3,969
Contributions of Marketable Equity Securities	(950,127)	(585,190)
Contributions Restricted for Long-Term Investment	(2,007,918)	(8,760,261)
Net Change in Value of Split-Interest Agreements	409,476	975,283
Changes In:		
Contributions Receivable, Including Amortization of Discount on Pledges Receivable	(485,797)	(2,616,507)
Interest and Dividends Receivable and Other Assets	(110,092)	18,207
Accounts Payable and Accrued Expenses	4,595,948	(4,251,849)
Net Cash Provided by Operating Activities	$ (13,995,153)	$ (21,361,186)
Investing Activities:		
Purchase of Property and Equipment	$ (537,476)	$ (333,803)
Purchase of Property Held for Sale	-	(10,091)
Purchase of Investments	(56,043,202)	(174,681,196)
Sales and Maturities of Investments	68,774,816	181,524,000
Note Receivable	-	1,174,712
Net Increase in Cash Surrender Value of Life Insurance	941	(52,626)
Net Cash Provided/(Used in) Investing Activities	$ 12,195,079	$ 7,620,996
Financing Activities:		
Net borrowings under line of credit agreement	$ 100,000	$ 5,000,000
Proceeds from Contributions Restricted for Investment in Permanent Endowment	2,007,918	8,760,261
Net Cash Provided by Financing Activities	$ 2,107,918	$ 13,760,261
Net Increase/(Decrease) in Cash	$ 307,844	$ 20,071
Cash-Beginning of the Year	248,043	227,972
Cash-End of Year	$ 555,887	$ 248,043
Interest Paid	$ 292,139	$ 424,738

*See Note A in Notes to Financial Statements

Ball State University
Notes to Financial Statements
June 30, 2009

Note A – Significant Accounting Policies

Reporting Entity

Ball State University (University) is a public institution of higher education governed by a nine-member Board of Trustees in accordance with IC 20-12-57.5. The University is considered to be a component unit of the State of Indiana because the Governor of Indiana appoints the Trustees, one of whom is a full-time student at the University and two of whom are nominated or selected by the Ball State University Alumni Association. All members of the Board of Trustees are appointed for terms of four years, except for the student member whose term is two years. No more than six of the non-student Trustees may be of the same sex, and at least one of them must be a resident of Delaware County, Indiana.

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.

Financial Statements

The financial statements of the University are prepared in accordance with the principles outlined in "Statement No. 35" of the Governmental Accounting Standards Board. 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 Assets
Statement of Revenues, Expenses and Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements
Required Supplemental Information other than Management 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.

Major sources of revenues recorded in advance of the year in which the predominant amount of service is rendered are classified as deferred income on the Statement of Net Assets. Advances on exchange activities are recorded as deferred income. All other earned receipts are reported as revenue in the period they are received. Internal service activity revenues, including overhead charges, are offset against the expenses of internal service activities. Restricted and unrestricted resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

Operating Revenues

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. Revenues from investing activities, Ball State University Foundation donations, federal and state financial aid, and state appropriations are considered to be non-operating revenue.

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 are considered either as part of the first five-week summer session, the second five-week summer session, or the 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 for first summer session and summer semester are due on or about the middle of May, while bills for the second summer session are due on or about the middle of June. By June 30, students have exhausted 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.

Cash and Investments

Investments are reported at fair value. Investments with a maturity date of one year or less are considered to be short-term investments, with the exception of those with a maturity date of three months or less, which are considered to be cash equivalents. All other investments are considered to be long-term.

Accounts Receivable and Notes Receivable

Accounts Receivable and Notes Receivable are both reported net of a calculated reserve for uncollectible items. The reserves as of June 30, 2009, and June 30, 2008, were $4,156,240 and $3,862,308 respectively for accounts receivable. For notes receivable, the reserves were $1,551,681 and $1,593,147 for the same dates.

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.

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. 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 costs 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 50 years for buildings, ten to 50 years for exhaustible land improvements, and three to ten years for equipment. Land and inexhaustible land improvements are 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 Ball State University Museum of Art, 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.

Component Unit

The Ball State University Foundation (Foundation) 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 President of the University Board of Trustees, the University President, the Vice-Presidents of Business Affairs and Advancement and two other members of the University Board of Trustees. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, 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 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.

The Foundation is a private nonprofit organization that reports under 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 Foundation'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 Consolidated Financial Statements of the Ball State University Foundation are reproduced as follows:

Note 11: Endowment (partial reproduction)

In the year ended June 30, 2009, the Foundation adopted the recognition and disclosure provisions of Financial Accounting Standards Board Staff Position FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Management of Institutional Funds Act, and Enhanced Disclosures for All endowment Funds (FSP FAS 117-1). This new standard changes the method of classification of net assets comprising donor-restricted endowment funds when the Foundation is subject to an enacted and effective version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Initial application of FSP FAS 117-1 by reclassification of previously reported net assets at July 1, 2007, resulted in the reclassification of the Foundation's Legacy Funds totaling $44,310,816 from permanently restricted net assets to temporarily restricted net assets, and had no impact on the previously reported total net assets.

Note 18: Deficit Balance in Unrestricted Net Assets (complete reproduction)

In 2009, the Foundation, like many other not-for-profit organizations, experienced significant unrealized and realized losses related to the investment portfolio. Per the Foundation's Stable Value Donor Agreements, unrealized and realized gains and losses related to Stable Value funds are allocated to unrestricted net assets, resulting in a deficit unrestricted net asset balance of approximately $12.0 million at June 30, 2009. Despite the deficit unrestricted net asset balance, total net assets of the Foundation at June 30, 2009, were approximately $144.0 million. Because of the significant balance of total net assets and the Foundation's unused line of credit balance, management believes the Foundation has sufficient liquidity to meet obligations as they become due and will be able to maintain operations into the future in the normal course of business. The Foundation does not believe the deficit balance in unrestricted net assets puts them in violation of any debt or other financial agreement. Management has taken certain cost containment actions and has other options available, should they become necessary, to further reduce expenses of the Foundation.

Note 8: Line of Credit (complete reproduction)

The Foundation has a $15.0 million unsecured revolving line of credit with a group of banks expiring in May 2010. At June 30, 2009, there was $5.1 million borrowed against this line. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus 1.50 percent. There is a minimum interest rate of 3.25 percent, which was the interest rate in effect at June 30, 2009.

The Foundation also has a short-term loan facility that is due July 1, 2015. The line is unsecured. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus 2.50 percent. There is a minimum interest rate of 3.25 percent which was the interest rate in effect at June 30, 2009. There was no balance borrowed against this facility at June 30, 2009.

Both of these agreements contain covenants, which include maintaining minimum net assets of $100.0 million.

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

Note B – Compensated Absences

The University records a liability 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 within each job classification such as: job classification at beginning employment date, years of service, employee's age, employee's 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.

