

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

AUDIT REPORT  
OF  
BALL STATE UNIVERSITY  
MUNCIE, INDIANA  
July 1, 2010 to June 30, 2011



**FILED**  
03/27/2012



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## SCHEDULE OF UNIVERSITY OFFICIALS

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

\*\*\* position discontinued



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the financial statements of Ball State University (University), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. 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.

### 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.

December 7, 2011

STATE BOARD OF ACCOUNTS

*State Board of Accounts*



# STATE OF INDIANA

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## INDEPENDENT AUDITOR'S 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, MUNCIE, 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, 2011. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied in all material respects with the 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, 2011.

### Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 financial statements of Ball State University as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. Our audit was performed for the purpose of forming an opinion on those financial statements 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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



February 23, 2012

BALL STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
<b>Student Financial Aid Cluster</b>			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Federal Supplemental Educational Opportunity Grants	84.007	\$ 803,824	\$ -
Federal Work-Study Program	84.033	527,967	-
Federal Pell Grant Program	84.063	24,120,990	-
Federal Direct Student Loans	84.268	118,598,541	-
Academic Competitiveness Grants	84.375	1,377,308	-
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	191,720	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	29,500	-
Total Student Financial Aid Cluster		145,649,850	-
<b>Research and Development Cluster</b>			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Modeling Bat Distribution	10.XXX	18,555	-
Pass-Through Sertech Heating & Air, Inc. Tech Assistance			
Small Business Innovation Research	10.212	(2,204)	-
Total U.S. Department of Agriculture		16,351	-
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-Through University of Southern Indiana			
Economic Development Cluster			
Economic Adjustment Assistance	11.307	1,543	-
Pass-Through University of Illinois at Urbana-Champaign			
Sea Grant Support	11.417	11,506	-
Total U.S. Department of Commerce		13,049	-
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Pass-Through Defense Finance and Accounting Service			
Military Medical Research and Development	12.420	416,278	114,395
Pass-Through N Hampshire Academy of Applied Science			
Basic Scientific Research	12.431	1,030	-
Pass-Through U.S. Army Research Laboratory			
Basic Scientific Research	12.431	32,422	-
Total U.S. Department of Defense		449,730	114,395
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
U.S. Geological Survey - Research and Data	15.808	1,437	-
Pass-Through Indiana Department of Natural Resources			
Sport Fish Restoration Program	15.605	109,340	-
Migratory Bird Conservation	15.647	30,901	-
Historic Preservation Fund Grants-In-Aid	15.904	50,548	-
Outdoor Recreation-Acquisition, Development and Planning	15.916	(296)	-
Pass-Through Purdue University			
Assistance to State Water Resources Research Institutes	15.805	30,261	-
Pass through National Park Service			
American Battlefield Protection	15.926	31,587	-
Total U.S. Department of the Interior		253,778	-
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana University			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	26,206	-
<u>U.S. DEPARTMENT OF STATE BUREAU OF EDUCATION AND CULTURAL AFFAIRS</u>			
Academic Exchange Programs - Undergraduates Programs	19.009	33,044	-

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, 2011  
(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
<b><i>Research and Development Cluster (continued)</i></b>			
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	30,386	-
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	<u>4,500</u>	-
Total U.S. Department of Transportation		<u>34,886</u>	-
<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>			
Aerospace Education Services Program	43.AAA	91,255	-
Pass-Through Purdue University NASA - Science	43.001	41,661	-
Pass-Through Purdue University Aerospace Education Services Program	43.AAA	<u>(48)</u>	-
Total National Aeronautics and Space Administration		<u>132,868</u>	-
<b><u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u></b>			
Pass-Through NEH What Middletown Read Promotion of the Humanities-Research	45.161	<u>232,917</u>	-
<b><u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u></b>			
Pass-Through Institute of Museum and Library Museums for America	45.301	40,044	-
Pass-Through Anderson University Gospel Trumpet Digitization Grants to States	45.310	<u>13,185</u>	-
Total Institute of Museum and Library Services		<u>53,229</u>	-
<b><u>NATIONAL SCIENCE FOUNDATION</u></b>			
Engineering Grants	47.041	147,745	-
Mathematical and Physical Sciences	47.049	36,847	-
Biological Sciences	47.074	183,186	-
Social, Behavioral, and Economic Sciences	47.075	46,473	-
Education and Human Resources	47.076	150,600	-
International Science and Engineering (OISE)	47.079	<u>48,890</u>	-
Total National Science Foundation		<u>613,741</u>	-
<b><u>DEPARTMENT OF VETERAN AFFAIRS</u></b>			
Pass-Through Tennessee Valley Healthcare System Veteran Affairs	64.XXX	<u>38,255</u>	-
<b><u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u></b>			
Pass-Through Muncie Sanitary District/Bureau of Water Quality Nonpoint Source Implementation Grants	66.460	<u>1,474</u>	-
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
Procurement Contract	81.XXX	<u>15,513</u>	-
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Javits Gifted and Talented Students Education Grant Program	84.206A	435,360	-
Fund for the Improvement of Education	84.215X	12,814	-
Twenty-First Century Community Learning Centers	84.287C	2,687	-
Foreign Language Assistance	84.293B	52,513	-
Pass-Through Indiana Department of Education Special Education Cluster Special Education - Grants to States	84.027A	182,216	130,225
Pass-Through Indiana University Special Education - Grants to States	84.027A	<u>41,576</u>	-
Total U.S. Department of Education		<u>727,166</u>	<u>130,225</u>

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, 2011  
(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
<b>Research and Development Cluster (continued)</b>			
<u><b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b></u>			
Special Programs for Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	16,266	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	89,200	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	70,471	-
Biomedical Research and Research Training	93.859	60,938	-
Aging Research	93.866	59,504	-
Pass-Through Boston University			
Research Related to Deafness and Communication Disorders	93.173	16,704	-
Pass-Through American Psychological Assoc. Doctoral Fellowship			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	19,466	-
Pass-Through Indiana State Department of Health			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	56,469	-
Pass-Through NIH			
Cardiovascular Disease Research	93.837	31,556	-
Pass-Through Indiana University			
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	6,414	-
Pass-Through University of California Santa Cruz			
Aging Research	93.866	28,876	-
Total U.S. Department of Health and Human Services		439,598	-
Total Research and Development Cluster		3,098,071	244,620
<b>Child Nutrition Cluster</b>			
<u><b>U.S. DEPARTMENT OF AGRICULTURE</b></u>			
Pass-Through Indiana Department of Education			
School Breakfast Program	10.553	8,554	-
National School Lunch Program	10.555	48,962	-
Total Child Nutrition Cluster		57,516	-
<b>CDBG - State Administered CDBG Cluster</b>			
<u><b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b></u>			
Community Development Block Grants/State's Program	14.228	339	-
Pass-Through Indiana Department of Natural Resources			
Community Development Block Grants/State's Program	14.228	120,397	-
Pass-Through City of Charlestown			
Community Development Block Grants/State's Program	14.228	29,874	-
Pass-Through Indiana Office of Community & Rural Affairs			
Community Development Block Grants/State's Program	14.228	124,275	-
Pass-Through Randolph County			
Community Development Block Grants/State's Program	14.228	22,251	-
Total CDBG - Entitlement and (HUD-Administered) Small Cities Cluster		297,136	-
<b>Highway Safety Cluster</b>			
<u><b>U.S. DEPARTMENT OF TRANSPORTATION</b></u>			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	32,508	-
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	1,785	-
Total Highway Safety Cluster		34,293	-
<b>State Fiscal Stabilization Fund Cluster</b>			
<u><b>U.S. DEPARTMENT OF EDUCATION</b></u>			
Pass-Through State of Indiana			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2,636,036	-

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, 2011  
(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
<b>CCDF Cluster</b>			
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Education			
ARRA - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	33,900	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	9,368	-
Total CCDF Cluster		43,268	-
<b>Other Programs</b>			
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Pass-Through New Hampshire Academy of Applied Science			
Basic Scientific Research	12.431	12,412	-
Pass-Through Indiana Armory National Guard			
Federal Budget Appropriation	12.XXX	47,850	-
Pass-Through McKean Defense Group			
Procurement Contract (FAR Clauses)	12.XXX	8,107	-
Total U.S. Department of Defense		68,369	-
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through City of Indianapolis, Dept of Metro Development			
CDBG Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	34,700	-
Pass-Through Environtech Consulting Services Inc			
Home Investment Partnership Program	14.239	1,750	-
Pass-Through City of Evansville Dept of Metropolitan Development			
Home Investment Partnership Program	14.239	1,000	-
Total U.S. Department of Housing and Urban Development		37,450	-
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Historic Preservation Fund Grants-In-Aid	15.904	49,326	-
Pass-Through Historic Landmarks Foundation of Indiana			
Historic Preservation Fund Grants-In-Aid	15.904	87,630	-
Total U.S. Department of Interior		136,956	-
<u>DEPARTMENT OF JUSTICE</u>			
Community Capacity Development Office	16.595	1,369	-
<u>U.S. DEPARTMENT OF LABOR</u>			
ARRA - Employee Benefits Security Administration (EBSA)	17.151	27,997	-
Trade Adjustment Assistance	17.245	1,271	-
Total U.S. Department of Labor		29,268	-
<u>DEPARTMENT OF STATE</u>			
Academy for Educational Development	19.xxx	325,780	-
Public Diplomacy Programs for Afghanistan and Pakistan	19.501	117,134	-
Total U.S. Department of State		442,914	-
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	11,743	-
<u>NATIONAL ENDOWMENT FOR THE HUMANITIES</u>			
Pass-Through Knox County Public Library			
Promotion of the Humanities - Federal/State Partnership	45.129	1,929	-
Pass-Through Conservation Center for Art & Historic Artifacts			
Promotion for the Humanities - Division of Preservation and Access	45.149	6,204	-
Total National Endowment for the Humanities		8,133	-

