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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, 2009 to June 30, 2010

FILED
03/10/2011

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SCHEDULE OF UNIVERSITY OFFICIALS

Office	Official	Term
President	Dr. Jo Ann M. Gora	08-08-04 to 06-30-11
Vice President, Business Affairs and Treasurer	Dr. Randall B. Howard	07-01-09 to 06-30-11
Associate Vice President, Finance and Assistant Treasurer	Dr. Randall B. Howard	09-01-06 to 06-30-09
	Bernard M. Hannon	08-25-10 to 06-30-11
Associate Vice President, Business Services and Controller	William A. McCune	07-15-91 to 06-30-11
President of the Board of Trustees	Thomas L. DeWeese	01-01-96 to 12-31-10
	Hollis E. Hughes, Jr.	01-01-11 to 12-31-11

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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ROOM E418
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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, 2010, and have issued our report thereon dated November 19, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

November 19, 2010

STATE OF INDIANA
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2010. 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; 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be 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, 2010, and have issued our report thereon dated November 19, 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 financial statements taken as a whole.

This report is intended solely for the information and use of the University's Board of Trustees, management, others within the entity, 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

February 17, 2011

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Student Financial Aid Cluster			
U.S. DEPARTMENT OF EDUCATION			
Federal Supplemental Educational Opportunity Grants	84.007	$ 888,009	$ -
Federal Work-Study Program	84.033	642,055	-
Federal Pell Grant Program	84.063	20,529,135	-
Federal Direct Student Loans	84.268	109,642,683	-
Academic Competitiveness Grants	84.375	1,290,711	-
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	98,928	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	33,500	-
Total U.S. Department of Education		133,125,021	-
Research and Development Cluster			
U.S. DEPARTMENT OF AGRICULTURE			
Modeling Bat Distribution	10.XXX	21,415	-
Pass-Through Sertech Heating & Air, Inc. Tech Assistance			
Small Business Innovation Research	10.212	22,012	-
U.S. DEPARTMENT OF COMMERCE			
Pass-Through University of Southern Indiana			
Economic Adjustment Assistance	11.307	76,257	-
U.S. DEPARTMENT OF DEFENSE			
Pass-Through Defense Finance and Accounting Service			
Military Medical Research and Development	12.420	464,398	51,748
Pass-Through N Hampshire Academy of Applied Science			
Basic Scientific Research	12.431	5,200	-
Pass-Through U.S. Army Research Laboratory			
Basic Scientific Research	12.431	37,113	-
Pass-Through United States Army			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	34,539	14,076
Total U.S. Department of Defense		541,250	65,824
U.S. DEPARTMENT OF THE INTERIOR			
Pass-Through Indiana Department of Natural Resources			
Sport Fish Restoration Program	15.605	176,897	-
Migratory Bird Conservation	15.647	12,665	-
Historic Preservation Fund Grants-In-Aid	15.904	99,178	-
Outdoor Recreation-Acquisition, Development and Planning	15.916	17,126	-
Pass-Through Purdue University			
Assistance to State Water Resources Research Institutes	15.805	29,920	-
Total U.S. Department of the Interior		335,786	-
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction	20.205	42,225	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Aerospace Education Services Program	43.AAA	149,636	-
Pass-Through Purdue University			
Aerospace Education Services Program	43.AAA	31,742	-
Total National Aeronautics and Space Administration		181,378	-
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass-Through NEH What Middletown Read			
Promotion of the Humanities-Research	45.161	1,266	-
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Pass-Through Institute of Museum and Library			
Museums for America	45.301	27,746	-

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, 2010
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Research and Development Cluster (Continued)			
NATIONAL SCIENCE FOUNDATION			
Engineering Grants	47.041	30,135	-
Mathematical and Physical Sciences	47.049	114,304	-
Geosciences	47.050	17,495	-
Biological Sciences	47.074	172,677	-
Social, Behavioral, and Economic Sciences	47.075	71,521	-
Education and Human Resources	47.076	79,359	-
International Science and Engineering (OISE)	47.079	67,622	-
Total National Science Foundation		553,113	-
U.S. DEPARTMENT OF ENERGY			
Procurement Contract	81.XXX	14,397	-
U.S. DEPARTMENT OF EDUCATION			
Javits Gifted and Talented Students Education Grant Program	84.206A	225,035	-
Fund for the Improvement of Education	84.215X	133,446	-
Foreign Language Assistance	84.293B	111,172	-
Procurement Contract	84.XXX	1,440	-
Pass-Through University of Illinois			
National Institute on Disability and Rehabilitation Research	84.133E	8,992	-
Pass-Through Indiana Department of Education			
Special Education-Grants to States	84.027A	1,067,429	130,000
Special Education - State Personnel Development	84.323	11,695	-
Pass-Through Delaware County Family Services			
Twenty-First Century Community Learning Centers	84.287C	9,447	-
Total U.S. Department of Education		1,568,656	130,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Academic Research Enhancement Award	93.390	66,575	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	88,014	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	34,349	-
Biomedical Research and Research Training	93.859	35,484	-
Aging Research	93.866	163,117	-
Pass-Through Indiana State Department of Health			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	43,965	-
Pass-Through Boston University			
Research Related to Deafness and Communication Disorders	93.173	63,303	-
Pass-Through Indiana Department of Child Services			
Chafee Foster Care Independence Program	93.674	11,261	-
Pass-Through Indiana University			
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	13,062	-
Pass-Through University of California Santa Cruz			
Aging Research	93.866	26,488	-
Total U.S. Department of Health and Human Services		545,618	-
Total Research and Development Cluster		3,931,119	195,824
Child Nutrition Cluster			
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Indiana Department of Education			
School Breakfast Program	10.553	44,115	-
National School Lunch Program	10.555	14,769	-
Total Child Nutrition Cluster		58,884	-
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster			
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/State's Program	14.228	47,025	-

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

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Highway Safety Cluster			
U.S. DEPARTMENT OF TRANSPORTATION			
State and Community Highway Safety	20.600	4,002	-
Special Education (IDEA) Cluster			
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Special Education - Grants to States	84.027A	65,553	-
State Fiscal Stabilization Fund Cluster			
U.S. DEPARTMENT OF EDUCATION			
Pass-Through State of Indiana			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2,757,709	-
CCDF Cluster			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Indiana Department of Education			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	11,886	-
Other Programs			
U.S. DEPARTMENT OF DEFENSE			
Pass-Through New Hampshire Academy of Applied Science			
Basic Scientific Research	12.431	1,300	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	14,778	-
Pass-Through Indiana Department of Natural Resources			
Community Development Block Grants/State's Program	14.228	120,241	-
Pass-Through City of Charlestown			
Community Development Block Grants/State's Program	14.228	10,470	-
Pass-Through Randolph County			
Community Development Block Grants/State's Program	14.228	26,123	-
Total U.S. Department of Housing and Urban Development		171,612	-
U.S. DEPARTMENT OF INTERIOR			
National Park Service Budget Appropriation	15.XXX	1,500	-
Pass-Through Indiana Department of Natural Resources			
Historic Preservation Fund Grants-In-Aid	15.904	47	-
Pass-Through Historic Landmarks Foundation of Indiana			
Historic Preservation Fund Grants-In-Aid	15.904	24,686	-
Total U.S. Department of Interior		26,233	-
DEPARTMENT OF JUSTICE			
Community Capacity Development Office	16.595	2,936	-
U.S. DEPARTMENT OF LABOR			
ARRA - Employee Benefits Security Administration (EBSA)	17.151	108,211	-
Trade Adjustment Assistance	17.245	12,112	-
Total U.S. Department of Labor		120,323	-
DEPARTMENT OF STATE			
Academy for Educational Development	19.XXX	1,770	-
NATIONAL ENDOWMENT FOR THE ARTS			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	848	-

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, 2010
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Other Programs (continued)			
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass-Through Indiana Humanities Council			
Promotion of the Humanities - Federal/State Partnership	45.129	987	-
Pass-Through Knox County Public Library			
Promotion of the Humanities - Federal/State Partnership	45.129	1,576	-
Total National Endowment for the Humanities		2,563	-
U.S. NATIONAL FOUNDATION OF ARTS AND THE HUMANITIES			
Pass-Through Institute of Museum & Library Services			
Museums for America	45.301	(16,411)	-
Pass-Through State of Indiana Library			
Grants to States	45.310	27,638	-
Total National Foundation of Arts and the Humanities		11,227	-
ENVIRONMENTAL PROTECTION AGENCY			
Pass-Through Muncie Sanitary District/Bureau of Water Quality			
Consolidation Research	66.460	1,685	-
Pass-Through EPA Envirotech Project			
Environmental Education Grants	66.951	4,937	-
Total Environmental Protection Agency		6,622	-
DEPARTMENT OF ENERGY			
Pass-Through Dept of Energy GHP District Heating			
ARRA - Renewable Energy Research and Development	81.087	356,520	-
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Postsecondary Education	84.116M	31,879	-
Fund for the Improvement of Postsecondary Education	84.116N	1,328	-
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126A	59,290	-
Twenty-First Century Community Learning Centers	84.287C	6,603	-
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	84.333A	114,499	-
ARRA - Special Education Grants to States, Recovery Act	84.391A	51,048	-
Pass-Through Ivy Tech Community College			
Career and Technical Education -- Basic Grants to States	84.048	23,300	-
Pass-Through Indiana University			
Career and Technical Education -- Basic Grants to States	84.048	13,486	-
Pass-Through Indiana Department of Workforce Development			
Career and Technical Education -- Basic Grants to States	84.048	4,000	-
Tech-Prep Education	84.243	31,284	-
Pass-Through Indiana Department of Education			
Safe and Drug-Free Schools and Communities - State Grants	84.186	800	-
State Grants for Innovative Programs	84.298	978	-
Improving Teacher Quality State Grants	84.367	28,309	-
Pass-Through Indiana Commission Higher Education			
Improving Teacher Quality State Grants	84.367A	153,685	-
Pass-Through Greenfield Central School Corporation			
Mathematics and Science Partnerships	84.366	17,207	-
Pass-Through National Writing Project Corporation			
National Writing Project	84.928A	51,366	-
Total U.S. Department of Education		589,062	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Disabilities Prevention	93.184	1,489	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	8,350	-
Advanced Nursing Education Traineeships	93.358	92,138	-
Community-Based Child Abuse Prevention Grants	93.590	12,514	-

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, 2010
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Other Programs (continued)			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
Pass-Through Purdue University			
Injury Prevention and Control Research and State and Community Based Programs	93.136	871	-
Pass-Through Head Start Action, Inc.			
Head Start	93.600	1,115	-
Pass-Through Indiana University Education			
Foster Care - Title IV-E	93.658	71,801	-
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	151,032	-
Pass-Through Center for Disease Control			
Vendor Contract for Services	93.XXX	12,327	-
Total U.S. Department of Health and Human Services		351,637	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Retired and Senior Volunteer Program	94.002	20,644	-
Pass-Through Purdue University			
Learn and Serve America - School and Community Based Programs	94.004	13,513	-
Pass-Through Midwest Campus Compact M3C Fellows			
AmeriCorps	94.006	14,099	-
Pass-Through Indiana Campus Compact/Indiana University			
AmeriCorps	94.006	8,715	-
Total Corporation For National and Community Service		56,971	-
DEPARTMENT OF HOMELAND SECURITY			
Competitive Training Grant	97.068	389,136	-
Pass-Through Indiana Department of Homeland Security			
Homeland Security Grant Program	97.067	38,803	-
Total Department of Homeland Security		427,939	-
Total Other Programs		2,127,563	-
Total Federal Awards		$ 142,128,762	$ 195,824

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, 2010, 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, 2010:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Military Medical Research and Development	12.420	$ 51,748
Basic, Applied and Advanced Research in Science and Engineering	12.630	14,076
Special Education - Grants to States	84.027A	130,000
Totals		$ 195,824

BALL STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Note 3. Guaranteed Student Loans

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, 2010:

Program Title	Federal CFDA Number		Loan Amounts	Number Of Loans
Stafford Student Loan Program (Subsidized)	84.268	$	38,039,113	9,249
Stafford Student Loan Program (Unsubsidized)	84.268		40,179,940	9,693
Parent Loan for Undergraduate Students (PLUS)	84.268		31,423,630	3,301
Totals		$	109,642,683	22,243

Note 4. Other Programs Student Loans

The University participates in the Federal Perkins Loan Program. Amounts loaned to students are recorded as notes receivable. Gross student notes receivable outstanding at June 30, 2010, was:

Program Title	Federal CFDA Number		Loan Amounts
Federal Perkins Loan Program – Notes Receivable	84.038	$	10,519,518
Nursing Student Loan Program – Notes Receivable	93.364		-
Totals		$	10,519,518

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, 2010.