Note C – American Recovery and Reimbursement Act of 2009 (ARRA)

The American Recovery and Reimbursement Act of 2009 was signed into law on February 17, 2009. The law provides federal spending and tax relief to stabilize and/or stimulate the economy. The University, Burris Laboratory School, and Indiana Academy for Science, Mathematics ,and Humanities are sub-recipients of ARRA funds.

The University, through the Office of Contracts and Grants, received an award notification from the Indiana Department of Education for $150,000. At June 30, 2009, only $14,348 had been received. This amount is included in the total of Federal Grants and Contracts.

The State of Indiana received funds from the ARRA to stabilize the state's budget. The Auditor of State notified Burris Laboratory School and Indiana Academy for Science, Mathematics, and Humanities that the June installment of their basic grants would be funded completely with ARRA funds. Therefore, the June payments totaling $442,884 are included in State Appropriations.

In accordance with the Section 1512 of the Recovery Act, the University will continue to provide quarterly reports to the funding agencies.

Note D – Capital Assets

	Book Value July 1, 2008	Additions	Deductions	Transfers/ Reclassifications	Book Value June 30, 2009
Land and Inexhaustible Improvements	$ 14,549,406	$ 108,780	$ -	$ -	$ 14,658,187
Exhaustible Land Improvements	35,908,674	1,039,201	-	(9,326,676) (a)	27,621,199
Infrastructure	15,510,493	591,719	-	9,326,676 (a)	25,428,888
Educational Buildings	298,978,054	802,358	4,129,921	-	295,650,491
Utility Buildings	15,139,101	-	-	-	15,139,101
Educational Equipment	43,110,952	5,459,774	3,559,000	-	45,011,726
Auxiliary Enterprise Buildings	211,935,813	12,143,899	205,984	23,277,574 (b)	247,151,302
Auxiliary Enterprise Equipment	9,685,871	520,989	494,000		9,712,860
Construction in Process	14,905,185	53,807,381	-	(23,277,574) (b)	45,434,992
Other Property	887,585	601,241	209,943	-	1,278,883
Total	$ 660,611,134	$ 75,075,342	$ 8,598,848	$ -	$ 727,087,629
Less Accumulated Depreciation:					
Infrastructure	$ 3,861,959	$ 674,406	$ -	$ 3,143,724 (a)	$ 7,680,089
Exhaustible Land Improvements	16,583,377	765,902	-	(3,143,724) (a)	14,205,555
Educational Buildings	107,506,750	5,913,009	2,070,007	-	111,349,752
Utility Buildings	7,358,426	302,781	-	-	7,661,207
Educational Equipment	31,313,834	4,176,098	3,295,688	-	32,194,244
Auxiliary Enterprise Buildings	74,976,677	4,985,386	156,995	-	79,805,068
Auxiliary Enterprise Equipment	6,918,656	618,799	483,845	-	7,053,610
Other Property	51,951	25,482	2,712	-	74,721
Total	$ 248,571,630	$ 17,461,863	$ 6,009,247	$ -	$ 260,024,246
Capital Assets, Net	$ 412,039,504	$ 57,613,479	$ 2,589,601	$ -	$ 467,063,383

Notes: (a) Reclassification: Moved the cost of assets previously identified and depreciated as Exhaustible Land Improvement to Infrastructure. The total cost of the assets moved is $9,326,676. The related Accumulated Depreciation of $3,143,724 was also moved. Regardless of the classification all of these assets have been and will be depreciated over a 30-year period.

(b) Transfers: DeHority Residence Hall Complex was completed and placed into service during Fiscal Year 2009 therefore, the Construction in Process amount of $23,277,574 was moved to Auxiliary Enterprise Buildings where it will be depreciated.

Note E – Bonds Payable

Long term liabilities reported in the Statement of Net Assets include principal obligations for outstanding bonds and the noncurrent portions of premiums received on certain bond series, capital appreciation on the 1989 Parking System Revenue Bonds, 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 portions of Unamortized Premium on Bonds, Capital Appreciation on Parking Bonds, and Unamortized Deferred Costs are reflected in the Statement of Net Assets as Accounts Payable and Accrued Liabilities.

	Long Term Liabilities			
	June 30, 2009		June 30, 2008	
	Current Portion	Noncurrent Portion	Current Portion	Noncurrent Portion
Outstanding Bonds Payable	$ 8,105,569	$ 168,770,000	$ 8,021,575	$ 147,700,569
Unamortized Premiums on Bonds	391,390	5,776,917	378,558	5,898,817
Capital Appreciation on Parking Bonds	244,431	-	238,425	222,787
Unamoritized Deferred Costs	(187,579)	(937,899)	(187,579)	(1,125,477)
Total	$ 8,553,811	$ 173,609,018	$ 8,450,979	$ 152,696,696

Parking System Revenue Bonds, Series 1989, were issued on July 8, 1989. All $2,905,000 of Current Interest Bonds included in the issue have been retired. The issue also included $740,942 of Capital Appreciation Bonds. Proceeds from the sale of the bonds were used to fund the expansion and renovation of surface parking on campus and to fund the costs of issuance.

Parking System Revenue Bonds, Series 2003, in the amount of $6,495,000 were issued on August 14, 2003. Proceeds from the bonds were used to partially fund construction of the McKinley Parking Structure.

Housing and Dining System Revenue Bonds, Series 2006, in the amount of $35,425,000 were issued on January 19, 2006. Proceeds from the bonds were used to partially fund construction of Park Residence Hall and the expansion and renovation of Woodworth Dining Hall.

Student Fee Bonds, Series I, in the amount of $38,770,000 were issued on January 12, 1999. Proceeds from Series I were used to fund a portion of the construction of the Art and Journalism Building and to refund the outstanding Student Fee Bonds, Series G.

Student Fee Bonds, Series K, in the amount of $21,975,000, were issued on January 3, 2002. Proceeds from Series K bonds were used to fund construction of the Music Instruction Building and to fund the cost of issuance and an amount of capitalized interest.

Student Fee Bonds, Series L, in the amount of $16,425,000, were issued on July 21, 2004. Proceeds from Series L Bonds were used solely to refund all of the outstanding Student Fee Bonds remaining in Series J.

Student Fee Bonds, Series M, in the amount of $21,280,000, were issued on December 15, 2004. Proceeds from Series M bonds were used to fund construction and reconfiguration of the David Letterman Communication and Media Building and to fund the cost of issuance and a certain amount of capitalized interest.

Student Fee Bonds, Series N, in the amount of $63,615,000, were issued on January 30, 2008. Proceeds from Series N bonds were used to 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.

Student Fee Bonds, Series O, in the amount of $29,175,000, were issued on March 12, 2009. Proceeds from Series N bonds were used to fund a portion of the expansion and improvement of the Student Recreation and Wellness Facility.