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, 2011  
(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
<b>Other Programs (continued)</b>			
<u>NATIONAL SCIENCE FOUNDATION</u>			
Engineering Grants	47.041	31,931	-
<u>DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Office of the Lieutenant Governor, Office of Energy Development			
ARRA - State Energy Program	81.041	60,000	-
Pass-Through Dept of Energy GHP District Heating			
ARRA - Renewable Energy Research and Development	81.087	4,294,891	-
Pass-Through City of Muncie Energy Office Grad			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	3,079	-
Total Department of Energy		4,357,970	-
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Career and Technical Education -- Basic Grants to States	84.048	83,917	42,157
Fund for the Improvement of Postsecondary Education	84.116M	16,490	4,822
Rehabilitation Long-Term Training	84.129B	80,619	-
Fund for the Improvement of Education	84.215X	205,060	-
Twenty-First Century Community Learning Centers	84.287C	181,460	62,500
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	84.333A	125,464	-
Special Education Cluster			
ARRA - Special Education - Grants to States, Recovery Act	84.391A	87,819	-
ARRA - Education Jobs Fund	84.410	7,740	-
Pass-Through Ivy Tech Community College			
Career and Technical Education -- Basic Grants to States	84.048	19,847	-
Pass-Through Indiana University			
Career and Technical Education -- Basic Grants to States	84.048	641	-
Pass-Through Indiana Department of Workforce Development			
Tech-Prep Education	84.243	709	-
Pass-Through Indiana Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027A	142,099	-
Improving Teacher Quality State Grants	84.367	18,061	-
Pass-Through Indianapolis Public Schools Passport			
Mathematics and Science Partnerships	84.366B	11,970	-
Pass-Through Indiana Commission Higher Education			
Improving Teacher Quality State Grants	84.367B	54,203	-
Pass-Through Muncie Community Schools Algebra Readiness			
Improving Teacher Quality State Grants	84.367	18,150	-
Pass-Through National Writing Project Corporation			
National Writing Project	84.928A	49,603	-
Total U.S. Department of Education		1,103,852	109,479
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
Pass-Through Marion County Election Board Voting Accessibility Election Assistance Commission	90.403	25,000	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Disabilities Prevention	93.184	7	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,368	-
Advanced Nursing Education Traineeships	93.358	79,834	-
Community-Based Child Abuse Prevention Grants	93.590	33,756	-
Pass-Through Purdue University			
Injury Prevention and Control Research and State and Community Based Programs	93.136	243	-
Pass-Through Head Start Action, Inc.			
Head Start Cluster			
Head Start	93.600	732	-
Pass-Through Indiana University Education			
Foster Care - Title IV-E	93.658	52,163	-
Pass-Through Indiana Department of Child Services			
Chafee Foster Care Independence Program/Promoting Safe and Stable Families/Child Welfare Services Program	93.674, 93.556, 93.645	6,324	-
Total U.S. Department of Health and Human Services		174,427	-

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, 2011  
(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
<b>Other Programs (continued)</b>			
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
Retired and Senior Volunteer Program	94.002	38,791	-
Pass-Through Purdue University			
Learn and Serve America-School and Community Based Programs	94.004	7,035	-
Pass-Through Midwest Campus Compact M3C Fellows			
AmeriCorps - ARRA	94.006	(14,295)	-
Pass-Through Indiana Campus Compact/Indiana University			
AmeriCorps - ARRA	94.006	806	-
Total Corporation For National and Community Service		32,337	-
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Competitive Training Grant	97.068	330,239	-
Vietnam Education Foundation Graph Theory	XX.XXX	1,745	-
Total Other Programs		6,793,703	109,479
Total Federal Awards		\$ 158,609,873	\$ 354,099

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, 2011, 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, 2011:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Military Medical Research and Development	12.420	\$ 114,395
Special Education - Grants to States	84.027A	130,225
Career and Technical Education -- Basic Grants to States	84.048	42,157
Fund for the Improvement of Postsecondary Education	84.116M	4,822
Twenty-First Century Community Learning Centers	84.287C	62,500
Total		<u>\$ 354,099</u>

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, 2011:

Program Title	Federal CFDA Number	Loan Amounts	Number Of Loans
Stafford Student Loan Program (Subsidized)	84.268	\$ 49,620,762	10,702
Stafford Student Loan Program (Unsubsidized)	84.268	44,417,636	10,545
Parent Loan for Undergraduate Students (PLUS)	84.268	34,298,129	3,315
Totals		<u>\$ 128,336,527</u>	<u>24,562</u>

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, 2011, was:

Program Title	Federal CFDA Number	Loan Amounts
Federal Perkins Loan Program – Notes Receivable	84.038	<u>\$ 10,104,768</u>

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, 2011.

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?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	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 OMB Circular A-133?	No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
Various	Student Financial Aid Cluster
Various	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: \$1,200,340

Auditee qualified as low-risk auditee?	Yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



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 23, 2012, with, Dr. Randall B. Howard, Vice President of Business Affairs and Treasurer; Lisa A. Bevans, Controller; John D. McPherson, Director of Scholarships and Financial Aid; Kathy A. Lucas, Director of Contracts and Grants; Thomas D. Roberts, Director of Auditing; 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, 2011



B A L L S T A T E  
U N I V E R S I T Y

**EDUCATION REDEFINED®**



To

The President and Board of Trustees

Ball State University

This financial report presents

the financial position of

Ball State University at June 30, 2011,

and the results of activities for

the year then ended.

Randall B. Howard

Vice President for Business Affairs  
and Treasurer

January 27, 2012

This financial report has been prepared

by the Office of University Controller

Ball State University, Muncie, Indiana 47306

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

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

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

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

Complaints regarding unlawful discrimination should be filed within 45 calendar days following the alleged act or incident giving rise to the complaint in the Office of University Compliance in accordance with the "Ball State University Equal Opportunity and Affirmative Action Complaint Investigation Procedure and Appeal Process." A copy of this document may be obtained by contacting the Office of University Compliance.

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

Ball State University

2010-2011

Frank A. Bracken, Indianapolis, IN

Thomas L. DeWeese, Muncie, IN  
(completed term December 31, 2010)

R. Wayne Estopinal, Jeffersonville, IN  
(appointed January 1, 2011)

Marianne Glick, Indianapolis, IN

Frank Hancock, Indianapolis, IN

Richard Hall, Carmel, IN

Hollis E. Hughes Jr., South Bend, IN

Matthew Momper, Fort Wayne, IN

Barbara Phillips, Carmel, IN

Michael T. Miller, Elkhart IN  
(appointed July 1, 2011)

Nicole M. Vauter, Hebron, IN  
(completed term June 30, 2011)

Officers

Thomas L. DeWeese ..... (completed term December 31, 2010) President  
Hollis E. Hughes Jr. ....(elected December 17, 2010) President  
Frank A. Bracken ..... Vice President  
Hollis E. Hughes Jr. .... (completed term December 31, 2010) Secretary  
Richard Hall..... (elected December 17, 2010) Secretary  
Richard Hall .....(completed term December 31, 2010) Assistant Secretary  
Barbara Phillips.....(elected December 17, 2010) Assistant Secretary  
Randall B. Howard .....Treasurer

University President

Jo Ann M. Gora

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying basic financial statements of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2011 and 2010. 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. Those statements were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

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

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Ball State University, as of June 30, 2011 and 2010, 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 December 7, 2011, 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) and the Other Post-Employment Benefits Retiree Health and Life Insurance Plans are not required parts of the basic financial statements but are 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.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Introductory Section, the Board of Trustees and University Officers, and the Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory Section, the Board of Trustees and University Officers, and the Supplemental Information have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

December 7, 2011

STATE BOARD OF ACCOUNTS

*State Board of Accounts*

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# **Ball State University Management's Discussion and Analysis June 30, 2011**

## **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 six associate-level programs, 175 undergraduate degree programs, 103 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 2010 totaled 19,965 full-time equivalent students from a total headcount of 22,083. This is an increase of 650 full-time

equivalent students over the prior year. On-campus enrollment totaled 17,370 full-time equivalent students from a total headcount of 18,183. The University provides on-campus housing in residence halls and apartments for nearly 7,000 students. As of the beginning of the 2010-11 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 2,850 full-time and 520 part-time personnel. The campus facilities include over 110 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, 2011, 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.

### **Current Economic Climate**

The Great Recession officially ended in June 2009, but the effects of the worst recession in decades are still felt in the U.S. and Indiana economy. The U.S. unemployment rate remains stubbornly at 9.1 percent (August 2011), only slightly below the peak of 10.1 percent in October 2009. Indiana's unemployment rate was 8.9 percent in September 2011, following a peak of 10.9 percent in June 2009. U.S. Gross Domestic Product (GDP) grew at a rate of 2.5 percent for the third quarter of 2011, which is the ninth straight quarter with growth, following five out of six quarters with falling GDP between January 2008 and June 2009.

In spite of these national trends, there is some encouraging data regarding Indiana's fiscal climate. Indiana's GDP has outgrown the national statistics and its Midwest neighbors. Between 2009 and 2010, U.S. GDP grew by 2.6 percent, while Indiana's GDP grew by 4.6 percent. Over the same period of time GDP in Illinois (1.9 percent), Michigan (2.9 percent), Ohio (2.1 percent) and Wisconsin (2.5 percent) grew at rates lower than Indiana's GDP. Tax collections in Indiana have rebounded after declines in fiscal years 2008-09 and 2009-10. The State closed its books on fiscal year 2010-11 showing general fund tax revenue increases of 8.9 percent over fiscal year 2009-10 and a surplus of \$1.2 billion, or 8.9 percent of appropriations. Indiana retains a AAA bond rating from Standard & Poors and, unlike many of its neighboring states, retains a significant budget surplus that is growing as revenues have exceeded forecast so far in fiscal year 2011-12.

The slow recovery has 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 40.9 percent of its annual general fund budget or one-quarter of its total annual revenue. The state operating appropriations to Ball State have been stagnant as the Indiana economy has faltered, with operating appropriation to the University growing at a compounded annual growth rate of only 0.3 percent per year since fiscal year 2000-01 and dropping 6.1 percent since fiscal year 2008-09. Given this difficult economic environment, it is especially impressive to note that, in November 2010, Standard & Poor's upgraded Ball State University's bond rating from A+ to AA-.

In December 2009, the state announced a \$150.0 million cut to higher education over the 2009-11 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. In July 2011, the Indiana General Assembly passed a budget that further reduced the total state higher education fiscal year 2011-12 budget by 3.4 percent and the Ball State operating appropriation

by 5.2 percent from fiscal year 2010-11. Total state appropriations to the University including debt service and line item appropriations decreased by 4.2 percent from fiscal year 2010-11 to fiscal year 2011-12. 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, Ball State University raised a record \$210.8 million at the conclusion of its Ball State Bold capital campaign, the most ambitious and successful effort in the University's history. Commitments to the campaign totaled \$210,814,367. All told, 65,398 donors supported the campaign; nearly half — 29,024 — were first-time contributors to the University. The public phase of the campaign began in September 2008 and officially concluded on June 30, 2011.