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
	Student Financial Aid Cluster
	State Fiscal Stabilization Fund Cluster
81.087	ARRA - Renewable Energy Research and Development

Dollar threshold used to distinguish between Type A and Type B programs: $974,582

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 February 17, 2011, with Dr. Randall B. Howard, Vice President, Business Affairs and Treasurer; William A. McCune, Associate Vice President, Business Services and Controller; Randy J. Sollars, Director of University Budgets; John D. McPherson, Director of Scholarships and Financial Aid; Kathy A. Lucas, Director of Contracts and Grants; Thomas D. Roberts, Director of Auditing; Michele A. Patterson, Staff Auditor; and Hollis E. Hughes, Jr., President of the Board of Trustees. Our audit disclosed no material items that warrant comment at this time.

FINANCIAL REPORT

Year Ended June 30, 2010

BALL STATE UNIVERSITY

EDUCATION REDEFINED®

Front Cover: Music Instruction Building at Night

To

The President and Board of Trustees

Ball State University

This financial report presents

the financial position of

Ball State University at June 30, 2010,

and the results of activities for

the year then ended.

Randall B. Howard
Vice President for Business Affairs
and Treasurer

December 17, 2010

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.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2010 and 2009. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over reporting. Accordingly, we express no such opinion. 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, 2010 and 2009, 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 November 19, 2010, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

November 19, 2010

State Board of Accounts

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Ball State University
Management's Discussion and Analysis
June 30, 2010

Introduction

Ball State University, located in Muncie, Indiana, was founded in 1918 as the Indiana State Normal School, Eastern Division. The Ball brothers, a prominent Muncie industrial family, had acquired the land and buildings of a private normal school and donated the property to the State of Indiana. 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 seven associate-level programs, 170 undergraduate degree programs, 94 masters-level programs, 17 doctoral-level programs and two 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, 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 2009 totaled 19,315 full-time equivalent students from a total headcount of 21,401. This is an increase of 1,158 full-time equivalent students over the prior year. On-campus enrollment totaled 16,886 full-time equivalent students from a total headcount of 17,627. The University provides on-campus housing in residence halls and apartments for over 7,100 students. As of the beginning of the 2009-10 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 2,872 full-time and 420 part-time personnel. The campus facilities include over 120 buildings totaling approximately seven million gross square feet on over 1,000 acres.

What follows is the Ball State University Financial Report for the year ended June 30, 2010, an objective record of the University's stewardship of its human, physical and financial resources. Ball State 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, results of operations, and cash flows of the University as a whole. Important features of these statements, which are mandated by the Governmental Accounting Standards Board, include:

- Revenues that are charges for services and goods, including tuition and fees and non-capital grants, are recorded as operating revenues. This means that state appropriations, which are used primarily for operations, are required to be shown as non-operating revenue.
- Scholarship allowances are required to be recorded in three different places: as a reduction to tuition and fees, as a reduction to room and board and as an operating expense. The user must total the three amounts in order to ascertain the total scholarship aid received by students from the University. Not included in these amounts are scholarship aid received directly by students, as well as loan and work-study aid.

- Federal and State Scholarships and Grants received by the University, the proceeds of which are reported as a reduction of operating income, are reported as non-operating revenue.
- Capital assets include construction in progress and infrastructure, as well as completed capital projects and capital acquisitions.

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 Ball State University. The Foundation's financial statements are presented in accordance with the reporting principles of the Financial Accounting Standards Board and therefore are not comparable to those of the University.

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 fiscal year 2010, SAS 115 clarified and effectively replaced SAS 112, while SAS 117 updated requirements for compliance audits, such as the annual A-133 audit that takes place at Ball State University and other universities receiving federal funds for financial aid and research. In order to fully comply with provisions of the new internal control standards, Ball State 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 economic recession and slow recovery have had a global impact and affected nearly all sectors of the economy. Institutions of higher education have not been spared from the effects of this slowdown. As a state-supported public institution, Ball State relies on state appropriations for approximately 44.0 percent of its annual general fund budget or one-third of its total annual revenue. For the past three years, the State of Indiana has experienced revenue shortfalls which have had an impact on the state budget. However, the State has forecasted a growth in revenue for Fiscal 2010-11.

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 surplus in various reserve accounts as of the end of the fiscal year ended June 30, 2010.

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 an average four percent cut to higher education 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 was intended as a two-year stop gap measure as these funds will not be available beyond the 2009-11 biennium. As will be discussed later in this report, a portion of the federal stimulus funds were eventually rescinded.

In December 2009, the state announced a $150.0 million cut to higher education over the biennium. Ball State's share of the cut was $15.2 million. Utilizing an open process that enabled every employee to participate, the University developed and implemented a plan that met the target over the remaining 18 months of the biennium. The final plan reflected Ball State's commitment to academic excellence and the need to invest in its future, while being mindful that the uncertainty of future appropriations demands careful cost containment. Although cost-saving measures have been undertaken, maintaining the quality of the students' educational experience has been and continues to be 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.

Finally, the University is nearing the end of 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 99.0 percent of its fundraising goal. The campaign is based on the University's strategic plan which is discussed in the next section.

Strategic Plan

Ball State 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 fourth 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.

Beneficence

First, the cornerstone of the plan is the offering of relevant immersive learning opportunities to each undergraduate student. Immersive learning pulls together interdisciplinary student teams that solve problems for community partners. The result is a final product that enhances the community with a lasting impact. Students have created business plans, websites, documentaries, content and applications for emerging media, publications and much more. The immersive learning experiences 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. In addition to benefiting the partner organization, immersive learning opportunities advance our student's careers by helping them define a career path, make connections to a profession or industry, and show prospective employers real-world experience.

Immersive learning experiences differentiate Ball State from other colleges and universities. This distinctiveness is critical to the health of the University. It is the key to healthy enrollment, quality students, and external support because it allows the University to clearly articulate its vision and stand apart from the competition.

One example of an immersive learning project involved an interdisciplinary group of twenty students, under the direction of the Ball State University Department of Geography, who focused on addressing urban problems through critical geographic information systems (GIS). The students looked at location-enabled mobile technologies, like iPhones, and the use of internet based data to help leaders make decisions about the availability of social services. The team used census data and GIS technology to show the United Way where to offer volunteer tax preparation for low-income residents and advised Open Door Health Services where to place primary-care physicians based on its clients' locations. Finally, the group advised the city where stray animals were most frequently found, helping officials to more efficiently use dwindling animal-control resources.

Since the strategic plan implementation in 2007, nearly 40 academic departments in all seven colleges coordinated over 500 immersive learning projects involving over 8,000 students. Many of those projects stimulated 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. For Fall 2009, the average freshman SAT score was 1563, a 24 point increase from 2006. Honors College enrollment was the largest in history, with 344 freshmen, nearly nine percent of the freshman class and an increase of 50 over the previous year. In addition, while only 32.0 percent of Indiana's high school graduates in 2009 earned Academic Honors Diplomas, over 61.0 percent of the 2009 incoming class earned this distinction, over a 30.0 percent increase since 2006. In terms of diversity, the percentage of minority students in the freshmen cohort for Fall 2009 was 11.7 percent, an increase of over 36.0 percent from 2006.

The increases in selectivity and diversity have come during a period that has also seen increases in applications and overall enrollment. Applications for Fall 2009 were over 13,000, yielding the largest freshman class since 1997. For the fourth straight year, applications from Indiana students increased. Total enrollment for Fall 2009 was 21,401, the largest enrollment in over 15 years.

Recruitment of higher quality students leads to better retention rates. Retention of first-year students who returned as sophomores for the Fall 2009 was 78.4 percent, up over five percent since the Fall of 2006. 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 initiative 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. The number of nationally ranked programs continues to increase and many of these are discussed in more detail in the next section of this report. In addition, Ball State students earned 18 major competitive scholarships and fellowships in the past two years, including four U.S. Student Fulbright grants this year, which is a record for this university.

Neely Avenue Renovation Including Newest Gateway

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. Several major capital projects were nearing completion on June 30, 2010, including the new 400,000-plus square foot Student Recreation and Wellness Center, the 600-plus room Thomas J. Kinghorn Residence Hall, the Neely Avenue renovation, the Marilyn K. Glick Center for Glass, and the A. Umit Taftali Center for Capital Markets and Investing.

While the University has just passed 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.

Ball State was recognized by *U.S. News and World Report,* which ranked the University 20th on a list of 68 up-and-coming schools for its strategic initiatives in response to the changing world. Also cited by the magazine for the seventh 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. Ball State 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. The magazine also named Ball State as one of the best 150 values among the nation's most academically outstanding colleges.

A. Umit Taftali Center for Capital Markets and Investing

Several departments have been nationally recognized and ranked in their respective fields. Some, including Education Leadership and Landscape Architecture, have achieved national rankings by respected publications for at least three consecutive years. In 2010, Architecture was named among "America's World-Class Schools of Architecture" by *Design Intelligence*. For the fourth 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 undergraduate Entrepreneurship program was ranked 10th by *U.S. News and World Report* in 2009, which means that it has been nationally ranked for more than a decade. The School of Music was again recognized by *In Tune* magazine in its "Best Music Schools" 2010 listing, along with other elite institutions such as Juilliard, Oberlin, and the Boston Conservatory. Many other departments, including Urban Planning, Historical Preservation, Accounting, Finance, Insurance and Risk Management, Marketing, Actuarial Science, Educational Leadership, Emerging Media, Telecommunications, and Journalism, have recently received recognition of their highly-rated programs. The graduate program in education was ranked in the top third on *U.S. News and World Report's* 2009 list of the best in the nation, and *Newsweek* placed the Indiana Academy for Science, Mathematics, and Humanities among the top two percent of all U.S. high schools.

Ball State has also achieved recognition for its achievements in emerging media, including coverage by the *Chronicle of Higher Education* of the Emerging Media Living-Learning Community in the Johnson Complex, being named the 2009 Academic Institution of the Year by the Mobile Marketing Association, and the iMedia faculty earning second place to Harvard University in AT&T's Big Mobile on Campus Challenge.

In addition to these many academic recognitions, the University has been lauded for its commitment to sustainability and diversity. In its 2010 *Guide to 286 Green Colleges*, the *Princeton Review* named the University as the only public institution in Indiana to be listed among the country's most environmentally responsible colleges and universities. Ball State's geothermal conversion project continues to attract high praise from national media outlets, other leading universities, and the highest levels of state and national government. In the December 2009, issue of *Architect Magazine*, Ball State was listed among six universities committed to social justice. The University was also named a 2011 Military Friendly School by *G.I. Jobs*, which placed it in the top 15.0 percent of all schools nationwide. In 2009, *Military Advanced Education Magazine* named Ball State one of only 60 military friendly universities.

Financial Highlights

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2010, as compared to the previous year. Net assets increased by $31.9 million, due primarily to an increase in capital assets net of related debt of $57.1 million, much of which was offset by a reduction in restricted net assets for construction of $33.3 million. Unrestricted net assets also increased by $7.2 million.

The current ratio for the University, which is calculated by dividing current assets by current liabilities, decreased from 4.15 to 1 at June 30, 2009, to 3.11 to 1 at June 30, 2010. While lower than last year, this ratio still reflects strong short-term financial flexibility for the University. The decrease in the current ratio is primarily due to much of the University's investment portfolio moving from short-term securities to longer-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, 2010, the University's viability ratio was 1.66 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

State appropriations recorded in fiscal year 2010 were $2.7 million less than fiscal year 2009, due primarily to the $3.6 million share of the $15.2 million reduction in the biennial budget allocated to fiscal year 2010. The reductions in 2010 will be repeated in 2011, along with additional cuts to bring the total to $15.2 million. While these reductions are significant, mission critical programs as outlined in the Strategic Plan have not been affected, nor have programs directly affecting the academic experience of students.