Long term bonds outstanding at June 30, 2009, were:

	Date of Issue	Original Issue	Retired 2008-2009	Outstanding June 30, 2009
Parking System Revenue Bonds of 1989:				
Current Interest Bonds, 5.90% to 6.75%	07/18/89	$ 2,905,000	$ -	$ -
Capital Appreciation Bonds, 6.90%	07/18/89	740,942	91,575	85,569
Parking System Revenue Bonds of 2003:				
Current Interest Bonds, 2.00% to 5.00%	08/14/03	3,985,000	65,000	3,675,000
Term Bonds, 4.75%	08/14/03	2,510,000	-	2,510,000
Housing and Dining System Revenue Bonds of 2006:				
Current Interest Bonds, 3.50% to 5.00%	01/19/06	35,425,000	1,240,000	31,730,000
Student Fee Bonds, Series I:				
Current Interest Bonds, 3.25% to 5.20%	01/12/99	38,770,000	2,530,000	10,885,000
Student Fee Bonds, Series K:				
Current Interest Bonds, 4.00% to 4.60%	01/03/02	5,700,000	755,000	1,615,000
Term Bonds, 5.25% to 5.75%	01/03/02	16,275,000	-	2,765,000
Student Fee Bonds, Series L:				
Current Interest Bonds, 3.00% to 5.50%	07/21/04	16,425,000	840,000	13,480,000
Student Fee Bonds, Series M:				
Current Interest Bonds, 3.00% to 5.00%	12/15/04	19,355,000	750,000	17,165,000
Term Bonds, 3.80%	12/15/04	1,925,000	-	1,925,000
Student Fee Bonds, Series N:				
Current Interest Bonds, 3.50% to 5.00%	01/30/08	63,615,000	1,750,000	61,865,000
Student Fee Bonds, Series O:				
Current Interest Bonds, 3.00% to 5.25%	03/12/09	20,980,000	-	20,980,000
Term Bonds, 5.00%	03/12/09	8,195,000	-	8,195,000
Total Bonds		$ 236,805,942	$ 8,021,575	$ 176,875,569

The principal and interest on bonds are, for the most part, payable from net revenues of specific auxiliary enterprises and/or from student fees. Debt service on student fee bonds, with the exception of Series O, is eligible for fee replacement from the State of Indiana.

Future debt service requirements for all bonds outstanding are as follows:

	Principal	Interest and Capital Appreciation	Total
2010	$ 8,105,569	$ 7,828,164	$ 15,933,733
2011	9,530,000	7,548,533	17,078,533
2012	9,930,000	7,149,922	17,079,922
2013	10,335,000	6,730,125	17,065,125
2014	10,360,000	6,302,671	16,662,670
2015-2019	46,110,000	25,335,186	71,445,186
2020-2024	49,910,000	13,838,925	63,748,925
2025-2029	30,395,000	3,334,008	33,729,008
2030-2034	2,200,000	55,000	2,255,000
Total	$ 176,875,569	$ 78,122,534	$ 254,998,102

Note F – Defeased Bonds

Escrow accounts have been established with First Merchants Bank, N.A., Muncie, Indiana to meet all future debt service requirements of certain series of defeased Building Facilities Fee Bonds. The funds held in the escrow accounts are invested in federal, state and local government securities.

Under the terms of the escrow agreements, the University is relieved of all liability for the defeased issues. The final maturity on the defeased Building Facilities Fee Bonds is January 1, 2012. At June 30, 2009, the unpaid principal for the defeased Building Facilities Fee Bonds was $32.6 million.

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 $373,798 for the year ended June 30, 2009.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2009, are as follows:

	Future lease Payments
2010	$ 302,880
2011	158,401
2012	1,513
2013	1,513
2014	1,513
2015-2019	-
Total	$ 465,820

Note H – Investments

Investments held in the name of the University at June 30, 2009, consisted of the following:

	Market
U.S. Government Agency Securities	$ 125,854,499
Certificates of Deposit	136,644,585
Demand Deposit Accounts	50,435,612
Total Investments	$ 312,934,696

In compliance with its Investment Policy, the University does not invest in foreign securities and is, therefore, not subject to foreign currency risk. Types of investments held are authorized by the University's Board of Trustees and comply with applicable state statutes. They may consist of any of the following:

- Treasury Securities of the United States Government.
- Obligations of agencies of the United States Government. At June 30, 2009, the University held Agency Securities totaling $125,854,499 comprised of the following:

	Market
Federal Home Loan Mortgage Corporation	$ 54,856,192
Federal National Mortgage Association	43,723,120
Federal Home Loan Bank	25,253,893
Federal Farm Credit	2,021,294
Total	$ 125,854,499

- Certificates of deposit held at banks and savings banks incorporated under the laws of Indiana and national banking associations with banking offices in Indiana. At June 30, 2009, the University held the following certificates of deposit totaling $136,644,585:

		Market
Fifth Third Bank, Indianapolis, Indiana	$	31,140,000
First Merchants Bank, N.A., Muncie, Indiana		3,404,585
First Merchants Bank of Central Indiana, Anderson, Indiana		24,000,000
The Huntington National Bank, Indianapolis, Indiana		9,263,850
Irwin Union Bank & Trust Company, Columbus, Indiana		4,000,000
Lafayette Bank & Trust Company, Lafayette, Indiana		12,000,000
Marshall & Ilsley Bank, Indianapolis, Indiana		43,836,150
STAR Financial Bank, Muncie, Indiana		9,000,000
Total Certificates of Deposit	$	136,644,585

- Repurchase agreements collateralized at 105.0 percent of the par value with United States Treasury and Agency securities.
- Commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Money market mutual funds comprised of US Treasury and Agency securities and commercial paper rated A1 (Standard & Poor's) or P1 (Moody's).
- Interest-bearing deposit accounts at banks and savings banks incorporated under the laws of Indiana and national banking associations with banking offices in Indiana. At June 30, 2009, the University's interest-bearing Deposit Accounts totaled $50,435,612 and were comprised of working capital and short-term investments held at First Merchants Bank, N.A., Muncie, Indiana.

Types of investments held by the Ball State University Foundation, a component unit, are authorized by the Foundation's Board of Trustees. They include a broader selection of investments including corporate bonds, common and preferred stocks, private equity, hedge funds, foreign investments and common trusts and mutual funds.

Market values are determined by reviewing quoted market prices. The premium or discount on market securities is amortized or accreted to determine investment value.

All investments owned by the University are held in safekeeping by the issuing or selling bank or in a custodial account with a brokerage firm. The University's investment policy allows up to 20.0 percent of the University's investments to be placed in certificates of deposit and interest-bearing deposit accounts with a single financial institution, and up to five percent with a single issuer of commercial paper.

Cash deposits of $12,854,790 as well as certificates of deposit and interest-bearing deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. This FDIC insurance is temporary until December 31, 2013. On January 1, 2014, FDIC coverage reverts back to $100,000 per depositor. Amounts exceeding the FDIC-insured amount are insured by the Indiana Public Depository Fund.

Disclosures Related to Interest Rate Risk

Interest rate risk refers to changes in market interest rates having an adverse effect on the fair value of investments. Generally, the longer the term (life) of an investment, the greater its susceptibility to changes in market interest rates. The University manages its exposure to interest rate risk by purchasing a mixture of short-, intermediate- and long-term investments as a source of funds to meet the cash flow needs of current and future operations of the University.