## **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 final 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.

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 our partners such as Indiana businesses and communities. The result is a final product that adds value to our partners. 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 the 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 students' 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.



Immersive Learning: Ball State Sports Link

One example of an immersive learning project is Sports Link. An Emmy Award-winning program, Sports Link allows students to produce sports-related content for the University's multiple platforms such as radio, television, and the Internet as well as a variety of mobile communications formats. Students repackage the feature stories they create for local use at Ball State and send them to local news stations and outlets in the hometown of the featured player—on any platform the station may require. The students are also reaching a national audience. Ball State is the only university where undergraduates produce broadcast content for top 25 television markets. These students also managed social media for March Madness on Demand for Turner Sports Interactive, Inc. and CBS Sports.

Since the strategic plan implementation in 2007, 44 academic departments in all seven colleges coordinated over 700 immersive learning projects involving almost 12,000 students. Many of those projects stimulated economic development and quality-of-life improvements throughout the state.

A major initiative of the strategic plan is to attract, retain, and enroll a more selective and diverse student body. For Fall 2010, the average on-campus freshman SAT score was 1,592, a 53 point increase from Fall 2006. Honors College enrollment included 313 freshmen, nearly nine percent of the freshman class, a more than 24.0 percent increase above the 2006 class. In addition, while only 30.5 percent of Indiana's high school graduates in 2010 earned Academic Honors Diplomas, 62.3 percent of Ball State's 2010 incoming class earned this distinction, an increase of about 33.0 percent since the 2006 class. In terms of



diversity, the percentage of minority students in the freshmen cohort for Fall 2010 was 11.9 percent, an increase of about 38.0 percent from the 2006 class.

The increases in selectivity and diversity have come during a period that has also seen increases in applications and overall enrollment. Applications for Fall 2010 exceeded 17,500. Total enrollment for Fall 2010 was 22,083, the largest enrollment in 16 years.

Recruitment of higher quality and better prepared students leads to better retention rates. Retention of first-year students who returned as sophomores for the Fall 2010 was 79.6 percent, up almost five percentage points since the Fall of 2006. This success is reflected in *U.S. News & World Report's* recognition of the university's first-year programs for the seventh year in a row in 2010.

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.

Another 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.



This increase is reflected in the rising number of Ball State students earning major national scholarships. In contrast to three such awards in 2004, academic year 2010-11 saw 16 students and recent alumni receive national scholarships, including the University's first Truman Scholar since 1986 (the second in the history of Ball State), two Goldwater Scholars and two honorable mentions, and four Fulbright recipients. In addition, the University had two Rhodes Scholarship finalists and a national Olmsted Scholarship finalist.

Academic year 2011-12 is off to a promising start. As of November 8, 2011, another student, the third in the university's history, was a finalist for the Rhodes Scholarship.

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 or have just been completed on June 30, 2011, 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.

As the University is now entering the final year of the five-year Education Redefined strategic plan, the University has convened a campus-wide taskforce to formulate the next five-year strategic plan, which will be unveiled by June 30, 2012. 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.



Since 2006, the university and its academic programs have had more national rankings and recognitions, raising the profile and prestige of a Ball State education. Academic year 2011-12 had a promising start with Ball State ranked eighth among “up-and-coming” colleges and universities by *U.S. News & World Report*, placing the university among institutions “that recently made the most promising and innovative changes in the areas of academics, faculty, student life, campus, or facilities.” Plus, The Princeton Review named Ball State one of the best universities in the Midwest for the seventh year.

These recognitions follow a highly successful academic year 2010-11, when Ball State’s classification by the Carnegie Foundation for the Advancement of Teaching was elevated to a research university, high research activity (RU/H), placing the university in the company of Boston College, Clemson University, and College of William and Mary, among others. About that time, the university was also ranked sixth in the nation for improvement in graduation rates among public research institutions between 2001 and 2008 by *The Chronicle of Higher Education*.

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, receiving multiple awards from TechPoint, a 2010 W3 Silver Award, 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, the university has been lauded for its commitment to sustainability. In *The Princeton Review’s Guide to 311 Green Colleges: 2011 Edition*, Ball State was the only public institution in Indiana for the second year to be listed among the most environmentally responsible colleges and universities in the U.S. and Canada. Ball State’s geothermal conversion project continues to attract 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 Military Friendly School in 2011 and 2012 by *G.I. Jobs*, placing it in the top 20 percent of all schools nationwide, and one of only 60 Military Friendly Universities by *Military Advanced Education Magazine* in 2009.

Several academic programs also have been nationally recognized and ranked in their respective fields. For example, the entrepreneurship program has been ranked among the top 15 programs since 1999 by *U.S. News & World Report*. The magazine also listed Military 2 Market (M2M), part of the entrepreneurship program, first among “10 College Classes That Impact the Outside World,” putting it in the same company as Villanova and Carnegie Mellon universities. And *Entrepreneur*/The Princeton Review ranked the program in the top 25 in 2009.

Other programs ranked or recognized in recent years include Accounting, Architecture, Chemistry, Center for Information and Communication Sciences, Communication Studies, Counseling Psychology, Educational Leadership, Educational Studies, English, Family and Consumer Science, Finance, Journalism, Landscape Architecture, Marketing and Management, Music, Nursing, Philosophy and Religious Studies, Physics and Astronomy, ROTC, Speech Language Pathology and Audiology, Telecommunications, Theatre and Dance, and Urban Planning.

Some programs, among them Educational Leadership, Landscape Architecture, Accounting, and Music, have achieved national recognition by respected publications for multiple years.

Here are just a few additional examples of recent rankings and recognitions:

- 2010 is the second year the Annual Survey of Accounting Professors by *Public Accounting Report* ranked the accounting programs in the top 25 among the nation's midsize colleges and universities. The undergraduate program ranked 19th while the graduate program placed 24th.
- The landscape architecture program earned the highest distinction in the 2010 edition of Design Intelligence's *The Cramer Report: America's World-Class Landscape Architecture Schools*, placing it with Cornell University, Harvard University, and Virginia Polytechnic Institute and State University.
- In 2010, *U.S. News & World Report* ranked the online master's program in nursing as the 11th largest in the nation.
- 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.
- The educational leadership programs were ranked 17th in the nation by Leadership Excellence magazine. The programs have been ranked since 2005.
- Ball State students and faculty have won 33 Emmys along with 103 regional Emmy nominations.
- *Stance: An International Undergraduate Philosophy Journal* was honored in 2010 by the American Philosophical Association/Philosophy Documentation Center with the Prize for Excellence and Innovation in Philosophy Programs.

### **Financial Highlights**

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2011, as compared to the previous year. Net assets increased by \$32.3 million, due primarily to an increase in capital assets net of related debt of \$22.2 million, some of which was offset by a reduction in restricted net assets for construction of \$5.8 million. Unrestricted net assets also increased by \$13.9 million.

The current ratio for the University, which is calculated by dividing current assets by current liabilities, increased from 3.11 to 1 at June 30, 2010, to 3.88 to 1 at June 30, 2011. This ratio measures the University's ability to meet short term obligations with short term assets. One of the most basic determinants of clear financial health is the availability of expendable net 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, 2011, the University's viability ratio was 1.52 to 1. A ratio above 1 to 1 indicates that the University is able to respond to adverse conditions as well as attract capital from external resources and fund new objectives.

### **Appropriations, Gifts and Grants**

State appropriations recorded in fiscal year 2010-11 were \$1.8 million less than fiscal year 2009-10, due primarily to the \$3.6 million share of the \$15.2 million reduction in the biennial budget allocated to fiscal year 2010-11. 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 garnered over \$16.5 million in grant awards, contracts awarded to University Centers and Institutes, and funding to the Ball State University Foundation. The Sponsored Programs Office continues to pursue or exceed 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. Notable funded proposals in fiscal year 2010-11 include significant grants from the U.S. Department of State and the Academy for Education Development for international partnerships with universities in Afghanistan and Iraq, from the U.S. Department of Education for educational outreach programs, from the National Aeronautics and Space Administration for integrated resistance and aerobic training studies, and from the Professor Garfield Foundation for migrant education programs. Grant awards may include cash received in advance, letters of credit and cost reimbursable projects.

During fiscal year 2010-11, supporters of Ball State University contributed private gifts to the Ball State University Foundation totaling \$13.6 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, 2011, the trust fund established to assist in financing this liability had a market value of \$156.6 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 \$6.8 million, which indicates that the funding is slightly ahead of plan.

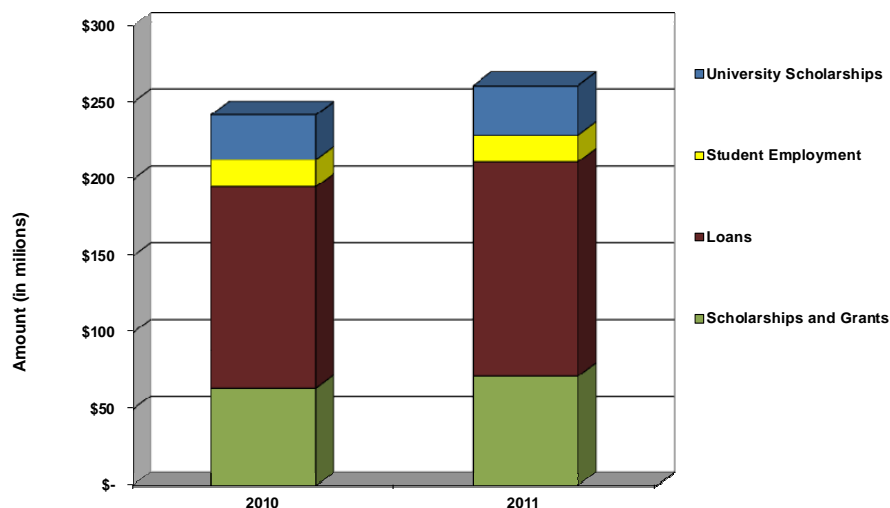
Ball State University is not unique in providing health care as a benefit for its retirees. A 2007 survey by the American Association of University Professors, financed by the TIAA-CREF Institute, revealed that 82.0 percent of colleges and universities responding offer retiree health care as a benefit. 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, 2011, the Life Insurance Continuation Fund (LICF) established to assist in financing this liability had a market value of \$21.5 million.