The University's Sponsored Programs Office had another successful year in Fiscal 2010. Grants and contracts awarded to the University and its centers and institutes totaled over $22.4 million. This is excluding another $4.0 million in awards made to the Ball State University Foundation. The Sponsored Programs Office is on track or has exceeded the goals targeted in the University's strategic plan in the areas of funding for scholarly work, number of proposals submitted and number of faculty submitting one or more proposals. As of June 30, 2010, 330 sponsored programs totaling over $44.4 million were underway. Major proposals funded in fiscal 2010 include significant grants from the U.S. Department of Energy for the University's geothermal conversion project, from the Indiana Department of Administration to provide academic and vocational education services to the Indiana Department of Correction and from the Lilly Endowment for advancement in digital media. Grant awards may include cash received in advance, letters of credit and cost reimbursable projects.

During fiscal 2010, supporters of Ball State University contributed private gifts to the Ball State University Foundation totaling $15.8 million. In addition to funds received during the fiscal year, the University has 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 July 1, 2009, Ball State University's liability for retiree health care was estimated to be $192.2 million. As of June 30, 2010, the trust fund established to assist in financing this liability had a market value of $127.9 million. It is expected that the funding level will vary with general economic conditions over time. The University has a systematic plan in place to fund the benefit in accordance with the GASB Statement No. 45 rules now in effect, and is currently showing a prepaid expense amount, as opposed to a liability, of $7.7 million, which indicates that the funding is slightly ahead of plan.

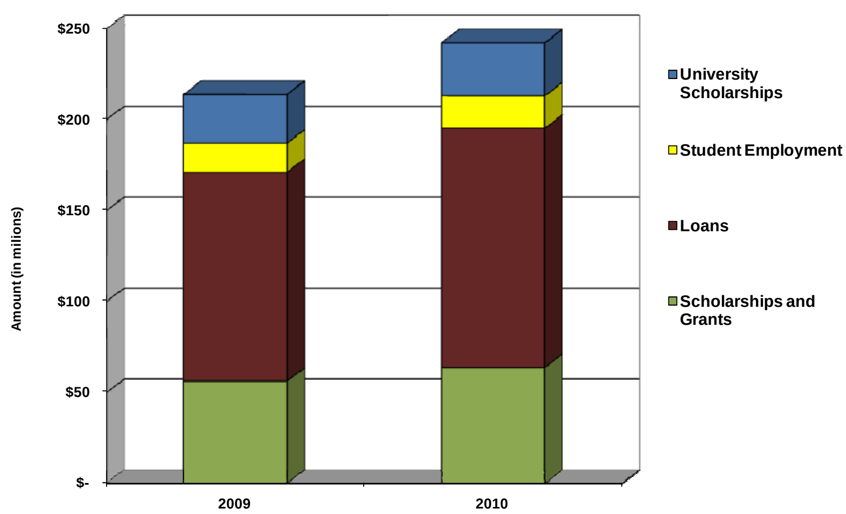
Ball State University is not unique in providing health care as a benefit for its retirees. A 2007 survey by the American Association of University Professors, financed by the TIAA-CREF Institute, revealed that 82.0 percent of colleges and universities responding offer retiree health care as a benefit. 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 Ball State 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.

In addition to retiree health care, Ball State also provides life insurance coverage to its retirees. The July 1, 2009, actuarial study estimated the liability for this benefit at $20.2 million. As of June 30, 2010, the Life Insurance Continuance Fund (LICF) established to assist in financing this liability had a market value of $18.4 million. Prior to the extraordinary decline in the investment markets of the last few years, the LICF balance had exceeded the actuarial liability for most of the thirty-one years of its existence.

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. In addition to the college and university provided financial assistance, 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 2009-10, as the graph indicates, was approximately $242.3 million compared to $213.9 million in the prior year.

Total Student Financial Assistance



Grants, scholarships and remitted fees, which is financial assistance excluding loans and student employment, increased by 11.9 percent in 2010. This increase included $7.6 million in additional scholarships, grants, and awards and $2.3 million in institutional remitted fees. Including loans and student employment, all forms of financial assistance increased by 13.3 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, 2010.

Net Assets
As of June 30, 2010 and 2009

	2010	2009
Assets:		
Current Assets	$ 170,816,910	$ 232,787,693
Noncurrent Assets:		
Capital Assets, Net of Depreciation	516,098,738	467,063,383
Other	178,174,511	144,987,909
Total Assets	$ 865,090,159	$ 844,838,985
Liabilities:		
Current Liabilities	$ 54,927,038	$ 56,037,267
Noncurrent Liabilities	181,397,564	191,889,656
Total Liabilities	$ 236,324,602	$ 247,926,923
Net Assets:		
Invested in Capital Assets, Net of Related Debt	$ 347,328,737	$ 290,187,814
Restricted	60,156,536	92,634,266
Unrestricted	221,280,284	214,089,982
Total Net Assets	$ 628,765,557	$ 596,912,062
Total Liabilities and Net Assets	$ 865,090,159	$ 844,838,985

Current and Other Assets

Current assets decreased $62.0 million from the previous year, while other assets increased by $33.2 million. This was due to an $80.2 million reduction in short term investments and a $33.7 million increase in other long term investments. Due to the continued turmoil in the credit markets during the fiscal year and extremely low short term rates, the University favored guaranteed investments of longer maturity that offered more attractive interest rates. Most of these are callable, and have rates that increase every six months or every twelve months to protect against the possibility of interest rates increasing over the life of these investments.

Debt Administration

The University had $168.8 million of bond indebtedness outstanding at June 30, 2010, compared to $176.9 million outstanding the prior year end. 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 Ball State University 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, 2010, the University had $347.3 million invested in capital assets, net of accumulated depreciation of $275.3 million and related debt of $168.8 million. Depreciation charges totaled $18.2 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost.

Construction during 2010 included $15.9 million expended for construction of the new Thomas J. Kinghorn Residence Hall, $4.8 million expended for renovation of the L.A. Pittenger Student Center, and $1.4 million expended for the major renovation of DeHority Complex, all of which were funded from internally designated capital repair and replacement accounts. Another $16.5 million was expended for the expansion and improvement of the Student Recreation and Wellness Center, funding for which was provided by a combination of private support and student fee bonds issued in the prior fiscal year.

Over $16.6 million was expended for components of the new geothermal district 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. Phase I of the conversion will be funded by student fee bonds issued in 2008 and a federal grant awarded by the U.S. Department of Energy. The University is aggressively pursuing funding for the second phase of work from various sources. 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.

Student Recreation and Wellness Center: Climbing Wall

Marilyn K. Glick Center for Glass

Construction of the new Marilyn K. Glick Center for Glass began in November 2009 with construction scheduled to be complete in August 2010. This new 10,000 square foot facility will feature two glass furnaces, a hot glass instruction, glass blowing and work space, a kiln-working and lamp-working cold shop, a photo documentation lab, offices and studios for undergraduate and graduate students. The Glick Center will provide a comprehensive educational opportunity in the arts through an innovative and intensive studio environment allowing for the creation of a bachelor of fine arts degree and the first master of fine arts degree in glass in Indiana. A matching grant to the University provided the funding for construction. Over $1.6 million was expended in 2010 on this project.

Current operating funds were utilized to purchase $3.6 million in capital equipment, some of which replaced mostly fully-depreciated equipment dispositions originally costing $3.0 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 10-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 old library stacks space to make it more functional. 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. Renovation costs expended on this project in 2010 totaled $1.6 million.

North Quadrangle Building

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 $347.3 million described above, the University had other net assets totaling $281.4 million. This includes $60.2 million in restricted net assets which was comprised of: $0.9 million in nonexpendable endowment restricted for student scholarships, $4.8 million restricted for debt service, $2.4 million restricted for student loans, $45.7 million restricted for construction, and $6.4 million restricted for external grants.

The remaining $221.3 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. The specific purposes for which these assets are internally restricted include the stewardship and renewal of capital assets, campus development and infrastructure, 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, funds received for instructional and athletic camps, workshops, and field trips, and other purposes. These internally restricted amounts are further discussed in the following sections.

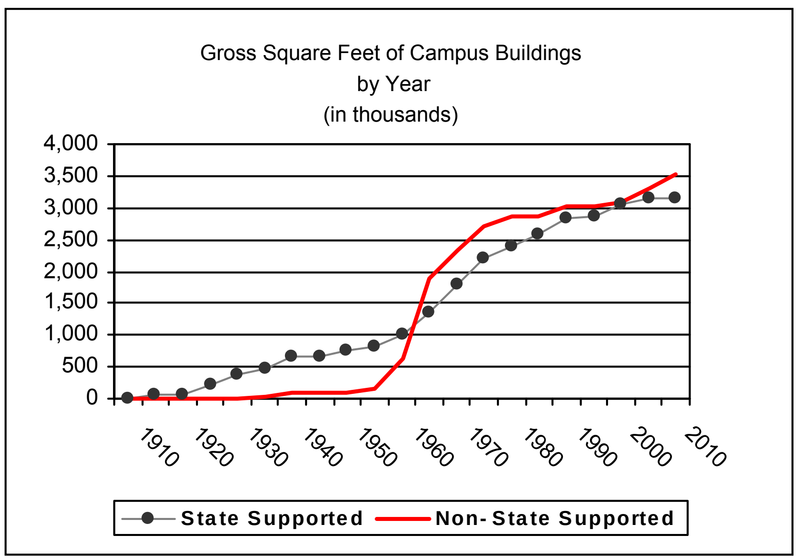
Stewardship and Renewal of Capital Assets

The campus facilities of Ball State University have a current replacement value of approximately $1.9 billion based on an analysis of existing facilities and current construction cost indices. These facilities include over 120 buildings totaling approximately seven million gross square feet. Campus buildings involve 33 acres of roof area, contain 109 elevators, 406 technology-equipped, general-purpose classrooms and technologically complex mechanical operating systems in each structure. The average building at Ball State University is 42 years old. The University also owns over 1,000 acres of land, approximately 717 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 5,338 miles of communication cable to connect buildings. Above the ground, the University has 1,382 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 Ball State University's strategic initiative 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 recently opened Ball Honors House and the soon to be completed 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 2005-07 increased to 43.0 percent of its full funding level. For the 2007-09 biennium, the appropriation was at 50.0 percent of the formula funding. The State funded the first year of the biennium in cash. The appropriation for the second half of the biennium will be paid on a reimbursement basis using federal stimulus funds. In addition, another $1.3 million in 2008-09 operating appropriations that were cut by the State and then restored with federal stimulus funds, will be used for repair and rehabilitation projects, also on a reimbursement basis. These recent shortfalls in renewal and replacement funding, as compared to the full formula amount, 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. Approximately $1.6 million of internal University funds have been allocated for maintenance and equipment for targeted academic buildings for expenses where use of state R&R appropriations would be inappropriate.



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 $0.7 billion. Between now and 2016, approximately $155.1 million, in current dollars, is planned for investment in renewal projects on these facilities. As of the end of fiscal 2010, $65.5 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 Recreation & Wellness Facilities - A	39.0
Studebaker East Renovation	24.1
Total Major Projects in Progress	$ 109.6

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

	Budget (in millions)
Johnson Halls Renovation	$ 74.2
Elliott Hall Renovaton	17.9
Total Major Projects in Planning	$ 92.1

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

Drawing of Studebaker East Renovation

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 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.

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

The University is in the middle of a comprehensive plan to renovate or replace its residence hall and dining facilities as they reach the end of their useful lives. 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.

Approximately $36.8 million of the $65.5 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 $510.6 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 an occupancy rate in excess of 98.0 percent in available student housing for Fall 2009. Over the next seven years, the University plans to use more than $125.4 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 Complex which was completed in 2009, construction of the new Thomas J. Kinghorn Residence Hall, which is nearly complete, 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 $51.9 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 $3.6 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 $7.6 million, in current dollars, over the next seven 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 $167.5 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, $25.1 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 $22.0 million in current dollars will be used from this account for major renovations as well as regular ongoing capital renewal projects. The recent major renovations at the L. A. Pittenger Student Center were financed using funds from the Renewal and Replacement account for non-state supported buildings.

Emens Auditorium

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 without having to ask the State for funding. 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 Kinghorn 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. Infrastructure needs associated with these projects can be significant and the University has allocated $13.0 million for campus development purposes.