The University's investment policy does not stipulate a specific earnings rate but has the following investment objectives:

- Safety and preservation of principal,
- Sufficient liquidity to meet working capital needs, planned capital asset expenditures, unanticipated spending requirements and investment opportunities,

- Maximum return on investment within prudent levels of risk and investment diversification, and
- Compliance with all statutory requirements of the State of Indiana.

Distribution of Investments

The following table shows the distribution of the University's investments by maturity:

Investment by Type	Less than Six Months	Greater than or Equal to Six Months and Less than or Equal to One Year	Greater than One Year and Less than or Equal To Five Years	Total Market Value
U.S. Government Agency Securities	$ 23,270,219	$ 16,904,071	$ 85,680,209	$ 125,854,499
Certificates of Deposit	44,946,535	53,498,050	38,200,000	136,644,585
Demand Deposit Accounts	50,435,612	-	-	50,435,612
Total Investments	$ 118,652,366	$ 70,402,121	$ 123,880,209	$ 312,934,696

Note I – Pension Plans and Other Post-Employment Benefits

Pension Plans

Public Employees' Retirement Fund

The University contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time staff and service personnel are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) give the University authority to contribute to the plan and govern, through the PERF Board, most requirements of the system. 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. For the fiscal year ended June 30, 2009, there were 1,337 employees participating in PERF with an annual pay equal to $45,834,533.

PERF 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. That report may be obtained by writing the Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling (317) 233-4162.

The contributions requirements of plan members for PERF are established by the Board of Trustees of PERF. The University's annual pension cost for the current year and related information, as provided by the actuary, are as follows:

Annual Required Contribution	$ 2,510,889
Interest on Net Pension Obligation	(61,344)
Adjustment to Annual Required Contribution	69,906
Annual Pension Cost	$ 2,519,451
Contributions Made	2,769,415
Increase/(Decrease) in Net Pension Obligation	$ (249,964)
Net Pension Obligation, July 1, 2007	(846,118)
Net Pension Obligation, June 30, 2008	$ (1,096,082)

Contribution Rates:	
University	6.50%
Plan Members (paid by BSU)	3.00%
Actuarial Valuation Date	6/30/2007
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of projected payroll, closed
Amortization Period	30 years from 07-01-97
Asset Valuation Method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5.00%
Attributed to inflation	4.00%
Attributed to merit / seniority	1.00%
Cost-of-living adjustments	2.00%

Three Year Trend Information

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	$ 2,238,322	82.26%	$ (1,127,189)
2007	$ 2,505,548	88.78%	$ (846,118)
2008	$ 2,519,451	110.30%	$ (1,096,082)

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AL)	Excess/ (Unfunded) AL	Funded Ratio
07/01/2006	$ 60,675,270	$ 61,815,082	$ (1,139,812)	98.2%
07/01/2007	$ 67,546,127	$ 66,427,925	$ 1,118,202	101.7%
07/01/2008	$ 69,389,530	$ 70,636,010	$ (1,246,480)	98.2%

Date	Covered Payroll	Excess/ (Unfunded) AL as a Percent of Covered Payroll
07/01/2006	$ 41,182,028	(2.8)%
07/01/2007	$ 42,394,759	2.6 %
07/01/2008	$ 44,672,073	(2.8)%

Teachers' Retirement Fund

The Teachers' Retirement Fund (TRF) is a cost-sharing, multiple employer public retirement system, which provides retirement benefits to plan members and beneficiaries. All faculty and professional personnel are eligible to participate in the defined benefits plan. 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. 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. For the fiscal year ended June 30, 2009, there were 421 employees participating in TRF with annual pay equal to $22,538,819. The University contributes at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be seven percent of covered payroll. The University's contributions to the plan, including those made to the annuity on behalf of the members, for the fiscal years ended

June 30, 2009, 2008, and 2007, were $2,253,882, $2,419,703, and $2,470,540, respectively. The University contributed 100.0 percent of required contributions for each of the fiscal years.

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:

ING Financial Advisers, LLC
Fidelity Investments Institutional Services Company, Inc.
Lincoln Financial Group
Teachers Insurance and Annuity Association - College Retirement Equities Fund

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.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Teachers' Retirement Fund, 150 W. Market Street, Suite 300, Indianapolis, IN 46204, or by calling (317) 232-3860.

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 the same companies as the TRF supplementary retirement contribution. Benefit provisions are established and/or amended by the University's Board of Trustees. The plan purchases individual annuity contracts for members and provides for immediate vesting. The University contributes 12.27 percent of each participating employee's base salary. For the fiscal year ended June 30, 2009, the University contributed $11,840,014 to this plan for 1,552 participating employees with annual payroll totaling $96,495,636.

Early Retirement Program

Eligible employees may participate in an early retirement program. The plan provides a severance payment equivalent to 15.0 percent of the employee's final year's pay. Such payments are made in the final year of employment; therefore, no liability exists beyond the end of the fiscal year in which employment terminates. The plan also permits participants to select a cash settlement option in lieu of life insurance that is equal to 40.0 percent of that life insurance. Payment is made in two equal installments on January 31 of the calendar year following the calendar year in which retirement takes place and the next succeeding January 31. As of June 30, 2009, $447,400 is recorded as a liability representing payments to be made in 2010 and 2011 to employees who retired under the program by June 30, 2009.

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; 15 years at age 50 for those hired before July 1, 2009; ten years at age 60 for those hired before September 1, 1999). As of June 30, 2009, approximately 1,615 participants were eligible and were receiving one or both of these benefits.

Plan Description

The University's Retiree Health and Life Insurance Plans (Plans) are single-employer defined benefit health and life insurance plans administered by the University. The Plans provide medical, dental, and prescription drug insurance benefits to eligible retirees and spouses and life insurance benefits to eligible retirees. IC 21-38-3-3 assigns authority to the University's Board of Trustees to establish and amend benefit provisions for the University. The Plans issue a publicly available financial report that includes financial statements and required supplementary information for the Plans as a whole and for the participants. That report may be obtained by contacting Ball State University, Office of Controller and Business Services, 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, 2009, the University contributed $7,923,071 for current claims and estimated applicable administrative costs and an additional $1.0 million 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 $2,263,383, or approximately 25 percent of the total premiums assessed, through their required contributions, which for health insurance ranged, for those not eligible for Medicare, from $78.84 to $277.92 per month for single coverage and $204.68 to $721.48 for family coverage. For those eligible for Medicare, the monthly premiums were $71.78 for medical and prescription drug coverage and $7.38 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, with $37,500 being the maximum amount available for retirees. The monthly premium is $.07 per $1,000 of coverage.