### 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 fiscal year 2010-11, as the graph indicates, was approximately \$261.5 million compared to \$242.3 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 11.8 percent in fiscal year 2010-11. This increase included \$7.7 million in additional scholarships, grants, and awards and \$3.3 million in institutional remitted fees. Including loans and student employment, all forms of financial assistance increased by 7.9 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, 2011.

Net Assets As of June 30, 2011 and 2010		2011	2010
Assets:			
Current Assets		\$ 183,751,591	\$ 170,816,910
Noncurrent Assets:			
Capital Assets, Net of Depreciation		561,023,366	516,098,738
Other		166,119,151	178,174,511
	Total Assets	<u>\$ 910,894,108</u>	<u>\$ 865,090,159</u>
Liabilities:			
Current Liabilities		\$ 47,416,562	\$ 54,927,038
Noncurrent Liabilities		202,408,881	181,397,564
	Total Liabilities	<u>\$ 249,825,443</u>	<u>\$ 236,324,602</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt		\$ 369,558,366	\$ 347,328,737
Restricted		56,355,510	60,156,536
Unrestricted		235,154,789	221,280,284
	Total Net Assets	<u>\$ 661,068,665</u>	<u>\$ 628,765,557</u>
	Total Liabilities and Net Assets	<u>\$ 910,894,108</u>	<u>\$ 865,090,159</u>

### **Current and Other Assets**

Current assets increased \$12.9 million from the previous year due to an increase in Cash and Cash Equivalents of \$14.9 million. Short Term Investments decreased by \$6.1 million and Long Term Investments decreased by \$11.3 million. The University still favors guaranteed investments of a longer maturity that offers more attractive interest rates. However, most of these are callable, and have rates that increase every six to twelve months to protect against the possibility of interest rates increasing over the life of these investments. Due to the nature of these investments, many have been called. As a result of the turmoil experienced by the global economy, the credit markets have shown extremely low rates of both short and long term investments. The University will continue to place investments with the most attractive rates in order to maximize return.

### **Debt Administration**

The University had \$191.5 million of bond indebtedness outstanding at June 30, 2011, compared to \$168.8 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 Aa3 (Moody's) and AA- (Standard & Poor's). More details regarding the University's bonds payable are presented in the Notes to Financial Statements.

### **Capital Assets**

On June 30, 2011, the University had \$369.6 million invested in capital assets, net of accumulated depreciation of \$290.7 million and related debt of \$191.5 million. Depreciation charges totaled \$20.2 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost.

Expenditures for construction in fiscal year 2010-11 included \$5.8 million for the renovation of Studebaker East Residence Hall. This major renovation is being funded from internally designated capital repair and replacement accounts. Another \$3.1 million

was expended to wrap up 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 during fiscal year 2008-09.

Construction expenditures for the new geothermal district heating and cooling system conversion totaled \$24.8 million during fiscal year 2010-11. 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. When complete, this project will result in the largest full-scale district geothermal system in the country. It will also validate that district geothermal energy systems are economically viable, efficient and good for our environment. Phase I of the conversion, expected to be operational in Fall 2011, is being funded by student fee bonds issued in fiscal year 2007-08 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

Work began in earnest on the renovation of the North Quadrangle Building during fiscal year 2010-11. North Quad is the first of three buildings that will be renovated as part of the Central Campus Renovation Project and Utilities Improvement. Approximately \$8.7 million was expended on North Quad in fiscal year 2010-11. The Teachers College Building and Applied Technology Building are the other two buildings that will be renovated as part of the Central Campus project.

Current operating funds were utilized to purchase \$5.8 million in capital equipment, some of which replaced mostly fully-depreciated equipment dispositions originally costing \$3.1 million.

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**



Studebaker East Renovation in Progress

In addition to net capital assets of \$369.6 million described above, the University had other net assets totaling \$291.5 million. This includes \$56.3 million in restricted net assets which was comprised of: \$0.9 million in nonexpendable endowment restricted for student scholarships, \$5.7 million restricted for debt service, \$2.4 million restricted for student loans, \$39.9 million restricted for construction, and \$7.4 million restricted for external grants.

The remaining \$235.2 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.

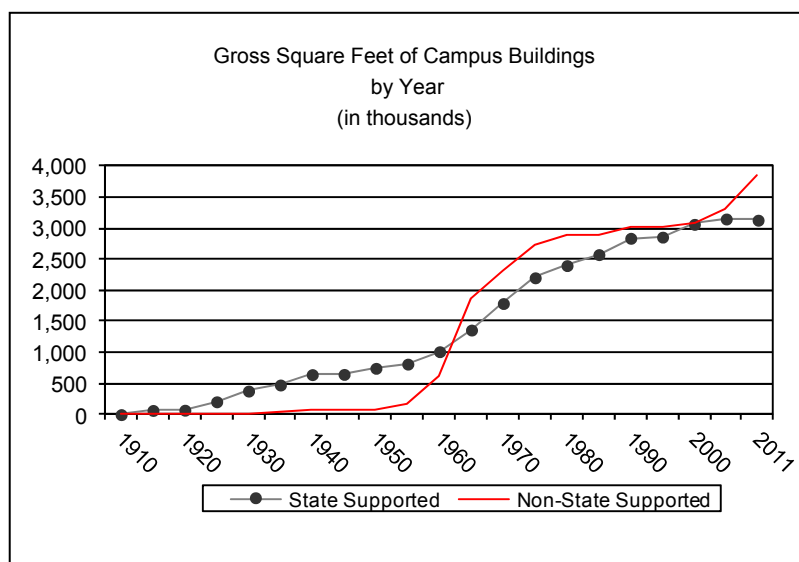
## Stewardship and Renewal of Capital Assets

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 110 buildings totaling approximately seven million gross square feet. Campus buildings involve 35 acres of roof area, contain 112 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 724 of which are developed. Under the ground, the University has over 17 miles of steam, condensate and chilled water piping, over 23 miles of sewers, over eight miles of water piping, over 51 miles of electrical power distribution wiring and over 5,338 miles of communication cable to connect buildings. In addition, the 1,800 boreholes drilled in the first phase of the geothermal conversion project include over 500 miles of loop piping. Above the ground, the University has 1,446 outside lighting poles, 34 miles of sidewalks and service roads, and 68 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

Campus buildings, which are used primarily for academic or administrative purposes, are generally funded through bond financing, state appropriations allocated on a biennial basis by the Indiana General Assembly, or private support. As shown in the accompanying graph, approximately 45.0 percent of the campus square footage is dedicated to academic and administrative uses. Upkeep of these buildings is funded on a formula basis by the State. As state funding for repair and rehabilitation of these spaces has been drastically cut over the last several biennia, deferred maintenance on these buildings has continued to build. Further deferral of these necessary expenditures will result in a deterioration of the University's facilities and greater renewal costs. Approximately \$3.8 million of internal University funds have been allocated for maintenance and equipping of targeted academic buildings where state R&R appropriations are not readily available.



## Non-State Supported Buildings

The remaining 55.0 percent of campus square footage consists of buildings which are not state supported, such as 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 \$0.8 billion. Between now and 2018, approximately \$157.0 million, in current dollars, is planned or underway for investment in renewal projects on these facilities. As of the end of fiscal year 2010-11, \$70.4 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)		Major Construction Projects in Planning Non-State Supported Buildings (\$1.0 million or greater)	
	Budget (in millions)		Budget (in millions)
Studebaker East Renovation	\$ 24.1	Johnson A Renovation	\$ 38.0
		Johnson B Renovation	32.4
		Elliott Hall Renovation	18.7
Total Major Projects in Progress	\$ <u>24.1</u>	Total Major Projects in Planning	\$ <u>89.1</u>

The age, size, number and complexities of the buildings on campus all coalesce into a need for a pragmatic plan for keeping the facilities in good condition. The University receives no state funding for the repair and rehabilitation of these facilities. Several years ago, an independent study sponsored by the Lilly Endowment (*Financial Planning Guidelines for Facility Renewal and Adaption*) recommended that between two percent and four percent of plant replacement costs should be set aside, 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 study as well as its own experience over many years, the University established a plan whereby approximately three percent of current replacement value for housing, dining, and other non-state supported buildings would be contributed annually in order to adequately fund this stewardship responsibility and

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

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 fluctuate over time depending on the number and size of projects underway in any year.

For the past several years, the University has been following a comprehensive plan to renovate or replace its residence hall and dining facilities as they reach the end of their useful lives. These improvements have been financed utilizing residence and dining revenues accumulated over past years, together with debt to be serviced utilizing future residence and dining revenues. The result has been an offering of attractive on-campus residence and dining facilities at room and board rates that are competitive with other housing and dining options available to students.



Of the \$70.4 million set aside for the stewardship and renewal of non-state supported facilities, approximately \$38.7 million is specifically for repair and rehabilitation of residence and dining hall facilities. As mentioned earlier, the University has been immersed in a long-term plan to offer a strong residential experience for students with the type of accommodations that students attending college today expect. The plan has resulted in the construction of two new residence halls, Park Hall in 2007 and Kinghorn Hall in 2010, as well as the renovation of existing halls such as DeHority Complex and Studebaker East. These new and renovated accommodations have proven to be very popular with students. Overall, residence halls boasted an occupancy rate of approximately 94.0 percent in



Woodworth Commons

available student housing for Fall 2010. Dining options have also been upgraded, with three new options (Jamba Juice, Quiznos, and Tom John Food Shop) opening in the last year. The current replacement value for the residence hall and dining facilities is \$600.8 million. Over the next seven years, the University plans to use more than \$127.7 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 Studebaker East which will be completed in 2012, the upcoming renovation of the Johnson Halls Complex, and renovations to the Noyer Dining Centre.



McKinley Avenue Parking Garage

The University's parking facilities consist of three parking garages with 1,498 spaces and 68 acres of surface parking with an additional 7,654 spaces. These facilities, with a current replacement value of \$52.7 million, are also not supported by state funding. 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 \$3.0 million, funded primarily from parking revenues, including permits, daily fees, and citations. The renewal account is used to maintain the parking garages, repair asphalt lots, and convert gravel lots to paved lots. 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.