Thomas J. Kinghorn Residence Hall

Technological Advancement, and Other Capital Projects

Ball State University realizes the critical role that technology plays in today's academic environment. The University 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 $9.1 million for cyclical updates of 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 was 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 systems, 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. Many of these systems date back to the late 1980's and early 1990's, and have reached a point where they no longer meet critical financial and other requirements. In some cases, the vendors no longer provide essential maintenance and upgrades required by the regulatory environment. Toward this purpose, $31.0 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 software licensing and services agreement was signed with SunGard Higher Education, Inc. after the end of the 2010 fiscal year to commence the implementation process for this new technology. The University also signed a managed services agreement for application hosting services with SunGard Higher Education, Inc. to provide off-site hosting of the software. 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 $12.6 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, Ball State 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 $15.8 million, of which $13.6 million pertains to the self-insured health care plan for employees, retirees, and their families. Of the $13.6 million, $3.8 million represents claims that were incurred but not yet paid as of year end, while $6.2 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 $3.6 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. A portion of this additional amount may be necessary to cover a possible shortfall in health care premiums due to significant migration and changes in plan benefits and premiums for 2010. Of the remaining $2.2 million in insurance reserves, $0.8 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 $7.7 million in prepaid retiree health care expense, an increase of $0.2 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. An account has been established to facilitate the timely payment of the debt service on the bonds and the receipt of fee replacement appropriations. The current balance in this account is $14.6 million.

The University has allocated $5.1 million, or approximately 1.25 percent of expenditures, to a contingency reserve. 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. As part of the recent financial challenges and budget reductions, the University has implemented numerous initiatives to reduce structural expenses and grow revenues. It is expected that the full effect of these initiatives will not be immediately realized. The University anticipates using some of this contingency to bridge this short term gap.

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. In an attempt to partially offset reduced aid opportunities due to temporary losses from other external sources, the University has set aside an additional $2.0 million for scholarship funding.

The University also has $2.2 million in private donations that will largely be used to support startup and on-going programs at the Marilyn K. Glick Center for Glass. The University has also set aside $1.2 million for various 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 the life 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 $38.1 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, $1.4 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, 2010. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

Change in Net Assets
Year Ended June 30, 2010 and 2009

	2010	2009
Operating Revenues	$ 226,218,940	$ 218,103,652
Operating Expenses	398,256,460	389,835,817
Net Operating Income/(Loss)	$ (172,037,520)	$ (171,732,165)
Net Non-Operating Revenues	201,556,435	200,901,919
Other Revenue – Capital Appropriations and Gifts	2,334,580	5,996,584
Increase in Net Assets	$ 31,853,495	$ 35,166,338
Net Assets - Beginning of Year	596,912,062	561,745,724
Net Assets - End of Year	$ 628,765,557	$ 596,912,062

Operating Revenues

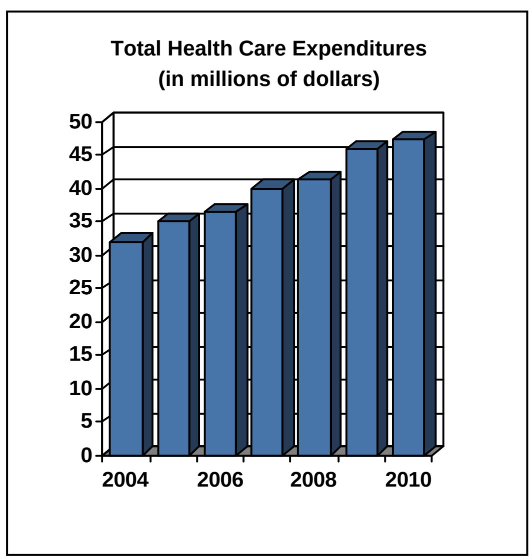
Operating revenues increase net assets and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining and athletics. In addition, federal, state and private grants are considered operating if they are not for financial aid or capital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

Student tuition and fees net revenue increased $8.2 million as a result of rate increases and increased enrollment, and auxiliary enterprises revenue, including housing and dining net revenues, increased $6.0 million, due primarily to rate increases and increased occupancy in the apartments and 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 $57.5 million and room and board revenue by $5.9 million.

Grants and contracts revenue totaled $19.6 million, $5.3 million less than in 2009. Sales and services of educational departments were essentially unchanged at $15.5 million compared to $16.5 million in 2009.

Operating Expenses

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 $7.3 million, which are in addition to $57.5 million and $5.9 million in scholarships and fee remissions netted against tuition and fees revenue and room and board revenues, respectively. Overall, operating expenses increased by $8.4 million over last year. This increase was due to an $8.3 million increase in personnel costs, primarily benefits. Other operating expenses were virtually unchanged, with higher repairs and maintenance and depreciation expenses offset by lower supplies and other expenses.



Health care costs continue to be a major factor in the costs of operations at the University. Claims and administrative costs increased by a relatively low 3.2 percent, which hopefully reflects the results of the health enhancement program as well as a new PPO network. On the other hand, the most recent actuarial study of the University's retiree health care liability, while little changed from the previous study, takes into account the lower balance in the VEBA Trust on July 1, 2009, which reflects the decline in the investment markets which began in 2007. As a result, the Annual

Required Contribution, which had been less than the University's share of retiree health claims in 2008 and 2009, was $2.0 million higher in 2010. The University contributed $1.5 million to the VEBA Trust, which, together with the contributions to the Life Insurance Continuance Fund for retiree life insurance, resulted in a slight increase in prepaid retirement benefits. This means that the University continued to make the necessary contributions that are calculated to achieve full funding in 28 years or less.

The University is expanding its health enhancement program activities, including offering free health risk assessments and screenings to employees and their spouses, incentives for participation in wellness activities, and continuing to work with employees on managing their chronic health conditions. In addition, a new PPO hospital network became available in fiscal year 2011, which should result in larger discounts for employees and the University. Finally, as part of the University's response to the Governor's mid-year reduction of the biennial budget, the University made numerous changes to the various health plan options, including paying a larger portion of the premiums for the high deductible plans. This resulted in a major migration by employees to the high deductible plans, which should result in further savings in 2011.

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 2010, state appropriations decreased by $2.7 million from the previous year, due primarily to the $3.6 million share of the $15.2 million biennium reduction allocated to fiscal year 2010, offset by federal ARRA stimulus funds receivable of $1.0 million.

Federal and State Scholarships and Grants increased by $7.1 million, and Other Non-Operating Income increased by $2.2 million. Other Non-Operating Income consists primarily of head count funds (formerly ADM receipts) of $1.6 million for the Indiana Academy for Science, Mathematics and Humanities and $3.2 million for Burris Laboratory School, plus $1.3 million in Medicare Retiree Drug Subsidy.

Investment Income declined by $4.6 million, 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.

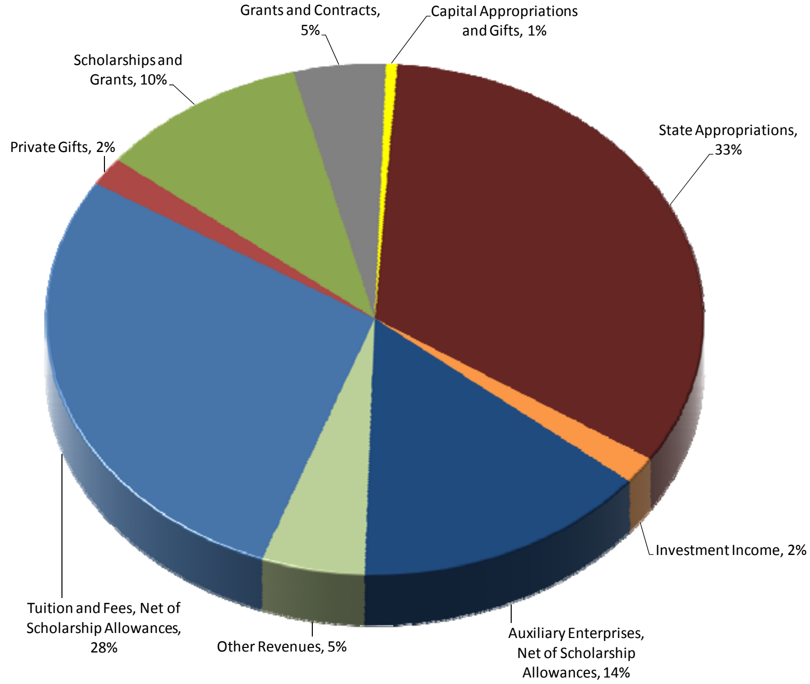
Other Revenues

Renewal and Replacement Appropriations (millions of dollars)					
2005	2006	2007	2008	2009	2010
$0.7	$2.6	$2.6	$3.4	$0.0	$1.6

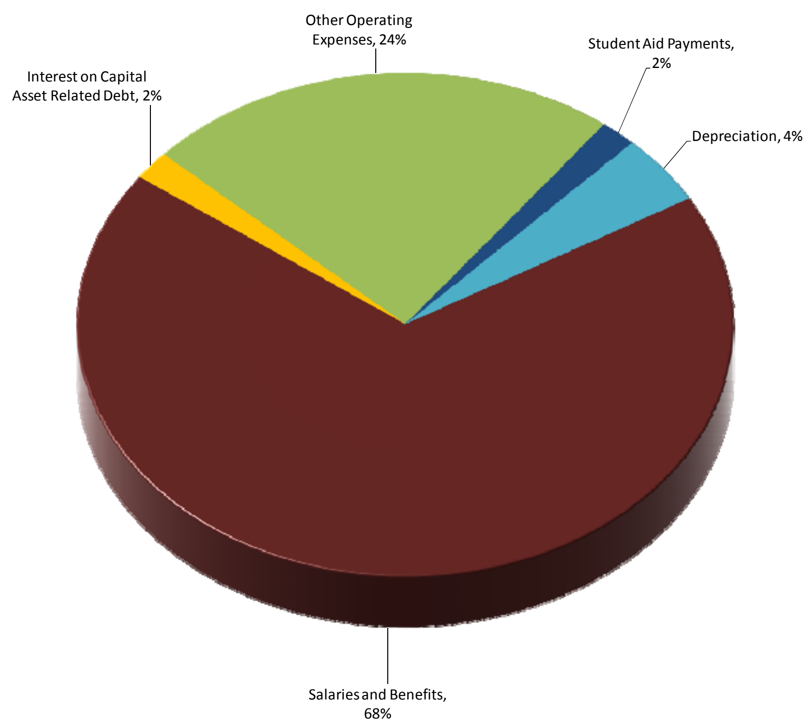
Other revenues increase net assets and consist of capital appropriations, gifts and grants, as well as items that are typically non-recurring, extraordinary, or unusual to the University.

The University has recorded a receivable of $1.6 million for reimbursement of state capital appropriations expended for renewal and replacement. The State will be utilizing federal stimulus funds to reimburse the University for these expenditures. Capital gifts from the Ball State University Foundation totaled $0.8 million for various capital projects, including the recent renovation of the Ball Honors House and the soon to be completed A. Umit Taftali Center for Capital Markets and Investing.

Total Revenues by Source



Total Expenses by Object



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, 2010 and 2009

	2010	2009
Cash and Equivalents Provided By/(Used In):		
Operating Activities	$ (154,338,782)	$ (156,168,666)
Non-Capital Financing Activities	204,252,141	202,370,723
Capital and Related Financing Activities	(82,203,605)	(55,050,247)
Investing Activities	55,485,975	59,808,623
Net Increase in Cash and Equivalents	$ 23,195,729	$ 50,960,433
Cash and Equivalents – Beginning of Year	82,322,020	31,361,587
Cash and Equivalents – End of Year	$ 105,517,749	$ 82,322,020

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 personnel costs, 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 $142.4 million, federal and state scholarships and grants receipts of $44.6 million, and private gifts received from the Ball State University Foundation of $11.4 million, much of which had already been recognized as a receivable in prior years.

Cash flows from capital financing activities reflect a decrease in cash for the year, due primarily to cash expenditures of $67.3 million for capital assets in 2010 funded by bond proceeds and savings from prior years, plus annual debt service of $15.7 million.

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 of $55.5 million.

Economic Factors That Will Affect the Future

Like many institutions across the nation, Ball State 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. The National Bureau of Economic Research recently announced that the recession that has been battering the U.S. economy since December 2007, officially ended in June 2009, which marked the beginning of a, modest to date, economic expansion. In projections released in August 2010, the Congressional Budget Office forecasted that, under current laws governing federal spending and revenues, real (inflation-adjusted) gross domestic product (GDP) would increase by 2.8 percent between the fourth quarter of 2009 and the fourth quarter of 2010 and by 2.0 percent between the fourth quarters of 2010 and 2011.