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 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:

Annual required contribution	$	7,924,488
Interest on net OPEB obligation		(472,749)
Adjustment to annual required contribution		332,580
Annual OPEB cost	$	7,784,319
Contributions made		8,923,071
Increase (decrease) in net OPEB obligation	$	(1,138,752)
Net OPEB obligation (asset), beginning of year		(6,303,323)
Net OPEB obligation (asset), end of year	$	(7,442,075)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 (subsequent financial reports will show two previous years data; not required for 2009 since 2008 was the effective date for GASB Statement 45) were as follows:

	Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
Health Insurance	6/30/2008	$ 6,674,483	194.4%	$ (6,303,323)
	6/30/2009	$ 7,632,201	116.9%	$ (7,594,193)
Life Insurance	6/30/2008	$ -	-	$ -
	6/30/2009	$ 152,118	0.0%	$ 152,118

Funded Status and Funding Progress

	Valuation Date	Actuarial Value of Assets	Actuarial Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/07	$ 148,827,822	$ 171,887,451	$ 23,059,629	86.6%	$ 136,645,256	16.9 %
Life	7/1/07	25,238,907	19,036,901	(6,202,006)	132.6%	$ 136,645,256	(4.5)%
Total		$ 174,066,729	$ 190,924,352	$ 16,857,623	91.2%	$ 136,645,256	12.3 %

As of June 30, 2007, the most recent actuarial valuation date, the health insurance plan was 86.6 percent funded. The actuarial accrued liability for benefits was $171,887,451, and the actuarial value of assets was $148,827,822, resulting in an unfunded actuarial accrued liability (UAAL) of $23,059,629. The covered payroll (annual payroll of active employees covered by the plan) was $136,645,256, and the ratio of UAAL to covered payroll was 16.9 percent. As of the same date, the life insurance plan was 132.6 percent funded. The actuarial accrued liability for benefits was $19,036,901, and the actuarial value of assets was $25,238,907, resulting in an unfunded actuarial accrued liability (UAAL) of ($6,202,006). The covered payroll (annual payroll of active employees covered by the plan) was $136,645,256, and the ratio of the UAAL to covered payroll was (4.5 percent).

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, will present in future reports 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 June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and is appropriate as long as the University makes annual contributions (through a combination of benefits paid from general assets and contributions to the VEBA) that are at least as large as the ARC. If the OPEB is “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 also included an annual healthcare cost trend rate initially of nine percent for non-Medicare medical, eight percent for Medicare eligible medical, ten percent for prescription drugs, five percent for dental, and four percent for administrative costs, reduced to an ultimate rate of four percent for administrative costs and five percent for everything else after eight years. A payroll growth rate of four percent is assumed throughout. The actuarial value of the plan assets is market value. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was 30 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 year ended June 30, 2009:

Market Value at July 1, 2008	$ 142,837,134
Transfer from Ball State University	1,000,000
Realized Net Earnings (Loss)	(1,580,903)
Unrealized Gain (Loss)	(28,108,499)
Fund Balance at June 30, 2009	$ 114,147,732

These funds cannot under any circumstances revert to the University.

The Life Insurance Continuance Fund established for the sole purpose of funding future retiree life insurance benefits had the following activity for the year ended June 30, 2009:

Fund Balance at July 1, 2008	$ 22,321,203
Reinvested Net Earnings	359,482
Unrealized Gain (Loss)	(5,640,241)
Death Claims and Related Charges	(433,548)
Fund Balance at June 30, 2009	$ 16,606,896

Note J – Included Entities

The University operates Burris Laboratory School and the Indiana Academy for Science, Mathematics, and Humanities under the direction of the Teachers College. The financial activity for these entities is included in the exhibits.

Note K – Contingent Liability

The University is presently involved as a defendant or codefendant in various matters of litigation. The University's administration believes that the ultimate disposition of any of these matters would not have a material adverse effect upon the financial condition of the University.

The University has entered into loan guaranty agreements on two properties as discussed below:

> Sigma Chi Fraternity, Epsilon Omega chapter in Muncie, Indiana – The loan agreement provided for the refinancing of an existing mortgage to gain more favorable terms and to obtain additional funds for renovation of the fraternity house. The University is guarantor of the loan that was issued for $460,000. A recent appraisal indicated that the value of the property is significantly greater than the outstanding loan amount, and a ten-year pro forma budget provided by the chapter suggests that the housing corporation has the ability to service the debt and meet its other financial obligations.
>
> 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. The University is guarantor of a term loan in the amount of $1,040,000 and a term note in the amount of $559,000. A review of the chapter's pro forma budget indicates that there will be adequate revenues to meet all debt and operating obligations.

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 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 of $5.0 million at June 30, 2009, was determined by our actuarial consultants. Claims activity for the year was as follows:

Unpaid health care claims at July 1, 2008	$	5,980,000
Claims incurred		43,411,299
Claims paid		44,391,299
Unpaid health care claims at June 30, 2009	$	5,000,000

Ball State University
Required Supplemental Information
June 30, 2009

Other Post-Employment Benefits
Retiree Health and Life Insurance Plans

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/07	$ 148,827,822	$ 171,887,451	$ 23,059,629	86.58%	$ 136,645,256	16.9 %
Life	7/1/07	$ 25,238,907	$ 19,036,901	$ (6,202,006)	132.58%	$ 136,645,256	(4.5)%