In addition to residence and dining halls and parking facilities, the University's non-state supported facilities also include the student center, conference centers, Emens Auditorium and recreational and athletic facilities. The current replacement value for these buildings is \$180.6 million. The renewal plan for each of these buildings is updated annually. Over \$28.6 million has been set aside to fund the renewal of these facilities. This fund has been provided by applicable auxiliary revenues, as well as the student fees allocated for the support of these facilities. Over the next seven years, approximately \$21.7 million in current dollars will be used from this account for regular ongoing capital renewal projects.

Ball State is continually updating its long-term master development plan for the campus. Orderly campus development has been a hallmark of the University since 1922, when the original academic core of the campus was laid out. Since that time, the campus has strategically and prudently expanded into areas adjacent to the original campus. The tracts of land required for this expansion have been acquired over many years without State funding. The University has found that developing and acquiring property in a methodical and organized manner substantially ahead of a specific need is the most desirable and cost effective approach. The University has allocated \$12.9 million for further development of the campus. The reserve created from this allocation may provide for the purchase of new land, but will most likely be used as we continue to develop infrastructure on our existing land.



Student Recreation and Wellness Center

### 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 \$10.1 million for cyclical updates of this equipment as well as for automating other campus systems, such as the library circulation system.

A software licensing and services agreement was signed with SunGard Higher Education, Inc. after the end of fiscal year 2009-10 to commence the \$31.0 million 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 Finance Module went live July 1, 2011. Currently the Human Resources Module is scheduled to go live in December of 2011. The Student Module is underway, with admissions going live October of 2011. The other student system components will roll out over the next 18 months. The University recently signed a contract with Campus Management Corporation to implement a Customer Relationship Management solution and a Fundraising management solution. The implementation timeline will begin in October of 2012. 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. Approximately \$25.3 million remains allocated for costs related to these endeavors.

Over \$14.3 million has been set aside for capital projects that are underway or recently authorized. These projects include the eventual replacement of the campus telephone system, furnishings and equipment for academic buildings, and portions of the geothermal conversion project.

### Insurance and Other Exposures

Through self-insurance, Ball State University is able to better contain costs and avoid purchasing higher cost insurance coverage from outside carriers. A requirement of self-insurance, however, is the establishment of sufficient reserves to cover claims incurred by the University and its constituents. As of June 30, 2011, self-insurance reserves total \$12.2 million, of which \$10.1 million pertains to the self-insured health care plan for employees, retirees, and their families. Of the \$10.1 million reserve for health claims, \$4.7 million represents claims that were incurred but not yet paid as of year end, while \$5.4 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 \$2.1 million in insurance reserves includes \$0.7 million for the employee and retiree life insurance plan and \$1.4 million 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 \$6.8 million in prepaid retiree health care expense, a decrease of \$0.9 million over the prior year.

The University's student fee bonds are secured by pledges and first liens on student fees. The debt service on a portion of these bonds is replaced by a Fee Replacement Appropriation made by the Indiana General Assembly. 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. In order to facilitate the timely payment of the debt service on the bonds and the receipt of fee replacement appropriations, the University has established a reserve account. The current balance in this account is \$14.5 million.



Scramble Light at McKinley & Riverside Avenues

The University has allocated \$6.0 million, or approximately two 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.

### Other Allocations

The University works closely with students who have difficulty with the financial obligations of attending the University. In order to assist students whose financial aid packages have not been finalized, the University has designated \$0.4 million for emergency loans. The University has also set aside \$2.0 million for scholarship funding to help offset reduced aid opportunities from external sources.



Marilyn K. Glick Center for Glass

The University has also designated funds to be used for various academic initiatives. As part of a matching grant agreement, approximately \$2.5 million will be used primarily for on-going programs at the Marilyn K. Glick Center for Glass. In addition, \$1.6 million has been designated to assist with academic initiatives such as a new core curriculum, new emerging media technology, a Ph.D. in Environmental Science, 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.

At the end of the fiscal year, several operating accounts maintain residual balances that will be carried forward to the next fiscal year to be used for their intended purposes. At June 30, 2011, these balances totaled \$52.2 million. The balances also include fees collected but not yet expensed for specific purposes, including workshops, academic and athletic camps, and conferences.

GASB Statement No. 31 requires the University to adjust the carrying value of its investments to their market value as of the end of each fiscal year, even though the University seldom disposes of any investment instrument prior to its maturity. As of June 30, 2011, the University recorded a positive market adjustment, \$0.2 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, 2011. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

#### Change in Net Assets Year Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues	\$ 240,662,424	\$ 226,218,940
Operating Expenses	411,207,438	398,256,460
Net Operating Income/(Loss)	\$ (170,545,014)	\$ (172,037,520)
Net Non-Operating Revenues	199,582,543	201,556,435
Other Revenue – Capital Appropriations and Gifts	3,265,579	2,334,580
Increase in Net Assets	\$ 32,303,108	\$ 31,853,495
Net Assets - Beginning of Year	628,765,557	596,912,062
Net Assets - End of Year	\$ 661,068,665	\$ 628,765,557

### 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 \$10.4 million as a result of rate increases and increased enrollment. Auxiliary enterprises revenue, including housing and dining net revenues, increased \$1.1 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 \$64.3 million and room and board revenue by \$5.9 million.

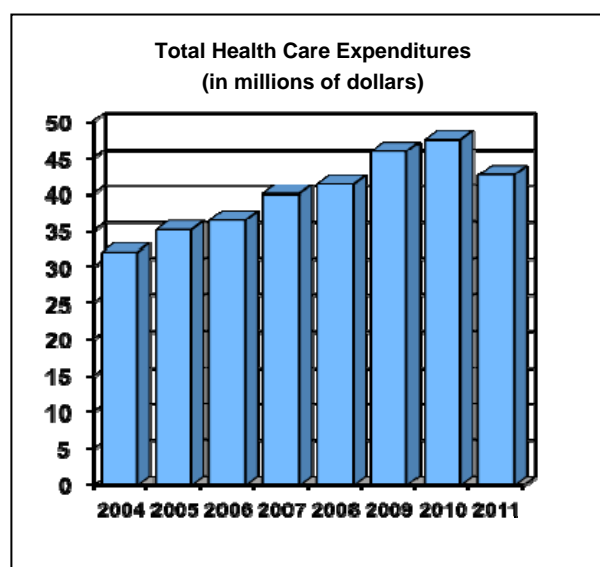
Grants and contracts revenue totaled \$21.9 million, \$2.3 million less than in fiscal year 2009-10. Sales and services of educational departments were essentially unchanged at \$15.8 million compared to \$15.5 million in fiscal year 2009-10.

### 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 \$8.1 million, which are in addition to \$64.3 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 \$12.9 million over last year. This increase was due in part to a \$6.2 million dollar increase in supplies and expense, which includes, basic office supplies, insurance, utilities, certain contracts, postage, certain rental costs, software and other expenses. In addition, repairs and maintenance increased by \$2.4 million, depreciation by \$2.0 million, and personnel costs by \$1.1 million.

Health care costs continue to be a major factor in the costs of operations at the University. Claims and administrative costs decreased by 10.0 percent, which reflects the results of the health enhancement program as well as a new PPO network.

The University contributed \$2.0 million to the VEBA Trust, which, together with the contributions to the Life Insurance



Continuance Fund for retiree life insurance, resulted in a slight decrease in prepaid retirement benefits. This means that the University continued to make the necessary contributions that are calculated to achieve full funding in 27 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 2010-11, 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 resulted in even greater savings in fiscal year 2010-11.

### **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 fiscal year 2010-11, state appropriations decreased by \$1.8 million from the previous year, due primarily to the \$3.6 million share of the \$15.2 million biennium reduction allocated to fiscal year 2010-11.

Federal and State Scholarships and Grants increased by \$4.7 million, and Other Non-Operating Income increased by \$0.9 million. Other Non-Operating Income consists primarily of head count funds (formerly ADM receipts) of \$1.8 million for the Indiana Academy for Science, Mathematics and Humanities and \$3.3 million for Burris Laboratory School, plus \$1.0 million in Medicare Retiree Drug Subsidy.



Woodworth Complex

Investment Income declined by \$6.7 million, due in part to the reduction in interest rates, which resulted in lower interest earnings.

### **Other Revenues**

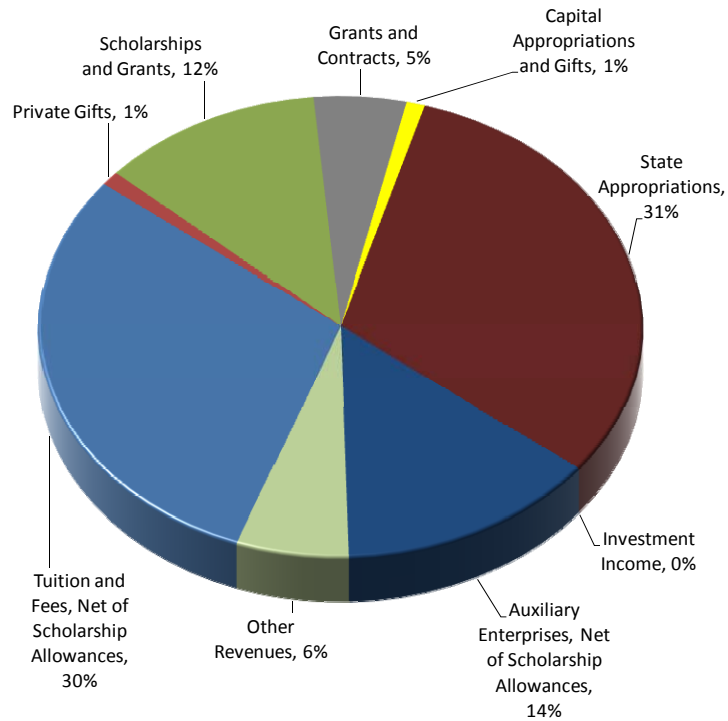
<b><i>Renewal and Replacement Appropriations</i></b> <b><i>(millions of dollars)</i></b>					
<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>\$2.6</b>	<b>\$2.6</b>	<b>\$3.4</b>	<b>\$0.0</b>	<b>\$1.6</b>	<b>\$2.5</b>

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.