As a state-supported institution of higher education, the economic health of the University is closely tied to that of the State of Indiana. Approximately 44.0 percent of the University's general fund budget is derived from state appropriations. The State of Indiana, while enduring a sustained period of decreased revenues combined with escalating expenses, is well-positioned compared to surrounding states. The state of Indiana closed the books in fiscal year 2010 with a surplus of over $830.0 million, or 6.4 percent of fiscal year 2010 expenditures. State revenues for fiscal year 2009-10 fell 5.6 percent below revenues from fiscal year 2008-09. However, forecasted revenues for fiscal year 2010-11 are expected to increase by 6.3 percent over the prior year.

During the last half of the 2009-10 fiscal year, the Governor announced a $150.0 million system-wide budget cut to public higher education institutions. As a result of this budget cut, Ball State University did not receive $4.9 million in fiscal year 2009-10. The $4.9 million was funding appropriated from the federal government through the American Recovery and Reinvestment Act of 2009 (ARRA). The University will sustain an additional $10.4 million reduction in fiscal year 2010-11, of which $7.6 million will consists of further withheld ARRA funding, and the remainder state general fund appropriations.

In January 2010, Moody's Investors Service issued their annual outlook report for higher education, in which they said that while the most urgent pressures facing higher education have receded, significant challenges remain. Those challenges include:

- Tuition and enrollment
- Increased demand for financial aid, due to declines in household income, investments, household net worth and continuing high unemployment
- Declines in gift and other key revenue sources
- Colleges and universities must adjust quickly to declines in state revenue.

While Ball State University is not immune from these challenges, the concerns raised by Moody's Investor Services should be ameliorated by the circumstances at the University.

Tuition and Enrollment

Ball State University has the second lowest tuition rate of any college in the Mid-American Conference, and lower than the University's two closest competitors for Indiana students. Since 2006, total enrollment has grown by almost seven percent and is at a 15 year high. This increase in enrollment is attributable to aggressive recruitment of higher ability students. Increased applications—and increased quality of applicants—have enabled Ball State to increase its admissions standards and selectivity.

Similarly, freshman retention has risen from 74.7 percent in fall 2006 to 79.6 percent in fall 2010. 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.

Financial Aid

Financial aid from all sources disbursed by the University has increased by 175.0 percent since fiscal year 1999-2000 and has grown at a higher rate than tuition charges have grown.

Gifts and Other Revenue

While Moody's reports that many universities have revised their philanthropic goals for fiscal year 2009-10 downward, the University is nearing the end of its largest capital campaign ever with a $200.0 million goal that is more than the total of the last two campaigns combined. The response has been outstanding. The "Ball State Bold" campaign has already reached over 99.0 percent of its fundraising goal.

The University received 292 grant awards totaling approximately $22.4 million for research and other sponsored programs in 2010. In addition, the Ball State University Foundation was awarded another 130 grant awards for $4.0 million. 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.

Declines in State Revenue

While the State of Indiana has seen declining revenues, recent data suggests the trend is positive and relative to other states, Indiana is in a better financial position. Ball State has a long history of sound financial planning and operating in as efficient a manner as possible and the University's financial ratios compare favorably to its peers.

Ball State University, like most universities across the country in 2009-10, instituted a pay freeze, a strategic hiring freeze, and curtailed travel and other discretionary expenditures. But it is the structural savings in energy costs, health care, and relatively low administrative costs that allowed the University to protect its students' educational experience and best position the

University for the future. These efficiencies, and many others, allow Ball State University to focus more of our resources on mission critical and strategic initiatives.

Two examples of these structural changes would be energy efficiency and health care. The University's energy cost per square foot is 32.0 percent lower than the national average for public and private colleges. The University will further drive down our energy costs with energy savings projects, including completion of a campus-wide geothermal project, expected to save the University millions in annual energy savings costs. In terms of health care, the University has partnered with new health care networks and restructured its health care plans. These changes provided savings for both the employee and the employer.

In summary, as the financial statements indicate, the University has been an effective steward of the human, physical and financial resources entrusted to it, based on a planned approach to addressing long-term needs and liabilities while facing shorter-term challenges not unlike other public institutions nationwide. When all of this is taken into consideration, Ball State University remains in a strong position to be a major asset of significant benefit to the citizens of the State of Indiana.

Spring Commencement – Arts Terrace

Ball State University

Statement of Net Assets
As of June 30, 2010 and 2009

	2010	2009
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 105,517,749	$ 82,322,020
Short Term Investments	13,389,307	93,669,147
Accrued Interest Receivable – Investments	2,315,992	3,014,272
Accounts Receivable, Net, and Unbilled Costs (Note D)	23,040,692	27,161,432
Inventories	1,532,363	1,582,140
Deposit with Bond Trustee	13,400,315	12,063,353
Notes Receivable, Net	1,279,543	2,970,179
Prepaid Retiree Benefits (Note J)	7,674,056	7,442,075
Prepaid Expenses	2,666,893	2,563,075
Total Current Assets	$ 170,816,910	$ 232,787,693
Noncurrent Assets:		
Endowment Investments	$ 1,546,093	$ 2,263,814
Accounts and Notes Receivable, Net	11,364,946	11,134,852
Other Long Term Investments	165,263,473	131,589,243
Capital Assets, Net (Note E)	516,098,737	467,063,383
Total Noncurrent Assets	$ 694,273,249	$ 612,051,292
Total Assets	$ 865,090,159	$ 844,838,985
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 33,183,073	$ 32,396,852
Deposits	9,059,694	8,733,185
Deferred Revenue	3,154,271	6,801,661
Long Term Liabilities – Current Portion	9,530,000	8,105,569
Total Current Liabilities	$ 54,927,038	$ 56,037,267
Noncurrent Liabilities:		
Liability for Compensated Absences (Note C)	$ 8,055,199	$ 8,236,826
Advances on Long Term Grants	-	430,917
Perkins Loan Program – Federal Capital Contribution	9,468,630	9,612,895
Long Term Liabilities, net (Note F)	163,873,735	173,609,018
Total Noncurrent Liabilities	$ 181,397,564	$ 191,889,656
Total Liabilities	$ 236,324,602	$ 247,926,923
Net Assets:		
Invested in Capital Assets, Net of Related Debt	$ 347,328,737	$ 290,187,814
Restricted for:		
Nonexpendable Scholarships	913,517	913,753
Expendable:		
Debt Service	4,830,388	3,209,956
Loans	2,381,788	2,368,504
Construction	45,652,263	78,981,642
External Grants	6,378,580	7,160,411
Unrestricted	221,280,284	214,089,982
Total Net Assets	$ 628,765,557	$ 596,912,062
Total Liabilities and Net Assets	$ 865,090,159	$ 844,838,985

Ball State University Foundation

Statement of Financial Position
As of June 30, 2010 and 2009

	2010	2009
Assets:		
Cash and Investments in Marketable Securities	$ 349,098	$ 555,887
Interest and Dividends Receivable	35,433	46,964
Contributions Receivable, Net of Allowances of $601,288 and $804,850	19,555,428	21,567,114
Property Held for Sale	2,272,508	2,142,508
Investments	145,541,049	139,528,795
Investments Held in Split-Interest Agreements	1,991,123	1,928,987
Beneficial Interest in Remainder Trusts	1,519,327	1,519,384
Bond Issue Costs and Other Assets	209,307	310,377
Cash Surrender Value of Life Insurance	1,520,150	894,626
Property and Equipment	4,228,681	2,975,259
Beneficial Interest in Perpetual Trusts	2,048,082	1,945,852
Total Assets	$ 179,270,186	$ 173,415,753
Liabilities:		
Accounts Payable	$ 4,514,133	$ 9,871,603
Grants Payable	1,341,508	1,341,508
Accrued Expenses	211,248	163,834
Line of Credit	3,395,000	5,100,000
Term Bonds Payable	8,300,000	-
Annuity Obligations	1,927,859	1,989,427
Trust obligations	552,710	529,481
Bonds Payable	10,000,000	10,000,000
Total Liabilities	$ 30,242,458	$ 28,995,853
Net Assets:		
Unrestricted	$ (12,084,096)	$ (12,355,124)
Temporarily Restricted	93,829,581	89,572,170
Permanently Restricted	67,282,243	67,202,854
Total Net Assets	$ 149,027,728	$ 144,419,900
Total Liabilities and Net Assets	$ 179,270,186	$ 173,415,753

Ball State University

Statement of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009 Restated and Reclassified
Operating Revenues:		
Student Tuition and Fees	$ 182,190,880	$ 167,309,088
Scholarship Allowances	(57,453,143)	(50,776,032)
Net Student Tuition and Fees	$ 124,737,737	$ 116,533,056
Federal Grants and Contracts (Note D)	6,151,159	8,763,228
State & Local Grants and Contracts	1,736,516	2,683,996
Non-Governmental Grants and Contracts	11,729,224	13,453,388
Sales and Services of Educational Departments	15,463,372	16,528,236
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2010 - $5,853,826, 2009 - $4,564,553)	53,972,563	48,241,157
Other	8,947,021	8,714,161
Other Operating Revenues	3,481,348	3,186,430
Total Operating Revenues	$ 226,218,940	$ 218,103,652
Operating Expenses:		
Personnel Services	$ 203,600,699	$ 200,444,278
Benefits (Note J)	73,457,401	68,304,580
Utilities	11,497,120	11,140,075
Repairs and Maintenance	11,898,480	10,632,052
Other Supplies and Expenses	72,281,508	75,143,713
Student Aid	7,281,011	6,709,257
Depreciation	18,240,241	17,461,862
Total Operating Expenses	$ 398,256,460	$ 389,835,817
Operating Income/(Loss)	$ (172,037,520)	$ (171,732,165)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants (Note D)	$ 44,590,740	$ 37,496,147
State Appropriations (Note B,D)	143,361,488	146,015,851
Investment Income	7,464,365	12,046,177
Interest on Capital Asset Related Debt	(7,536,042)	(6,896,723)
Private Gifts	7,787,472	8,589,209
Other Non-Operating Income (Note B,D)	5,888,412	3,651,258
Net Non-Operating Revenues/(Expenses)	$ 201,556,435	$ 200,901,919
Income Before Other Revenues, Expenses, Gains or Losses	$ 29,518,915	$ 29,169,754
Capital Appropriations (Note D)	1,582,089	-
Capital Gifts	752,491	5,996,584
Increase in Net Assets	$ 31,853,495	$ 35,166,338
Net Assets – Beginning of Year	596,912,062	561,745,724
Net Assets – End of Year	$ 628,765,557	$ 596,912,062

Ball State University Foundation

Statement of Activities

Years Ended June 30, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:								
Contributions	$ 1,713,277	$ 12,772,581	$ 1,173,320	$ 15,659,178	$ 1,365,367	$ 10,622,848	$ 2,007,918	$ 13,996,133
Promotional Activities and Other Revenue	29,534	-	-	29,534	(1,383)	-	-	(1,383)
Investment Income (Loss)	3,564,252	4,103,356	245,011	7,912,619	(31,709,782)	(14,540,553)	(34,842)	(46,285,177)
Change in Value of Split-Interest Agreements	67,373	43,324	96,550	207,247	153,510	(180,860)	(558,198)	(585,548)
Operating Support Fees	936,069	(912,415)	(23,654)	-	949,728	(931,253)	(18,475)	-
	$ 6,310,505	$ 16,006,846	$ 1,491,227	$ 23,808,578	$ (29,242,560)	$ (5,029,818)	$ 1,396,403	$ (32,875,975)
Net Assets Released from Restrictions	13,161,273	(11,749,435)	(1,411,838)	-	13,501,194	(13,802,260)	301,066	-
Net Asset Reclassification	-	-	-	-	1,820,245	(1,820,245)	-	-
Total Revenues, Gains and Other Support	$ 19,471,778	$ 4,257,411	$ 79,389	$ 23,808,578	$ (13,921,121)	$ (20,652,323)	$ 1,697,469	$ (32,875,975)
Expenses:								
University Capital Projects	$ 14,409,797	$ -	$ -	$ 14,409,797	$ 23,008,713	$ -	$ -	$ 23,008,713
Management and General	1,510,007	-	-	1,510,007	1,283,140	-	-	1,283,140
Fund Raising	3,280,946	-	-	3,280,946	3,702,039	-	-	3,702,039
Total Expenses	$ 19,200,750	$ -	$ -	$ 19,200,750	$ 27,993,892	$ -	$ -	$ 27,993,892
Change in Net Assets	$ 271,028	$ 4,257,411	$ 79,389	$ 4,607,828	$ (41,915,013)	$ (20,652,323)	$ 1,697,469	$ (60,869,867)
Net Assets, Beginning 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
Net Assets, End of Year	$ (12,084,096)	$ 93,829,581	$ 67,282,243	$ 149,027,728	$ (12,355,124)	$ 89,572,170	$ 67,202,854	$ 144,419,900