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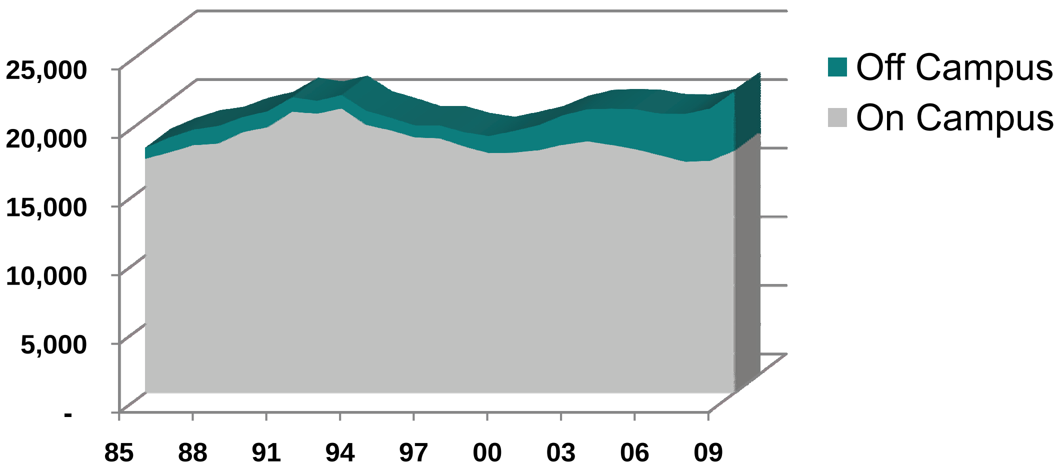
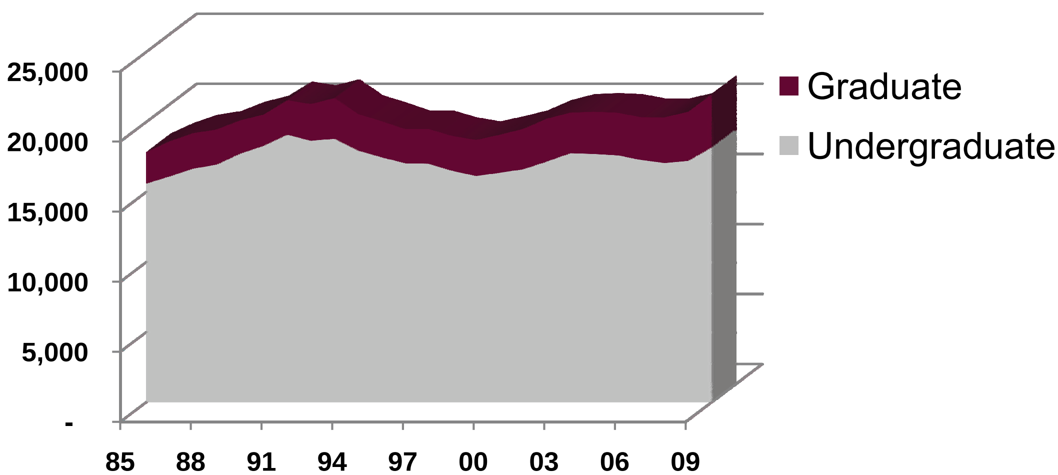
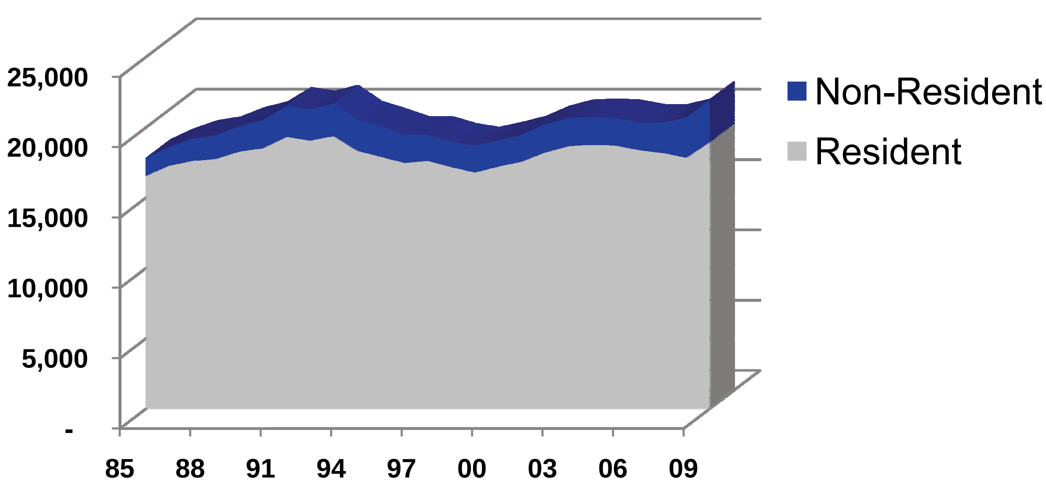
Supplemental Information