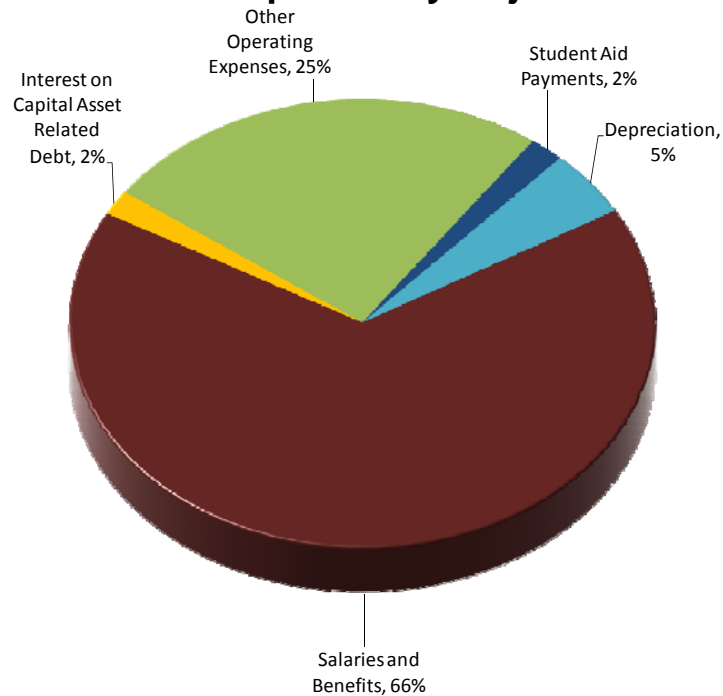
The University has recorded a receivable of \$1.6 million for reimbursement of state capital appropriations expended for renewal and

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 \$0.7 million for various capital projects, including the improvements underway to the soccer and track and field facilities at the Briner Sports Complex.

## 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, 2011 and 2010

	2011	2010
Cash and Equivalents Provided By/(Used In):		
Operating Activities	\$ (162,372,224)	\$ (154,338,782)
Non-Capital Financing Activities	205,741,583	204,252,141
Capital and Related Financing Activities	(47,929,117)	(82,203,605)
Investing Activities	19,493,114	55,485,975
Net Increase in Cash and Equivalents	\$ 14,933,356	\$ 23,195,729
Cash and Equivalents – Beginning of Year	105,517,749	82,322,020
Cash and Equivalents – End of Year	\$ 120,451,105	\$ 105,517,749

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 enrollment. The major components of cash flows used in operating activities are payments for employees (including benefits) and payments to suppliers and service providers. Compared to the prior year, more cash was expended for supplies and repairs and maintenance.

Cash flows provided from non-capital financing activities primarily reflect state appropriations received of \$140.1 million and scholarships and grants from federal and state sources of \$54.2 million.



Spring 2010 Commencement – Arts Terrace

Cash flows from capital financing activities reflect a decrease in cash for the year, due primarily to cash expenditures of \$65.4 million for capital assets in fiscal year 2010-11 funded by current bond proceeds of \$32.2 million and savings from prior years. Debt service was \$16.8 million in fiscal year 2010-11.

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 \$19.5 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. As the following paragraphs suggest, relative to much of the higher education sector, Ball State is well positioned for the future.

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 40.4 percent of the University's general fund budget is derived from state appropriations. The State closed its book on fiscal year 2010-11 showing general fund tax revenue increases of 8.9 percent over fiscal year 2009-10 and a surplus of \$1.2 billion, or 8.9 percent of appropriations. Indiana retains a AAA bond rating from Standard & Poors and, unlike many of its neighboring states, retains a significant budget surplus that is growing as actual revenue exceeds the fiscal year 2011-12 revenue forecast.

## 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. Total enrollment increased by 3.5 percent from academic year 2009-10 to 2010-11 and by nearly 21 percent since 2000-01. 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 175.6 percent since fiscal year 2000-01 and has grown at a higher rate than tuition charges have grown.

## Gifts and Other Revenue

While Moody's reported in fiscal year 2009-10 that many universities had revised their philanthropic goals, Ball State University raised a record \$210.8 million at the conclusion of its Ball State Bold capital campaign, the most ambitious and successful effort in the University's history. Commitments to the campaign totaled \$210,814,367. All told, 65,398 donors supported the campaign; nearly half — 29,024 — were first-time contributors to the university. The public phase of the campaign began in September 2008 and officially concluded on June 30, 2011.

Fiscal year 2010-11 brought \$16.5 million in external dollars to Ball State University in the form of sponsored programs. The University submitted 532 proposals during the fiscal year, and 362 funded awards were recorded. These figures include grant awards, contracts awarded to University Centers and Institutes, and funding to the Ball State University Foundation that resulted in sponsored programs.

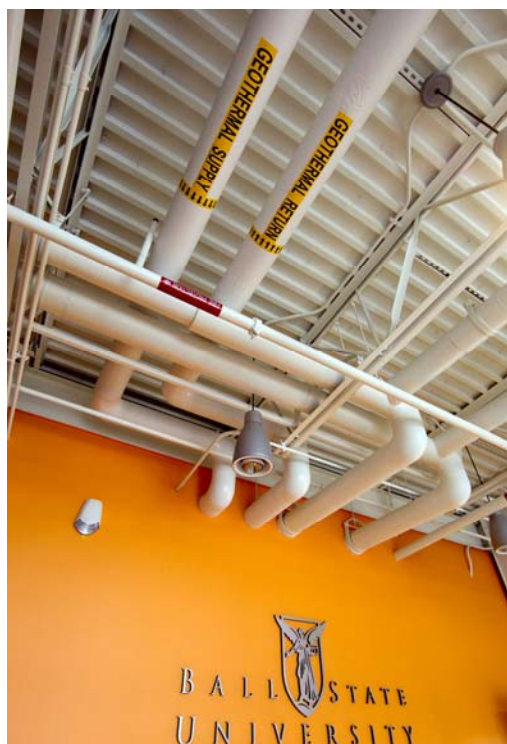
## Efficiency Measures

Recognizing the economic conditions of the state of Indiana and the national economy, it becomes increasingly important for public institutions of higher education to operate as efficiently as possible. Ball State is unfailingly striving to operate as efficiently as possible without negatively impacting our educational mission. The University prides itself on being good stewards of taxpayer and student dollars. Based on externally generated reports addressing the efficiency of postsecondary institutions, Ball State ranks high in efficiency in key areas of staffing levels, growth in administrative staffing, health care costs and energy costs per square foot of facilities.

The Center for College Affordability and Productivity reported that Ball State has significantly lower level of staffing per student than the average public university. In addition, a study by the Goldwater Institute showed that Ball State had one of the lowest growth rates in administrative staffing in the country.

The *Advisory Board Company*, a global research, consulting, and technology firm, studied the energy costs of postsecondary institutions and concluded that Ball State's energy cost per square foot of facilities was 32 percent below the national average. Once the geothermal project is finished, the University should be at or very near the best in class for energy efficiency.

Finally, as mentioned above, health care expenses have been recently debated at the state and national level. While it is difficult to make meaningful comparisons across individual institutions,



Geothermal Piping at Glick Center for Glass



Ball State has made significant changes to the health care plans offered employees. These changes include: replacing our network provider; introducing a new network for hospital steerage; increasing deductibles and out-of-pocket expenses; changing cost shares; and other structural changes to the plans. Our changes have resulted in significant migration to consumer driven health care plans, which has resulted in substantial structural savings for the university.

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. In addition, Ball State's efficient operations and growing reputation make the University well positioned for the future. 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 2011 Commencement – Worthen Arena

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# Ball State University

## Statement of Net Assets

As of June 30, 2011 and 2010

	2011	2010
<b>Assets:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 120,451,105	\$ 105,517,749
Short Term Investments	7,257,714	13,389,307
Accrued Interest Receivable – Investments	1,309,024	2,315,992
Accounts Receivable, Net, and Unbilled Costs (Note C)	26,182,191	23,040,692
Inventories	1,556,548	1,532,363
Deposit with Bond Trustee	15,384,720	13,400,315
Notes Receivable, Net	1,301,439	1,279,543
Prepaid Retiree Benefits (Note I)	6,822,059	7,674,056
Prepaid Expenses	3,486,791	2,666,893
Total Current Assets	\$ 183,751,591	\$ 170,816,910
Noncurrent Assets:		
Endowment Investments	\$ 1,192,407	\$ 1,546,093
Accounts and Notes Receivable, Net	10,923,792	11,364,946
Other Long Term Investments	154,002,952	165,263,473
Capital Assets, Net (Note D)	561,023,366	516,098,737
Total Noncurrent Assets	\$ 727,142,517	\$ 694,273,249
Total Assets	\$ 910,894,108	\$ 865,090,159
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 25,858,751	\$ 33,183,073
Deposits	8,716,836	9,059,694
Deferred Revenue	1,565,975	3,154,271
Long Term Liabilities – Current Portion	11,275,000	9,530,000
Total Current Liabilities	\$ 47,416,562	\$ 54,927,038
Noncurrent Liabilities:		
Liability for Compensated Absences (Note B)	\$ 7,734,468	\$ 8,055,199
Perkins Loan Program – Federal Capital Contribution	9,084,056	9,468,630
Long Term Liabilities, net (Note E)	185,590,357	163,873,735
Total Noncurrent Liabilities	\$ 202,408,881	\$ 181,397,564
Total Liabilities	\$ 249,825,443	\$ 236,324,602
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	\$ 369,558,366	\$ 347,328,737
Restricted for:		
Nonexpendable Scholarships	910,428	913,517
Expendable:		
Debt Service	5,746,523	4,830,388
Loans	2,390,667	2,381,788
Construction	39,865,079	45,652,263
External Grants	7,442,813	6,378,580
Unrestricted	235,154,789	221,280,284
Total Net Assets	\$ 661,068,665	\$ 628,765,557
Total Liabilities and Net Assets	\$ 910,894,108	\$ 865,090,159