See Note A in Notes to Financial Statements

Ball State University

Statement of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Source / (Uses) of Cash:		
Operating Activities:		
Tuition and Fees	$ 124,449,895	$ 116,457,287
Grants and Contracts	14,133,799	20,117,452
Payments to Suppliers	(72,007,407)	(68,493,002)
Payment for Maintenance and Repair	(11,898,480)	(10,632,052)
Payments for Utilities	(11,497,119)	(11,140,075)
Payments for Personnel Services	(203,169,440)	(199,719,225)
Payments for Benefits	(73,765,456)	(70,881,133)
Payments for Scholarships and Fellowships	(7,294,582)	(6,502,140)
Auxiliary Enterprise Charges:		
Room and Board	54,414,365	48,144,566
Other	9,383,962	7,868,021
Sales and Services of Educational Activities	15,427,002	16,536,452
Other Receipts/Disbursements/Advances	7,484,679	2,075,183
Net Cash Provided/(Used) by Operating Activities	$ (154,338,782)	$ (156,168,666)
Non-Capital Financing Activities:		
Federal and State Scholarships and Grants	$ 44,590,740	$ 37,496,147
State Appropriations	142,422,475	152,135,238
William D. Ford Direct Lending Receipts	85,880,418	74,330,196
William D. Ford Direct Lending Disbursements	(85,880,418)	(74,330,196)
PLUS Loans Receipts	30,372,843	24,507,444
PLUS Loans Disbursements	(30,372,843)	(24,507,444)
Private Gifts	11,394,289	8,945,144
Foundation Receipts	1,752,549	1,783,682
Foundation Disbursements	(1,752,549)	(1,783,682)
Other Non-Operating Revenue	5,888,413	810,290
Other Receipts	(43,776)	2,983,904
Net Cash Provided/(Used) by Non-Capital Financing Activities	$ 204,252,141	$ 202,370,723
Capital Financing Activities:		
Proceeds from Capital Debt	$ -	$ 29,448,768
Capital Appropriations	1,582,088	-
Capital Gifts	752,491	5,996,584
Unamortized Bond Premium	(204,652)	(195,256)
Purchases of Capital Assets	(67,267,491)	(75,075,340)
Principal Paid on Capital Debt	(8,105,569)	(8,021,575)
Interest Paid on Capital Debt	(7,623,510)	(6,686,703)
Deposits with Trustee	(1,336,962)	(516,725)
Net Cash Provided/(Used) by Capital Financing Activities	$ (82,203,605)	$ (55,050,247)
Investing Activity:		
Proceeds from Sales and Maturities of Investments	$ 345,203,496	$ 263,062,997
Interest on Investments	7,908,210	12,593,032
Purchase of Investments	(297,625,731)	(215,847,406)
Net Cash Provided/(Used) by Investing Activities	$ 55,485,975	$ 59,808,623
Net Increase/(Decrease) in Cash	$ 23,195,729	$ 50,960,433
Cash – Beginning of the Year	82,322,020	31,361,587
Cash – End of the Year	$ 105,517,749	$ 82,322,020

Ball State University

Statement of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Reconciliation of Net Operating Revenues/(Expenses) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	$ (172,037,520)	$ (171,732,165)
Adjustments to Reconcile Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	18,240,241	17,461,862
Equipment Retired	(8,105)	2,589,599
Changes in Assets and Liabilities:		
Operating Receivables, Net	1,453,002	(1,366,625)
Inventories	49,777	(30,470)
Other Assets	(335,798)	(2,016,848)
Accounts Payable	872,991	3,782,192
Deferred Revenue	(3,647,389)	(1,963,070)
Deposits Held for Others	226,020	849,088
Compensated Absences	(181,627)	474,669
Advance on Long Term Grants	(430,917)	(2,104,500)
Long Term Accounts and Notes Receivable	1,460,543	(2,112,398)
Net Cash Provided/(Used) by Operating Activities	$ (154,338,782)	$ (156,168,666)

Ball State University Foundation

Statement of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
Operating Activities:		
Change in Net Assets	$ 4,607,828	$ (60,869,867)
Items not Requiring/(Providing) Cash:		
Depreciation and Amortization	58,185	52,659
Bad Debt Expense	518,654	482,363
Net Realized and Unrealized (Gain)/Loss on Investments	(7,987,671)	44,625,812
Change in Value of Trusts	(102,173)	262,390
Contributions of Marketable Equity Securities	(415,852)	(950,127)
Contribution of Real Estate	(1,379,000)	-
Contribution of Insurance Policies	(588,042)	-
Contributions Restricted for Long-Term Investment	(1,173,320)	(2,007,918)
Net Change in Value of Split-Interest Agreements	(100,475)	409,476
Changes In:		
Contributions Receivable, Including Amortization of Discount on Pledges Receivable	1,493,032	(485,797)
Interest and Dividends Receivable and Other Assets	112,601	(110,092)
Accounts Payable and Accrued Expenses	(5,310,056)	4,595,948
Net Cash Provided by Operating Activities	$ (10,266,289)	$ (13,995,153)
Investing Activities:		
Purchase of Property and Equipment	$ (217,607)	$ (537,476)
Proceeds from Sale of Real Estate	155,000	-
Purchase of Investments	(23,354,010)	(56,043,202)
Sales and Maturities of Investments	25,745,279	68,774,816
Net Increase in Cash Surrender Value of Life Insurance	(37,482)	941
Net Cash Provided/(Used in) Investing Activities	$ 2,291,180	$ 12,195,079
Financing Activities:		
Net Borrowings Under Line of Credit Agreement	$ 6,595,000	$ 100,000
Proceeds from Contributions Restricted for Investment in Permanent Endowment	1,173,320	2,007,918
Net Cash Provided by Financing Activities	$ 7,768,320	$ 2,107,918
Net Increase/(Decrease) in Cash	$ (206,789)	$ 307,844
Cash-Beginning of the Year	555,887	248,043
Cash-End of Year	$ 349,098	$ 555,887
Interest Paid	$ 257,789	$ 292,139

See Note A in Notes to Financial Statements

Ball State University
Notes to Financial Statements
June 30, 2010

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

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, 2010, and June 30, 2009, were $4,543,132 and $4,156,240 respectively for accounts receivable. For notes receivable, the reserves were $1,623,365 and $1,551,681 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. Additionally, in accordance with GASB 51, intangible assets costing in excess of $100,000 and having a life greater than one year are capitalized. All land and building acquisitions are capitalized. Capital assets also include land improvements and infrastructure costing in excess of $100,000. Building improvements are capitalized if the project 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 18: Deficit Balance in Unrestricted Net Assets (complete reproduction)

In 2009, the Foundation 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. While there was a small improvement in 2010, the deficit balance in unrestricted net assets remains approximately $12.0 million at June 30, 2010. Despite the deficit unrestricted net asset balance, total net assets of the Foundation at June 30, 2010, were approximately $150.0 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, 2010, there was $3.395 million borrowed against this line. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus two percent. There is a minimum interest rate of 3.25 percent, which was the interest rate in effect at June 30, 2010.

The Foundation also has a 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, 2010. There was $8.3 million borrowed against this facility at June 30, 2010. Repayments are

$250.0 thousand quarterly beginning in October 2010 and extending through July 2015 when the remaining balance outstanding is due.

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 – Reclassification

A reclassification has been made to the prior year Statement of Revenues, Expenses and Changes in Net Assets for comparative purposes. This reclassification does not constitute a restatement of prior periods since it had no effect on net assets as originally reported. Due to a computer program change, student head count funds received by Burris Laboratory School from the State of Indiana were inadvertently reported as State Appropriations instead of Other Non-Operating Income at June 30, 2009. Changes to revenue are detailed below.

	Prior to Reclassification	Reclassification Amount	After Reclassification
Non-Operating Revenues:			
State Appropriations	$ 148,856,819	$ (2,840,968)	$ 146,015,851
Other Non-Operating Income	810,290	2,840,968	3,651,258

Note C – 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, 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 D – 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 State of Indiana received funds from the ARRA to stabilize the state's budget. The University has been awarded and/or received ARRA funds through the State of Indiana to supplant State Appropriations in the amount of $1.0 million and Capital Appropriations totaling $1,582,089. Additionally, the Auditor of State notified Burris Laboratory School and Indiana Academy for Science, Mathematics, and Humanities that the September 2009 and May 2010 installments of their basic grants would include ARRA funding which totaled $175,620. Other ARRA funds have been recorded through the Office of Contracts and Grants for various grant awards and programs. The University has also been awarded and/or received ARRA funding for Federal Work Study and COBRA premium subsidies.

Under the direction of the Indiana State Board of Accounts, ARRA funds received or those due from ARRA projects that have been started and not reimbursed are the only amounts recorded on the financial statements. The receivable equals the amount of the unreimbursed expenditures for the University's State Appropriations ($1.0 million) and Capital Appropriation projects ($1,582,089), as well as the COBRA premium subsidies ($84,500) as shown on the University's quarterly 941 payroll returns, and an amount due from the Indiana Department of Education for a Services to Students Grant award ($9,020). Therefore, the Accounts Receivable, Net and Unbilled Costs from the Statement of Net Assets include $2,675,609 of ARRA receivables at June 30, 2010.

The following summarized schedule, presents the effect of the ARRA funding on the University's Statement of Revenues, Expenses and Changes in Net Assets:

	2010	2009
Operating Revenues:		
Federal Grants and Contracts	$ 451,625	$ 14,348
Total ARRA Operating Revenues and Receivables	$ 451,625	$ 14,348
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants	$ 152,739	$ -
State Appropriations	1,000,000	-
Other Non-Operating Income	283,831	442,884
Total ARRA Non-Operating Revenues	$ 1,436,570	$ 442,884
Capital Appropriations	$ 1,582,089	$ -
Total ARRA Funding	$ 3,470,284	$ 457,232

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

Note E – Capital Assets

	Book Value July 1, 2009	Additions	Deductions	Book Value June 30, 2010
Land and Inexhaustible Improvements	$ 14,658,187	$ 36,234	$ -	$ 14,694,421
Exhaustible Land Improvements	27,621,199	3,647,027	-	31,268,226
Infrastructure	25,428,888	7,387	-	25,436,275
Educational Buildings	295,650,491	1,770,790	-	297,421,281
Utility Buildings	15,139,101	-	-	15,139,101
Educational Equipment	45,011,726	3,325,977	2,740,173	45,597,530
Auxiliary Enterprise Buildings	247,151,302	5,360,964	-	252,512,266
Auxiliary Enterprise Equipment	9,712,860	798,117	226,474	10,284,503
Construction in Process	45,434,992	52,090,807	-	97,525,799
Other Property	1,278,883	230,187	-	1,509,070
Total	$ 727,087,629	$ 67,267,490	$ 2,966,647	$ 791,388,472
Less Accumulated Depreciation:				
Infrastructure	$ 7,680,089	$ 620,984	$ -	$ 8,301,073
Exhaustible Land Improvements	14,205,555	932,231	-	15,137,786
Educational Buildings	111,349,752	6,026,963	-	117,376,715
Utility Buildings	7,661,207	302,781	-	7,963,988
Educational Equipment	32,194,244	4,578,428	2,753,926	34,018,746
Auxiliary Enterprise Buildings	79,805,068	5,089,012	-	84,894,080
Auxiliary Enterprise Equipment	7,053,610	659,756	220,827	7,492,539
Other Property	74,721	30,087	-	104,808
Total	$ 260,024,246	$ 18,240,242	$ 2,974,753	$ 275,289,735
Capital Assets, Net	$ 467,063,383	$ 49,027,248	$ (8,106)	$ 516,098,737

Note F – 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, 2010		June 30, 2009	
	Current Portion	Noncurrent Portion	Current Portion	Noncurrent Portion
Outstanding Bonds Payable	$ 9,530,000	$ 159,240,000	$ 8,105,569	$ 168,770,000
Unamortized Premiums on Bonds	392,021	5,384,054	391,390	5,776,917
Capital Appreciation on Parking Bonds	-	-	244,431	-
Unamoritized Deferred Costs	(187,579)	(750,319)	(187,579)	(937,898)
Total	$ 9,734,442	$ 163,873,735	$ 8,553,811	$ 173,609,019

Parking System Revenue Bonds, Series 1989, were issued on July 18, 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 O bonds were used to fund a portion of the expansion and improvement of the Student Recreation and Wellness Center.