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 1985-2009

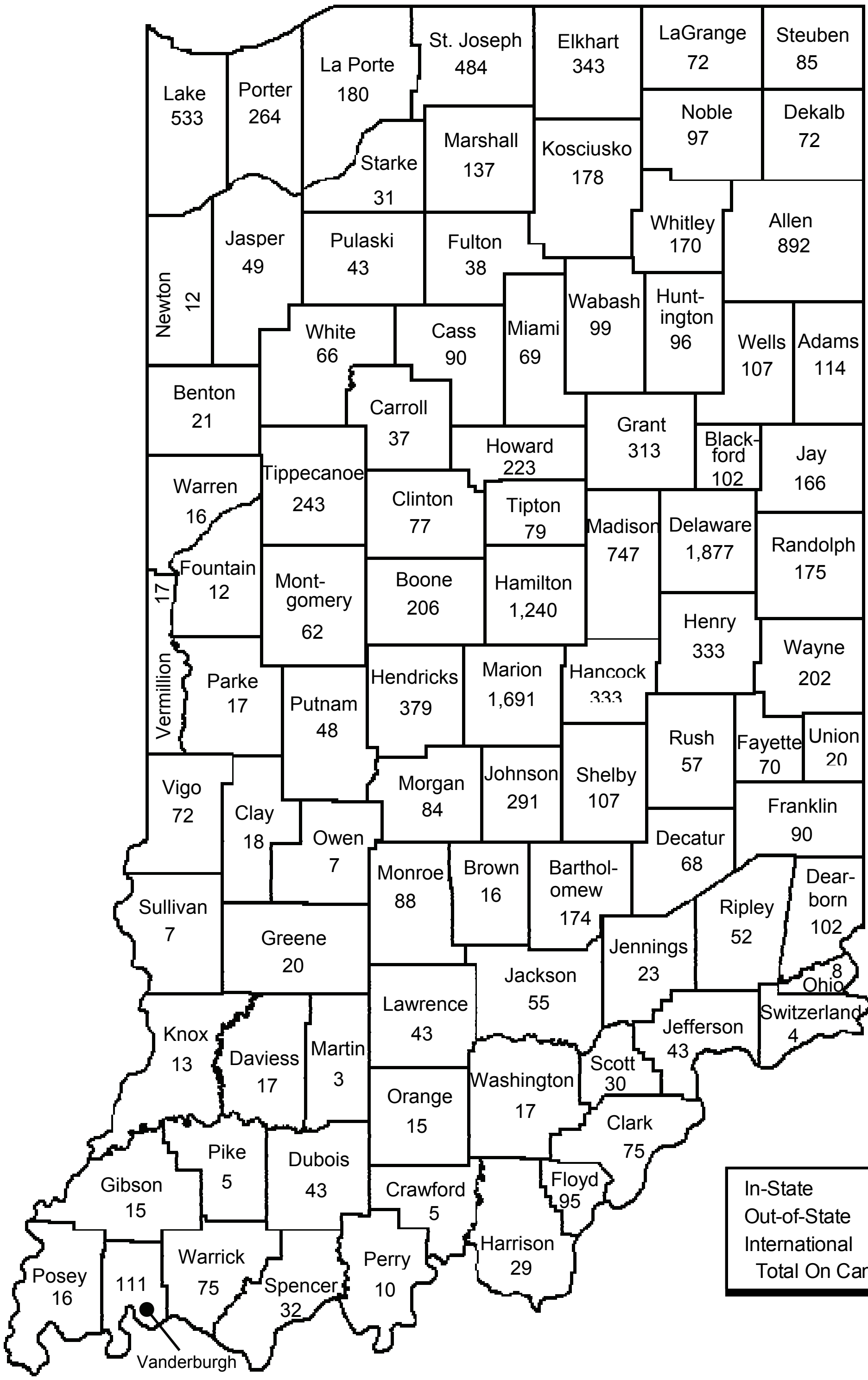






Campus Enrollment by County

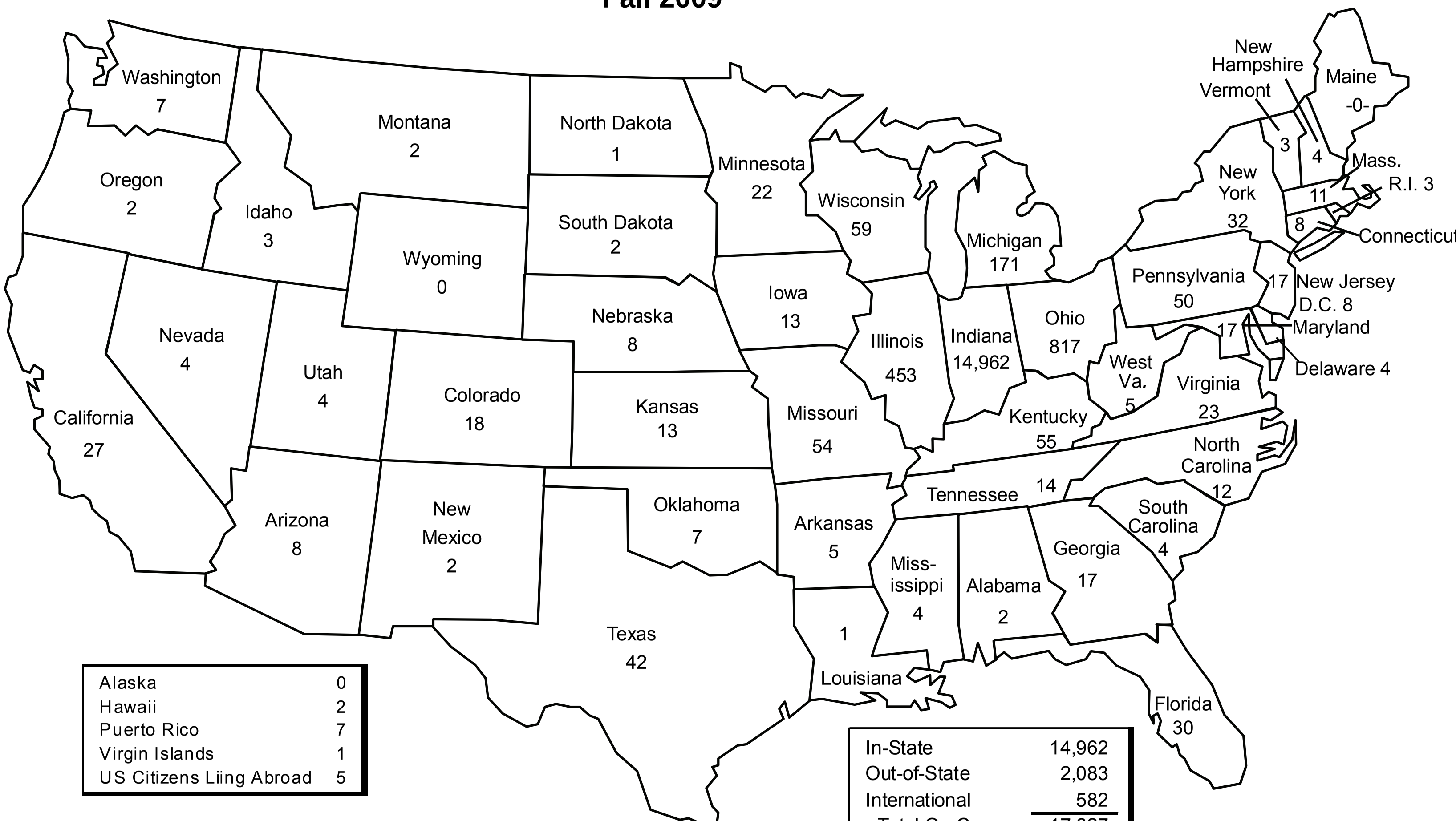
Fall 2009



In-State	14,962
Out-of-State	2,083
International	582
Total On Campus	17,627

Campus Enrollment by State

Fall 2009



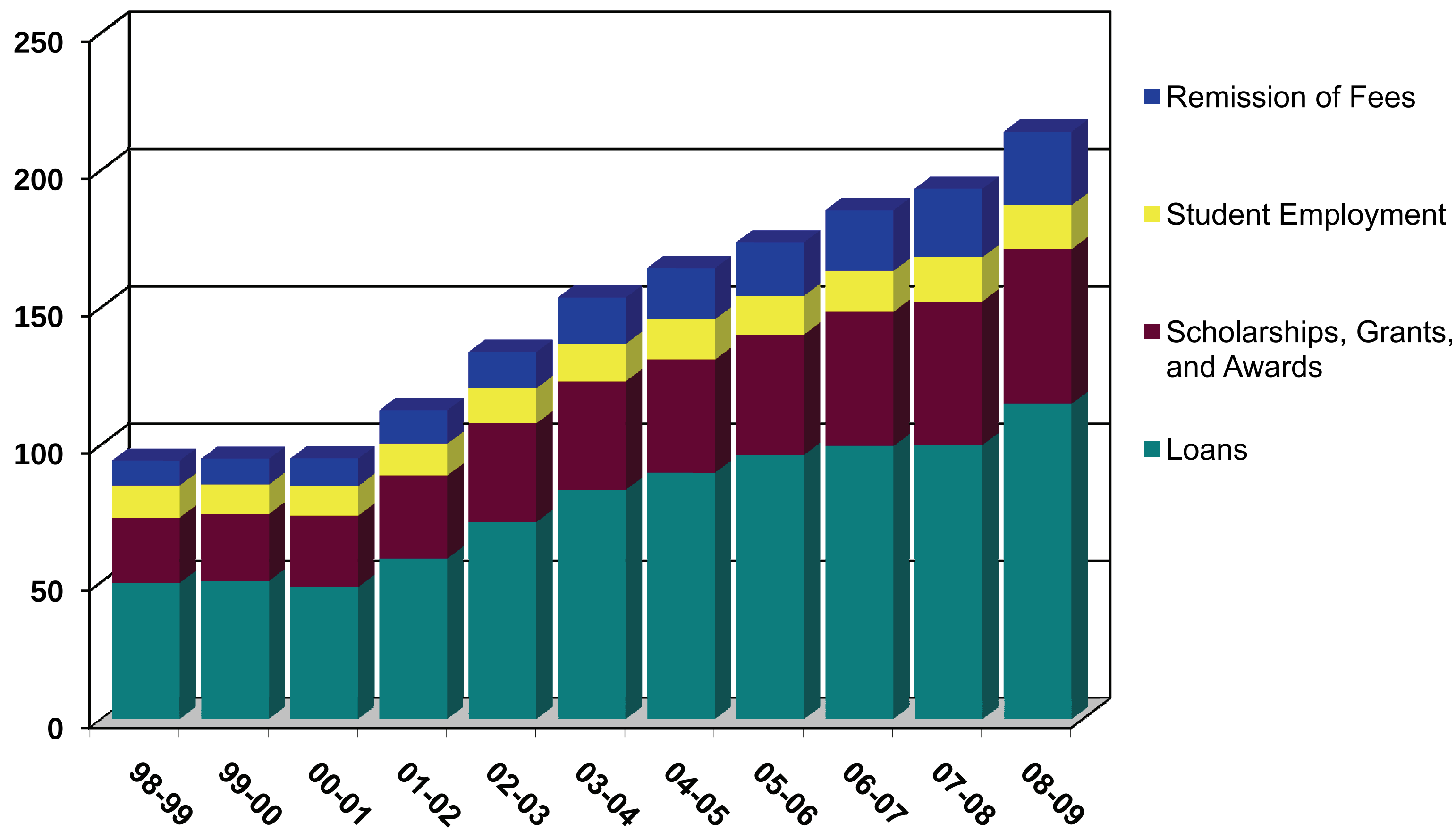
Alaska	0
Hawaii	2
Puerto Rico	7
Virgin Islands	1
US Citizens Liing Abroad	5