# Ball State University Foundation

## Consolidated Statements of Financial Position

As of June 30, 2011 and 2010

	2011	2010
<b>Assets:</b>		
Cash	\$ 904,772	\$ 349,098
Interest and Dividends Receivable	35,477	35,433
Contributions Receivable, Net of Allowances of \$577,493 and \$601,288	16,062,546	19,555,428
Property Held for Sale	2,191,508	2,272,508
Investments	166,695,792	145,541,049
Investments Held in Split-Interest Agreements	2,250,491	1,991,123
Beneficial Interest in Remainder Trusts	1,721,443	1,519,327
Bond Issue Costs and Other Assets	1,258,466	209,307
Cash Surrender Value of Life Insurance	1,617,700	1,520,150
Property and Equipment	4,182,996	4,228,681
Beneficial Interest in Perpetual Trusts	2,291,707	2,048,082
Total Assets	<u>\$ 199,212,898</u>	<u>\$ 179,270,186</u>
<b>Liabilities:</b>		
Accounts Payable	\$ 3,092,232	\$ 4,514,133
Grants Payable	1,341,508	1,341,508
Accrued Expenses	193,459	211,248
Line of Credit	2,500,000	3,395,000
Term Bonds Payable	7,300,000	8,300,000
Annuity Obligations	1,752,448	1,927,859
Trust obligations	628,615	552,710
Bonds Payable	10,000,000	10,000,000
Total Liabilities	<u>\$ 26,808,262</u>	<u>\$ 30,242,458</u>
<b>Net Assets:</b>		
Unrestricted	\$ 531,465	\$ (12,084,096)
Temporarily Restricted	103,424,050	93,829,581
Permanently Restricted	68,449,091	67,282,243
Total Net Assets	<u>\$ 172,404,606</u>	<u>\$ 149,027,728</u>
Total Liabilities and Net Assets	<u>\$ 199,212,868</u>	<u>\$ 179,270,186</u>

See Note A in Notes to Financial Statements

## Ball State University

### Statement of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2011 and 2010

	2011	2010
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 199,466,092	\$ 182,190,880
Scholarship Allowances	(64,329,131)	(57,453,143)
Net Student Tuition and Fees	\$ 135,136,961	\$ 124,737,737
Federal Grants and Contracts (Note C)	5,269,499	6,151,159
State & Local Grants and Contracts	2,654,646	1,736,516
Non-Governmental Grants and Contracts	13,980,187	11,729,224
Sales and Services of Educational Departments	15,776,944	15,463,372
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2011 - \$5,902,182, 2010 - \$5,853,826)	55,595,487	53,972,563
Other	8,432,382	8,947,021
Other Operating Revenues	3,816,318	3,481,348
Total Operating Revenues	\$ 240,662,424	\$ 226,218,940
<b>Operating Expenses:</b>		
Personnel Services	\$ 208,451,895	\$ 203,600,699
Benefits (Note I)	69,695,014	73,457,401
Utilities	12,007,385	11,497,120
Repairs and Maintenance	14,290,282	11,898,480
Other Supplies and Expenses	78,492,299	72,281,508
Student Aid	8,067,283	7,281,011
Depreciation	20,203,280	18,240,241
Total Operating Expenses	\$ 411,207,438	\$ 398,256,460
Operating Income/(Loss)	\$ (170,545,014)	\$ (172,037,520)
<b>Non-Operating Revenues/(Expenses):</b>		
Federal and State Scholarship and Grants (Note C)	\$ 49,305,397	\$ 44,590,740
State Appropriations (Note C)	145,030,050	143,361,488
Investment Income	740,346	7,464,365
Interest on Capital Asset Related Debt	(7,565,512)	(7,536,042)
Private Gifts	5,412,971	7,787,472
Other Non-Operating Income (Note C)	6,659,291	5,888,412
Net Non-Operating Revenues/(Expenses)	\$ 199,582,543	\$ 201,556,435
Income Before Other Revenues, Expenses, Gains or Losses	\$ 29,037,529	\$ 29,518,915
Capital Appropriations (Note C)	2,526,233	1,582,089
Capital Gifts	739,346	752,491
Increase in Net Assets	\$ 32,303,108	\$ 31,853,495
Net Assets – Beginning of Year	628,765,557	596,912,062
Net Assets – End of Year	\$ 661,068,665	\$ 628,765,557

# Ball State University Foundation

## Statement of Activities

Years Ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains and Other Support:</b>								
Contributions	\$ 2,203,242	\$ 9,872,060	\$ 1,483,364	\$ 13,558,666	\$ 1,713,277	\$ 12,772,581	\$ 1,173,320	\$ 15,659,178
Promotional Activities and Other Revenue	13,334	-	-	13,334	29,534	-	-	29,534
Investment Income (Loss)	16,115,298	10,411,881	180,719	26,707,898	3,564,252	4,103,356	245,011	7,912,619
Change in Value of Split-Interest Agreements	275,180	334,502	389,239	998,921	67,373	43,324	96,550	207,247
Operating Support Fees	953,514	(927,976)	(25,538)	-	936,069	(912,415)	(23,654)	-
	<u>\$ 19,560,568</u>	<u>\$ 19,690,467</u>	<u>\$ 2,027,784</u>	<u>\$ 41,278,819</u>	<u>\$ 6,310,505</u>	<u>\$ 16,006,846</u>	<u>\$ 1,491,227</u>	<u>\$ 23,808,578</u>
Net Assets Released from Restrictions	<u>10,956,934</u>	<u>(10,095,998)</u>	<u>(860,936)</u>	<u>-</u>	<u>13,161,273</u>	<u>(11,749,435)</u>	<u>(1,411,838)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 30,517,502</u>	<u>\$ 9,594,469</u>	<u>\$ 1,166,848</u>	<u>\$ 41,278,819</u>	<u>\$ 19,471,778</u>	<u>\$ 4,257,411</u>	<u>\$ 79,389</u>	<u>\$ 23,808,578</u>
<b>Expenses:</b>								
University Capital Projects	\$ 12,740,852	\$ -	\$ -	\$ 12,740,852	\$ 14,409,797	\$ -	\$ -	\$ 14,409,797
Management and General	1,629,140	-	-	1,629,140	1,510,007	-	-	1,510,007
Fund Raising	3,531,949	-	-	3,531,949	3,280,946	-	-	3,280,946
Total Expenses	<u>\$ 17,901,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,901,941</u>	<u>\$ 19,200,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,200,750</u>
<b>Change in Net Assets</b>	<u>\$ 12,615,561</u>	<u>\$ 9,594,469</u>	<u>\$ 1,166,848</u>	<u>\$ 23,376,878</u>	<u>\$ 271,028</u>	<u>\$ 4,257,411</u>	<u>\$ 79,389</u>	<u>\$ 4,607,828</u>
<b>Net Assets, Beginning of Year</b>	<u>(12,084,096)</u>	<u>93,829,581</u>	<u>67,282,243</u>	<u>149,027,728</u>	<u>(12,355,124)</u>	<u>89,572,170</u>	<u>67,202,854</u>	<u>144,419,900</u>
Net Assets, End of Year	<u>\$ 531,465</u>	<u>\$ 103,424,050</u>	<u>\$ 68,449,091</u>	<u>\$ 172,404,606</u>	<u>\$ (12,084,096)</u>	<u>\$ 93,829,581</u>	<u>\$ 67,282,243</u>	<u>\$ 149,027,728</u>

## Ball State University

## Statement of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
<b>Source / (Uses) of Cash:</b>		
<b>Operating Activities:</b>		
Tuition and Fees	\$ 134,589,636	\$ 124,449,895
Grants and Contracts	19,723,847	14,133,799
Payments to Suppliers	(87,279,669)	(72,007,407)
Payment for Maintenance and Repair	(14,290,282)	(11,898,480)
Payments for Utilities	(12,007,385)	(11,497,119)
Payments for Personnel Services	(208,148,135)	(203,169,440)
Payments for Benefits	(68,869,977)	(73,765,456)
Payments for Scholarships and Fellowships	(8,112,971)	(7,294,582)
Auxiliary Enterprise Charges:		
Room and Board	55,469,326	54,414,365
Other	9,184,337	9,383,962
Sales and Services of Educational Activities	15,704,352	15,427,002
Other Receipts/Disbursements/Advances	1,664,697	7,484,679
Net Cash Provided/(Used) by Operating Activities	\$ (162,372,224)	\$ (154,338,782)
<b>Non-Capital Financing Activities:</b>		
Federal and State Scholarships and Grants	\$ 54,241,906	\$ 44,590,740
State Appropriations	139,093,541	142,422,475
William D. Ford Direct Lending Receipts	99,400,940	85,880,418
William D. Ford Direct Lending Disbursements	(99,400,940)	(85,880,418)
PLUS Loans Receipts	33,096,994	30,372,843
PLUS Loans Disbursements	(33,096,994)	(30,372,843)
Private Gifts	6,353,721	11,394,289
Foundation Receipts	1,737,953	1,752,549
Foundation Disbursements	(1,737,953)	(1,752,549)
Other Non-Operating Revenue	6,659,291	5,888,413
Other Receipts	(606,876)	(43,776)
Net Cash Provided/(Used) by Non-Capital Financing Activities	\$ 205,741,583	\$ 204,252,141
<b>Capital Financing Activities:</b>		
Proceeds from Capital Debt	\$ 32,225,000	\$ -
Capital Appropriations	2,526,232	1,582,088
Capital Gifts	739,346	752,491
Unamortized Bond Premium	820,571	(204,652)
Purchases of Capital Assets	(65,399,755)	(67,267,491)
Principal Paid on Capital Debt	(9,530,000)	(8,105,569)
Interest Paid on Capital Debt	(7,326,107)	(7,623,510)
Deposits with Trustee	(1,984,404)	(1,336,962)
Net Cash Provided/(Used) by Capital Financing Activities	\$ (47,929,117)	\$ (82,203,605)
<b>Investing Activity:</b>		
Proceeds from Sales and Maturities of Investments	\$ 193,248,886	\$ 345,203,496
Interest on Investments	581,941	7,908,210
Purchase of Investments	(174,337,713)	(297,625,731)
Net Cash Provided/(Used) by Investing Activities	\$ 19,493,114	\$ 55,485,975
Net Increase/(Decrease) in Cash	\$ 14,933,356	\$ 23,195,729
Cash – Beginning of the Year	105,517,749	82,322,020
Cash – End of the Year	\$ 120,451,105	\$ 105,517,749

# Ball State University

## Statement of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
<b>Reconciliation of Net Operating Revenues/(Expenses) to</b>		
<b>Net Cash Provided/(Used) by Operating Activities:</b>		
Operating Income/(Loss)	\$ (170,545,014)	\$ (172,037,520)
Adjustments to Reconcile Income/(Loss) to Net Cash		
Provided/(Used) by Operating Activities:		
Depreciation Expense	20,203,280	18,240,241
Equipment Retired	271,850	(8,105)
Changes in Assets and Liabilities:		
Operating Receivables, Net	(3,082,249)	1,453,002
Inventories	(24,185)	49,777
Other Assets	32,099	(335,798)
Accounts Payable	(7,617,608)	872,991
Deferred Revenue	(1,588,295)	(3,647,389)
Deposits Held for Others	(120,628)	226,020
Compensated Absences	(320,730)	(181,627)
Advance on Long Term Grants	-	(430,917)
Long Term Accounts and Notes Receivable	419,256	1,460,543
Net Cash Provided/(Used) by Operating Activities	\$ (162,372,224)	\$ (154,338,782)