Long term bonds outstanding at June 30, 2010, were:

	Date of Issue	Original Issue	Retired 2009-2010	Outstanding June 30, 2010
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	85,569	-
Parking System Revenue Bonds of 2003:				
Current Interest Bonds, 2.00% to 5.00%	08/14/03	3,985,000	65,000	3,610,000
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	1,285,000	30,445,000
Student Fee Bonds, Series I:				
Current Interest Bonds, 3.25% to 5.20%	01/12/99	38,770,000	2,645,000	8,240,000
Student Fee Bonds, Series K:				
Current Interest Bonds, 4.00% to 4.60%	01/03/02	5,700,000	790,000	825,000
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	870,000	12,610,000
Student Fee Bonds, Series M:				
Current Interest Bonds, 3.00% to 5.00%	12/15/04	19,355,000	780,000	16,385,000
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	1,585,000	60,280,000
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	$ 8,105,569	$ 168,770,000

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
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	$ 168,770,000	$ 70,294,370	$ 239,064,369

Note G – 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, 2010, the unpaid principal for the defeased Building Facilities Fee Bonds was $25.7 million.

Note H – 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 $373,344 for the year ended June 30, 2010.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2010, are as follows:

	Future Lease Payments
2011	$ 304,697
2012	48,725
2013	49,641
2014	54,971
2015-2019	22,900
Total	$ 480,934

Note I – Investments

Investments held in the name of the University at June 30, 2010, consisted of the following:

	Market
U.S. Government Treasury Securities	$ 5,000,000
U.S. Government Agency Securities	165,704,551
Certificates of Deposit	49,400,000
Demand Deposit Accounts	69,211,785
Total Investments	$ 289,316,336

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, 2010, the University held Agency Securities totaling $165,704,551 comprised of the following:

	Market
Federal Home Loan Mortgage Corporation	$ 48,753,997
Federal National Mortgage Association	99,642,426
Federal Home Loan Bank	10,223,410
Federal Farm Credit	7,084,718
Total	$ 165,704,551

- 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, 2010, the University held the following certificates of deposit totaling $49.4 million:

		Market
Fifth Third Bank, Indianapolis, Indiana	$	11,200,000
First Merchants Bank, N.A., Muncie, Indiana		22,200,000
Marshall & Ilsley Bank, Indianapolis, Indiana		7,000,000
STAR Financial Bank, Muncie, Indiana		9,000,000
Total Certificates of Deposit	$	49,400,000

- 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, 2010, the University's interest-bearing Deposit Accounts totaled $69,211,785 and were comprised of working capital and short-term investments at the following banks:

		Market
First Merchants Bank, N.A., Muncie, Indiana	$	34,711,785
Regions Bank, Indianapolis, Indiana		34,500,000
Total Demand Deposit Accounts	$	69,211,785

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, certificates of deposit and interest-bearing deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 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 Treasury Securities	$ -	$ -	$ 5,000,000	$ 5,000,000
U.S. Government Agency Securities	16,019,062	-	149,685,489	165,704,551
Certificates of Deposit	26,400,000	11,000,000	12,000,000	49,400,000
Demand Deposit Accounts	69,211,785	-	-	69,211,785
Total Investments	$ 111,630,847	$ 11,000,000	$ 166,685,489	$ 289,316,336

Note J – 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, 2010, there were 1,324 employees participating in PERF with an annual pay equal to $44,199,728.

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	$ 2,903,685
Interest on Net Pension Obligation	(79,466)
Adjustment to Annual Required Contribution	90,558
Annual Pension Cost	$ 2,914,777
Contributions Made	2,935,261
Increase/(Decrease) in Net Pension Obligation	$ (20,484)
Net Pension Obligation, July 1, 2008	(1,096,082)
Net Pension Obligation, June 30, 2009	$ (1,116,566)

Contribution Rates:	
University	6.50%
Plan Members (Paid by BSU)	3.00%
Actuarial Valuation Date	7/1/2008
Actuarial Cost Method	Entry Age - Normal Cost
Amortization Method	Level Dollar, Closed Amortization Period
Amortization Period	30 years from 07-01-97
Asset Valuation Method	Smoothed Market Value Basis

Actuarial Assumptions	PERF
Investment Rate of Return	7.25%
Projected Future Salary Increases	4.00%
Cost-of-Living Adjustments	1.50%

Three Year Trend Information

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$ 2,505,548	88.78%	$ (846,118)
2008	$ 2,519,451	110.30%	$ (1,096,082)
2009	$ 2,914,777	100.70%	$ (1,116,566)

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AL)	Excess/ (Unfunded) AL	Funded Ratio
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%
07/01/2009	$ 60,122,537	$ 69,233,207	$ (9,110,670)	86.8%

Date	Covered Payroll	Excess/ (Unfunded) AL as a Percent of Covered Payroll
07/01/2007	$ 42,394,759	2.6%
07/01/2008	$ 44,672,073	(2.8)%
07/01/2009	$ 48,188,042	(18.9)%

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, 2010, there were 385 employees participating in TRF with annual pay equal to $19,623,310. The University contributes at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.5 percent of covered payroll. The University's contributions to the plan, including those made to the annuity on behalf of the members, for the fiscal years ended June 30, 2010, 2009, and 2008, were $2,060,447, $2,253,882, and $2,419,703 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, 2010, the University contributed $12,054,756 to this plan for 1,736 participating employees with annual payroll totaling $98,245,768.

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, 2010, $378,300 is recorded as a liability representing payments to be made in 2011 and 2012 to employees who retired under the program by June 30, 2010.

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, 2010, 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, 2010, the University contributed $8,985,769 for current claims and estimated applicable administrative costs and an additional $2.5 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 $2,159,410 for health insurance and $21,060 for life insurance or approximately 25.0 percent of the total premiums assessed, through their required contributions, which for health insurance ranged, for those not eligible for Medicare, from $67.00 to $168.22 per month for single coverage and $173.98 to $436.68 for family coverage. For those eligible for Medicare, the monthly premiums were $77.50 for medical and prescription drug coverage and $7.60 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 $.055 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	$	11,234,711
Interest on Net OPEB Obligation		(558,155)
Adjustment to Annual Required Contribution		643,032
Annual OPEB Cost	$	11,319,588
Contributions Made		11,551,569
Increase (Decrease) in Net OPEB Obligation	$	(231,981)
Net OPEB Obligation (Asset), Beginning of Year		(7,442,075)
Net OPEB Obligation (Asset), End of Year	$	(7,674,056)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and the two previous years 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)
	6/30/2010		10,782,403	95.3%		(7,084,859)
Life Insurance	6/30/2008	$	-	-	$	-
	6/30/2009		152,118	0.0%		152,118
	6/30/2010		537,185	225.8%		(523,397)

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	7/1/09	$ 114,147,732	$ 192,195,650	$ 78,047,918	59.4%	$ 151,120,585	51.6%
Life	7/1/09	16,546,332	20,150,137	3,603,805	82.1%	$ 151,120,585	2.4%
Total		$ 130,694,064	$ 212,345,787	$ 81,651,723	61.5%	$ 151,120,585	54.0%
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, 2009, the most recent actuarial valuation date, the health insurance plan was 59.4 percent funded. The actuarial accrued liability for benefits was $192,195,650, and the actuarial value of assets was $114,147,732, resulting in an unfunded actuarial accrued liability (UAAL) of $78,047,918. The covered payroll (annual payroll of active employees covered by the plan) was $151,120,585, and the ratio of UAAL to covered payroll was 51.6 percent. As of the same date, the life insurance plan was 82.1 percent funded. The actuarial accrued liability for benefits was $20,150,137, and the actuarial value of assets was $16,546,332, resulting in an unfunded actuarial accrued liability (UAAL) of $3,603,805. The covered payroll (annual payroll of active employees covered by the plan) was $151,120,585, and the ratio of the UAAL to covered payroll was 2.4 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30, 2007 and 2009 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5 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 for 2009 also included an annual healthcare cost trend rate initially of eight percent for non-Medicare medical, seven percent for Medicare eligible medical, eight 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 4.5 percent for everything else after 16 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, 2009, was 28 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, 2010:

Market Value at July 1, 2009	$ 114,147,732
Transfer from Ball State University	1,500,000
Reinvested Net Earnings (Loss)	1,373,931
Unrealized Gain (Loss)	10,880,125
Fund Balance at June 30, 2010	$ 127,901,788

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, 2010:

Fund Balance at July 1, 2009	$ 16,606,896
Transfer from Ball State University	1,000,000
Reinvested Net Earnings	340,384
Unrealized Gain (Loss)	1,404,520
Death Claims and Related Charges	(922,246)
Fund Balance at June 30, 2010	$ 18,429,554

Note K – 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 L – 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 M – 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 $3.8 million at June 30, 2010, was determined by our actuarial consultants. Claims activity for the year was as follows:

Unpaid Health Care Claims at July 1, 2009	$	5,000,000
Claims Incurred		44,583,116
Claims Paid		45,816,498
Unpaid Health Care Claims at June 30, 2010	$	3,766,618

Ball State University
Required Supplemental Information
June 30, 2010

Other Post-Employment Benefits
Retiree Health and Life Insurance Plans

	Valu-ation Date	Actuarial Value of Assets	Actuarial Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/09	$ 114,147,732	$ 192,195,650	$ 78,047,918	59.4%	$ 151,120,585	51.6%
Life	7/1/09	16,546,332	20,150,137	3,603,805	82.1%	$ 151,120,585	2.4%
Total		$ 130,694,064	$ 212,345,787	$ 81,651,723	61.5%	$ 151,120,585	54.0%
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 %