In-State	14,962
Out-of-State	2,083
International	582
Total On Campus	17,627

Student Financial Assistance

1998-99 through 2008-09

(in millions of dollars)



Ball State University
Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Parking Facilities
Year Ended June 30, 2009

June 30	Principal	Interest	Total	Unliquidated Balance
2009				$ 6,270,569
2010	$ 150,569	$ 529,956	$ 680,525	6,120,000
2011	290,000	277,300	567,300	5,830,000
2012	305,000	262,425	567,425	5,525,000
2013	320,000	246,800	566,800	5,205,000
2014	340,000	232,000	572,000	4,865,000
2015	350,000	217,325	567,325	4,515,000
2016	365,000	201,238	566,238	4,150,000
2017	385,000	184,363	569,363	3,765,000
2018	400,000	166,700	566,700	3,365,000
2019	420,000	148,250	568,250	2,945,000
2020	435,000	129,013	564,013	2,510,000
2021	455,000	108,419	563,419	2,055,000
2022	480,000	86,213	566,213	1,575,000
2023	500,000	62,938	562,938	1,075,000
2024	525,000	38,594	563,594	550,000
2025	550,000	13,063	563,063	-
Total	$ 6,270,569	$ 2,904,597	$ 9,175,166	

Revenue Bonds—Housing and Dining
Year Ended June 30, 2009

June 30	Principal	Interest	Total	Unliquidated Balance
2009				$ 31,730,000
2010	$ 1,285,000	$ 1,392,749	$ 2,677,749	30,445,000
2011	1,335,000	1,344,396	2,679,396	29,110,000
2012	1,385,000	1,290,830	2,675,830	27,725,000
2013	1,445,000	1,234,230	2,679,230	26,280,000
2014	1,500,000	1,175,330	2,675,330	24,780,000
2015	1,570,000	1,106,080	2,676,080	23,210,000
2016	1,650,000	1,025,580	2,675,580	21,560,000
2017	1,735,000	940,955	2,675,955	19,825,000
2018	1,815,000	861,280	2,676,280	18,010,000
2019	1,900,000	777,480	2,677,480	16,110,000
2020	1,990,000	688,190	2,678,190	14,120,000

Ball State University

Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Housing and Dining

Year Ended June 30, 2009

June 30	Principal	Interest	Total	Unliquidated Balance
2021	$ 2,085,000	$ 594,275	$ 2,679,275	$ 12,035,000
2022	2,190,000	487,400	2,677,400	9,845,000
2023	2,300,000	375,150	2,675,150	7,545,000
2024	2,410,000	267,944	2,677,944	5,135,000
2025	2,515,000	164,794	2,679,794	2,620,000
2026	2,620,000	55,675	2,675,675	-
Total	$ 31,730,000	$ 13,782,338	$ 45,512,338	

Student Fee Bonds

Year Ended June 30, 2009

June 30	Principal	Interest	Total	Unliquidated Balance
2009				$ 138,875,000
2010	$ 6,670,000	$ 5,905,459	$ 12,575,459	132,205,000
2011	7,905,000	5,926,837	13,831,837	124,300,000
2012	8,240,000	5,596,667	13,836,667	116,060,000
2013	8,570,000	5,249,095	13,819,095	107,490,000
2014	8,520,000	4,895,340	13,415,340	98,970,000
2015	8,090,000	4,564,519	12,654,519	90,880,000
2016	7,035,000	4,264,314	11,299,314	83,845,000
2017	6,475,000	3,958,776	10,433,776	77,370,000
2018	6,790,000	3,633,263	10,423,263	70,580,000
2019	7,130,000	3,285,063	10,415,063	63,450,000
2020	7,495,000	2,917,870	10,412,870	55,955,000
2021	7,880,000	2,540,482	10,420,482	48,075,000
2022	6,720,000	2,188,250	8,908,250	41,355,000
2023	7,050,000	1,853,525	8,903,525	34,305,000
2024	7,395,000	1,500,663	8,895,663	26,910,000
2025	6,040,000	1,168,881	7,208,881	20,870,000
2026	6,350,000	858,738	7,208,738	14,520,000
2027	4,990,000	576,988	5,566,988	9,530,000
2028	5,235,000	333,494	5,568,494	4,295,000
2029	2,095,000	162,375	2,257,375	2,200,000
2030	2,200,000	55,000	2,255,000	-
Total	$ 138,875,000	$ 61,435,599	$ 200,310,599	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Total Revenue and Student Fee Bonds

Year Ended June 30, 2009

June 30	Principal	Interest	Total	Unliquidated Balance
2009				$ 176,875,569
2010	$ 8,105,569	$ 7,828,164	$ 15,933,733	168,770,000
2011	9,530,000	7,548,533	17,078,533	159,240,000
2012	9,930,000	7,149,922	17,079,922	149,310,000
2013	10,335,000	6,730,125	17,065,125	138,975,000
2014	10,360,000	6,302,670	16,662,670	128,615,000
2015	10,010,000	5,887,924	15,897,924	118,605,000
2016	9,050,000	5,491,132	14,541,132	109,555,000
2017	8,595,000	5,084,094	13,679,094	100,960,000
2018	9,005,000	4,661,243	13,666,243	91,955,000
2019	9,450,000	4,210,793	13,660,793	82,505,000
2020	9,920,000	3,735,073	13,655,073	72,585,000
2021	10,420,000	3,243,176	13,663,176	62,165,000
2022	9,390,000	2,761,863	12,151,863	52,775,000
2023	9,850,000	2,291,613	12,141,613	42,925,000
2024	10,330,000	1,807,201	12,137,201	32,595,000
2025	9,105,000	1,346,738	10,451,738	23,490,000
2026	8,970,000	914,413	9,884,413	14,520,000
2027	4,990,000	576,988	5,566,988	9,530,000
2028	5,235,000	333,494	5,568,494	4,295,000
2029	2,095,000	162,375	2,257,375	2,200,000
2030	2,200,000	55,000	2,255,000	-
Total	$ 176,875,569	$ 78,122,534	$ 254,998,103	