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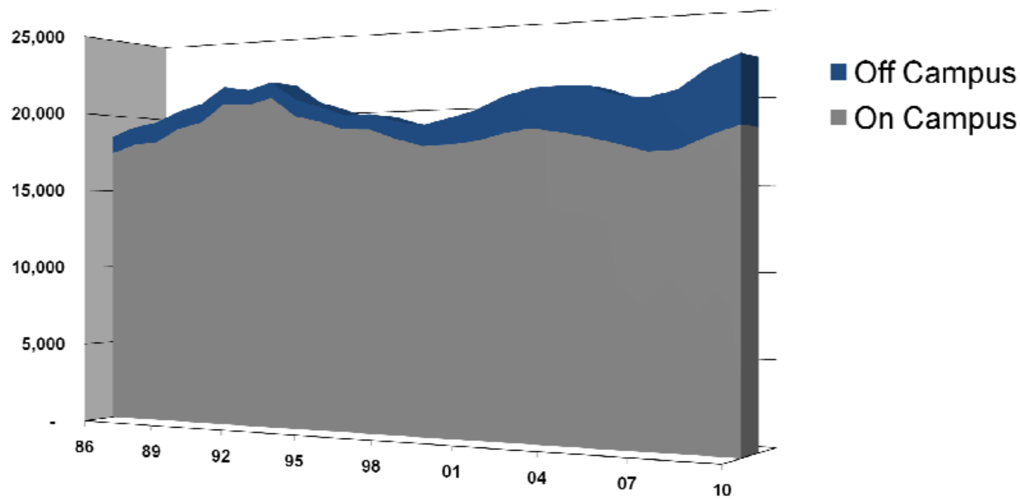
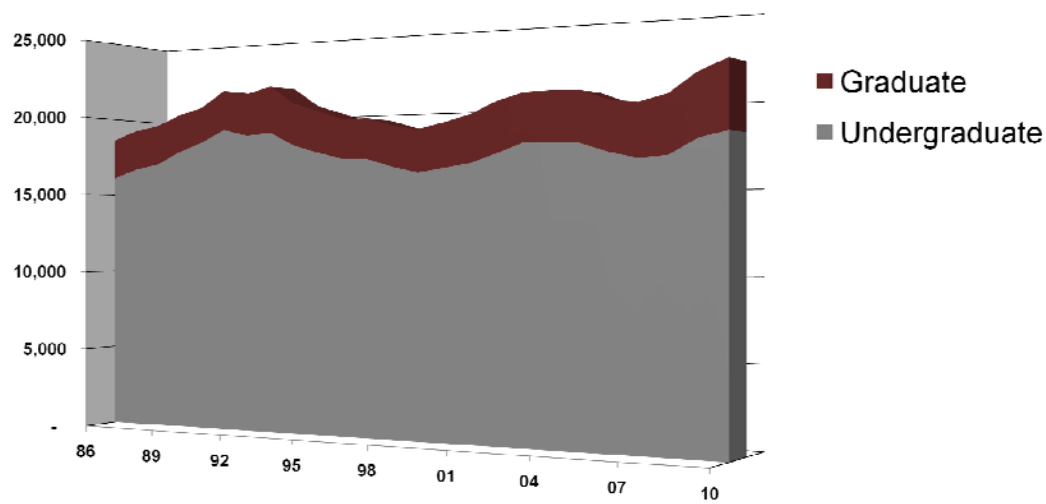
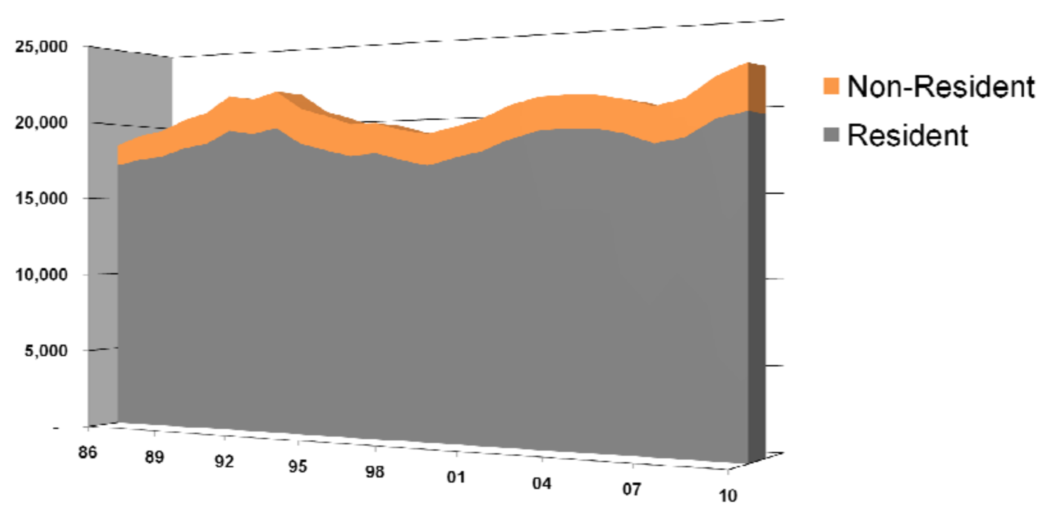
Supplemental Information

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.

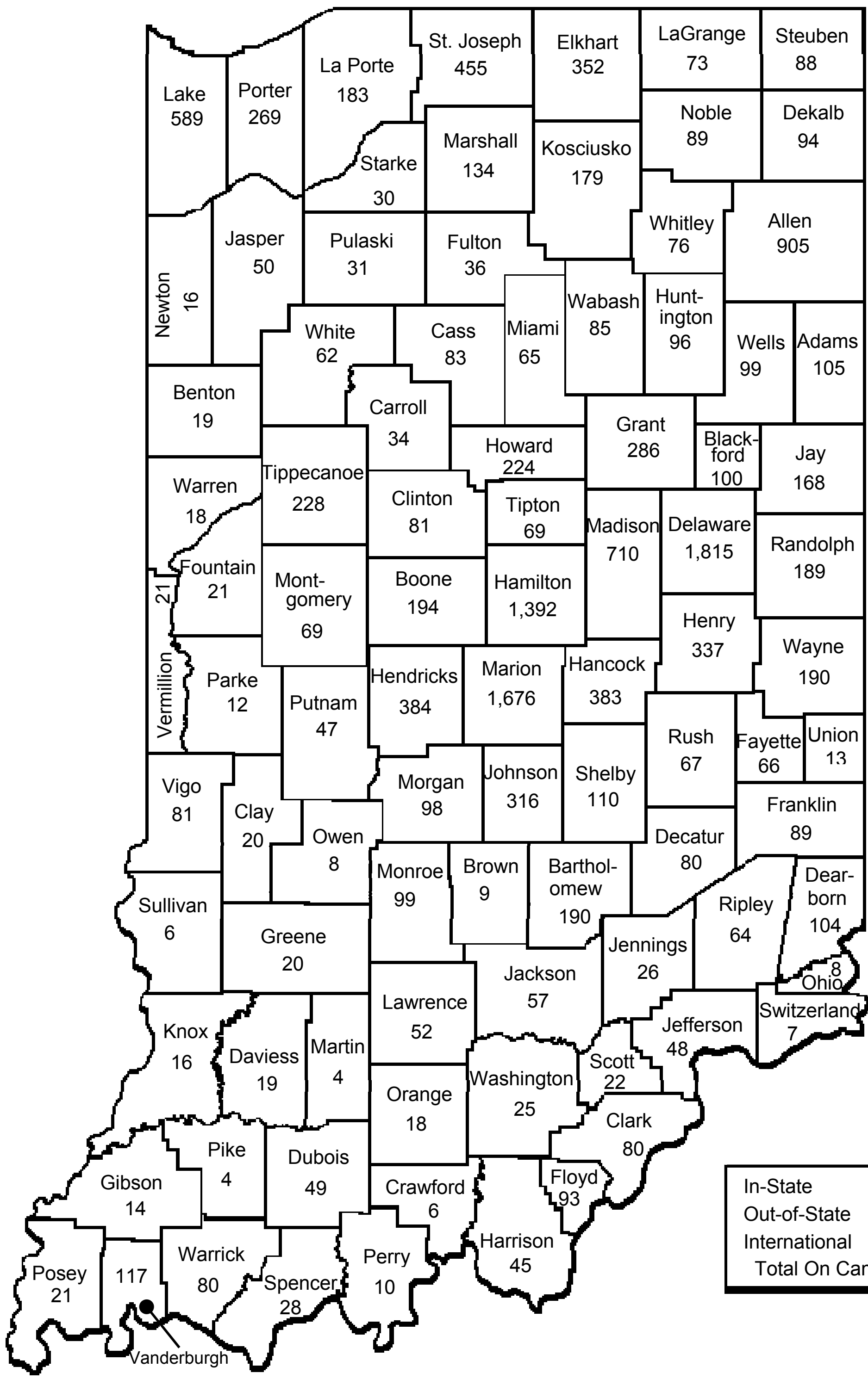
Student Enrollment
Fall Headcount 1986-2010







Campus Enrollment by County
Fall 2010



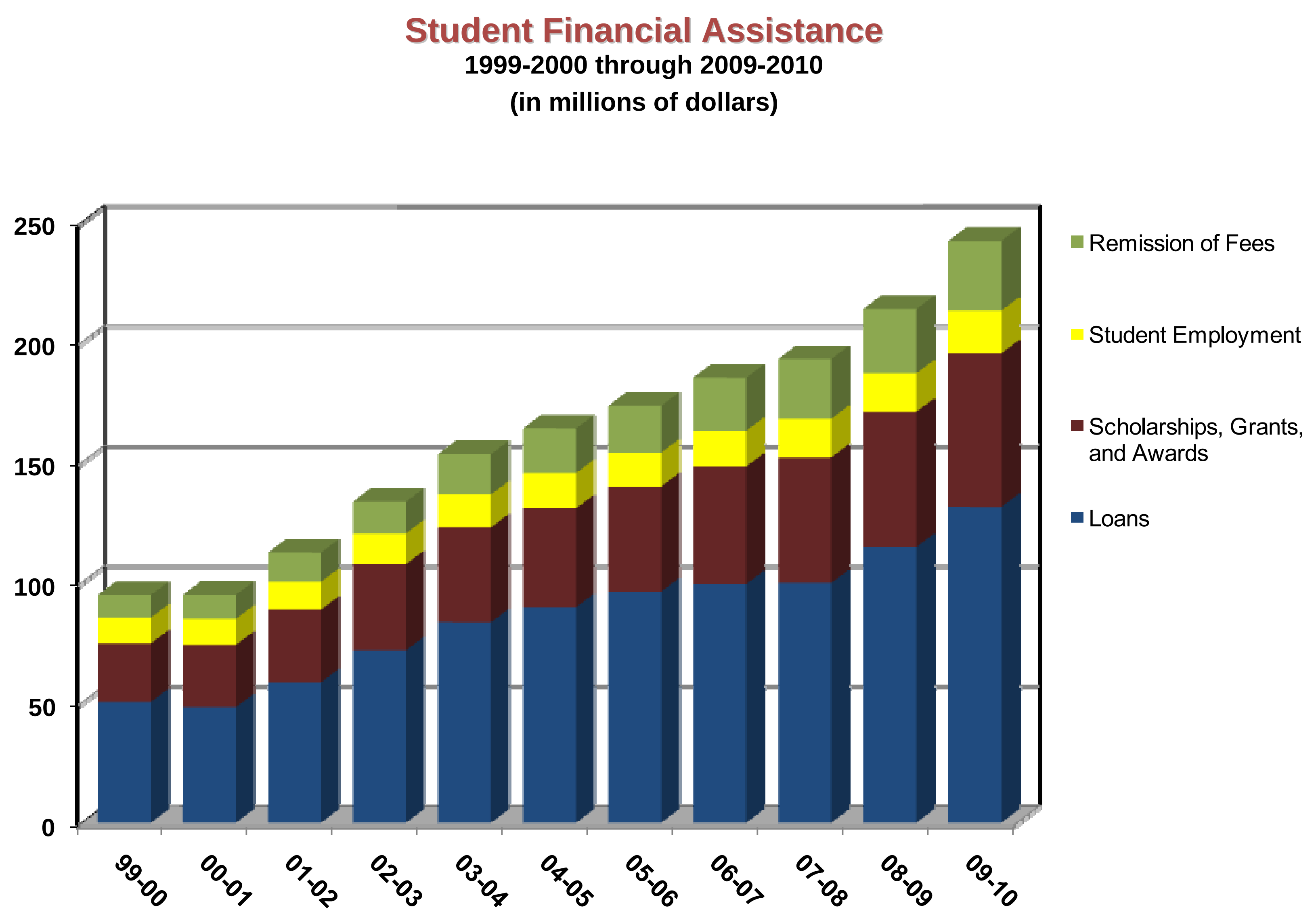
In-State	15,200
Out-of-State	2,332
International	651
Total On Campus	18,183

Campus Enrollment by State

Fall 2010

Alaska	3
Hawaii	2
Military	1
Puerto Rico	3
Virgin Islands	2
US Citizens Living Abroad	98

In-State	15,200
Out-of-State	2,332
International	651
Total On Campus	18,183


Student Financial Assistance
1999-2000 through 2009-2010
(in millions of dollars)
250
200
150
100
50
0
99-00
00-01
01-02
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
Remission of Fees
Student Employment
Scholarships, Grants, and Awards
Loans

Ball State University

Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Parking Facilities

Year Ended June 30, 2010

June 30	Principal	Interest	Total	Unliquidated Balance
2010				$ 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	$ 6,120,000	$ 2,374,641	$ 8,494,641	

Revenue Bonds—Housing and Dining

Year Ended June 30, 2010

June 30	Principal	Interest	Total	Unliquidated Balance
2010				$ 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, 2010

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	$ 30,445,000	$ 12,389,589	$ 42,834,589	

Student Fee Bonds

Year Ended June 30, 2010

June 30	Principal	Interest	Total	Unliquidated Balance
2010				$ 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	$ 132,205,000	$ 55,530,140	$ 187,735,140	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Total Revenue and Student Fee Bonds

Year Ended June 30, 2010

June 30	Principal	Interest	Total	Unliquidated Balance
2010				$ 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	$ 168,770,000	$ 70,294,370	$ 239,064,370	