# Ball State University Foundation

## Statement of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
<b>Operating Activities:</b>		
Change in Net Assets	\$ 23,379,878	\$ 4,607,828
Items not Requiring/(Providing) Cash:		
Depreciation and Amortization	60,620	58,185
Bad Debt Expense	172,797	518,654
Net Realized and Unrealized (Gain)/Loss on Investments	(25,483,273)	(7,987,671)
Change in Value of Trusts	(445,741)	(102,173)
Contributions of Marketable Equity Securities	(603,725)	(415,852)
Contribution of Real Estate	(52,000)	(1,379,000)
Contribution of Insurance Policies	-	(588,042)
Contributions Restricted for Long-Term Investment	(1,483,364)	(1,173,320)
Net Change in Value of Split-Interest Agreements	(358,874)	(100,475)
Changes In:		
Contributions Receivable, Including Amortization of		
Discount on Pledges Receivable	3,320,085	1,493,032
Interest and Dividends Receivable and Other Assets	(1,049,173)	112,601
Accounts Payable and Accrued Expenses	(1,439,690)	(5,310,056)
Net Cash Provided by Operating Activities	\$ (3,982,460)	\$ (10,266,289)
<b>Investing Activities:</b>		
Purchase of Property and Equipment	\$ (14,935)	\$ (217,607)
Additions to property held for resale	(2,000)	
Proceeds from Sale of Real Estate	135,000	155,000
Purchase of Investments	(90,412,821)	(23,354,010)
Sales and Maturities of Investments	95,345,076	25,745,279
Net Increase in Cash Surrender Value of Life Insurance	(97,550)	(37,482)
Net Cash Provided/(Used in) Investing Activities	\$ 4,952,770	\$ 2,291,180
<b>Financing Activities:</b>		
Net Borrowings Under Line of Credit Agreement	\$ (1,895,000)	\$ 6,595,000
Proceeds from Contributions Restricted for Investment		
in Permanent Endowment	1,483,364	1,173,320
Net Cash Provided by Financing Activities	\$ (411,636)	\$ 7,768,320
Net Increase/(Decrease) in Cash	\$ 555,674	\$ (206,789)
Cash-Beginning of the Year	349,098	555,887
Cash-End of Year	\$ 904,772	\$ 349,098
<b>Interest Paid</b>	\$ 377,410	\$ 257,789

See Note A in Notes to Financial Statements

**Ball State University**  
**Notes to Financial Statements**  
**June 30, 2011**

**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 21-19-3. 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, 2011, and June 30, 2010, were \$5,177,435 and \$4,543,132 respectively for accounts receivable. For notes receivable, the reserves were \$1,963,265 and \$1,623,365 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 cost 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 David Owsley Museum of Art at Ball State University, is not included, due to the difficulty in determining an accurate value, plus the restrictions in place regarding sales of artwork and use of the funds resulting from such sales, as well as disposition of the artwork in the unlikely event that the museum would cease to exist.

### 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 and Liquidity (complete reproduction)**

In 2009, the Foundation experienced significant unrealized and realized losses related to the investment portfolio. According to 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, 2010. As of June 30, 2011, the unrestricted net asset balance is positive by approximately \$500,000. Total net assets of the Foundation at June 30, 2011 and 2010 were approximately \$172.0 million and \$149.0 million, respectively. Management continues to believe 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. Management continues to monitor this area very closely and will take appropriate actions should circumstances dictate.

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

The Foundation has a \$15.0 million unsecured revolving line of credit with a group of banks expiring in June 2012. At June 30, 2011, there was \$2.5 million borrowed against this line. Interest varies with the one month London InterBank Offer Rate (LIBOR) plus 2.00 percent. There is a minimum interest rate of 3.25 percent, which was the interest rate in effect at June 30, 2011.

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, 2011. There was \$7.3 million borrowed against this facility at June 30, 2011. Repayments are \$250,000 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. As of June 30, 2011, the Foundation is in compliance with all covenants.

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

### **Note B – Compensated Absences**

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

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

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

Over the past three years from the inception of ARRA, the University has received funding for various projects and programs. The State of Indiana received funds from the ARRA to stabilize the state's budget. The University has been awarded and received ARRA funds through the State of Indiana to supplant State Appropriations and Capital Appropriations. The University has also received funds from the Auditor of State for Burris Laboratory School and Indiana Academy for Science, Mathematics, and Humanities. 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 recorded on the financial statements. The receivable equals the amount of the unreimbursed expenditures for the University's State Appropriations (\$2.0 million), Capital Appropriation projects (\$1.6), and Contracts and Grants (\$0.6 million) as well as the COBRA premium subsidies (\$0.1million) as shown on the University's quarterly 941 payroll returns. Therefore, the Accounts Receivable, Net and Unbilled Costs from the Statement of Net Assets include \$4.3 million of ARRA receivables at June 30, 2011.

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

	2011	2010
<b>Operating Revenues:</b>		
Federal Grants and Contracts	\$ 4,975,070	\$ 451,625
Total ARRA Operating Revenues and Receivables	\$ 4,975,070	\$ 451,625
<b>Non-Operating Revenues/(Expenses):</b>		
Federal and State Scholarship and Grants	\$ -	\$ 152,739
State Appropriations	1,000,000	1,000,000
Other Non-Operating Income	27,997	283,831
Total ARRA Non-Operating Revenues	\$ 1,027,997	\$ 1,436,570
Capital Appropriations	\$ 2,526,233	\$ 1,582,089
Total ARRA Funding	\$ 8,529,300	\$ 3,470,284

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

#### **Note D – Capital Assets**

	Book Value July 1, 2010	Additions	Deductions	CIP Transfers	Book Value June 30, 2011
Land and Inexhaustible Improvements	\$ 14,694,421	\$ 40,441	\$ -	\$ -	\$ 14,734,862
Exhaustible Land Improvements	31,268,226	2,496,869	-	2,552,587	36,317,682
Infrastructure	25,436,275	140,079	-	1,126,630	26,702,984
Educational Buildings	297,421,281	9,790,735	24,279	2,642,270	309,830,007
Utility Buildings	15,139,101	-	6,033	-	15,133,068
Educational Equipment	45,597,530	5,136,463	3,034,230	-	47,699,763
Auxiliary Enterprise Buildings	252,512,266	3,677,851	1,955,898	71,696,291	325,930,510
Auxiliary Enterprise Equipment	10,284,503	702,155	71,339	-	10,915,319
Construction in Process	97,525,799	43,415,162	-	(78,017,778)	62,923,183
Other Property	1,509,070	-	4,790	-	1,504,280
Total	\$ 791,388,472	\$ 65,399,755	\$ 5,096,569	\$ -	\$ 851,691,658
Less Accumulated Depreciation:					
Infrastructure	\$ 8,301,073	\$ 803,606	\$ -		\$ 9,104,679
Exhaustible Land Improvements	15,137,786	1,159,702	-		16,297,488
Educational Buildings	117,376,715	6,193,108	24,279		123,545,544
Utility Buildings	7,963,988	303,071	6,033		8,261,026
Educational Equipment	34,018,746	4,476,449	2,769,423		35,725,772
Auxiliary Enterprise Buildings	84,894,080	6,559,666	1,955,898		89,497,848
Auxiliary Enterprise Equipment	7,492,539	672,741	64,296		8,100,984
Other Property	104,808	34,937	4,790		134,955
Total	\$ 275,289,735	\$ 20,203,280	\$ 4,824,719		\$ 290,668,296
Capital Assets, Net	\$ 516,098,737	\$ 45,196,475	\$ 271,850		\$ 561,023,362

**Note E – Bonds Payable**

Long term liabilities reported in the Statement of Net Assets include principal obligations for outstanding bonds and the noncurrent portions of premiums received on certain bond series 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 and Unamortized Deferred Costs are reflected in the Statement of Net Assets as Accounts Payable and Accrued Liabilities.

	Long Term Liabilities			
	June 30, 2011		June 30, 2010	
	Current Portion	Noncurrent Portion	Current Portion	Noncurrent Portion
Outstanding Bonds Payable	\$ 11,275,000	\$ 180,190,000	\$ 9,530,000	\$ 159,240,000
Unamortized Premiums on Bonds	445,970	5,963,098	392,021	5,384,054
Unamortized Deferred Costs	(187,579)	(562,740)	(187,579)	(750,319)
Total	<u>\$ 11,533,391</u>	<u>\$ 185,590,358</u>	<u>\$ 9,734,442</u>	<u>\$ 163,873,735</u>

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.

Student Fee Bonds, Series P, in the amount of \$32,225,000, were dated and issued on March 15, 2011. Proceeds from Series P bonds were used to fund Phase I of the Central Campus Renovation and Utilities Improvement Project.

Long term bonds outstanding at June 30, 2011, were:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Retired 2010-2011</u>	<u>Outstanding June 30, 2011</u>
<b>Revenue Bonds:</b>				
Parking System Revenue Bonds of 2003:				
Current Interest Bonds, 2.00% to 5.00%	08/14/03	\$ 3,985,000	\$ 290,000	\$ 3,320,000
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	1,335,000	29,110,000
<b>Student Fee Bonds:</b>				
Student Fee Bonds, Series I:				
Current Interest Bonds, 3.25% to 5.20%	01/12/99	38,770,000	2,765,000	5,475,000
Student Fee Bonds, Series K:				
Current Interest Bonds, 4.00% to 4.60%	01/03/02	5,700,000	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	900,000	11,710,000
Student Fee Bonds, Series M:				
Current Interest Bonds, 3.00% to 5.00%	12/15/04	19,355,000	805,000	15,580,000
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	1,650,000	58,630,000
Student Fee Bonds, Series O:				
Current Interest Bonds, 3.00% to 5.25%	03/12/09	20,980,000	960,000	20,020,000
Term Bonds, 5.00%	03/12/09	8,195,000	-	8,195,000
Student Fee Bonds, Series P:				
Current Interest, 3.00% to 5.25%	03/15/11	32,225,000	-	32,225,000
Total Bonds		\$ <u>265,385,000</u>	\$ <u>9,530,000</u>	\$ <u>191,465,000</u>

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
2012	\$ 11,275,000	\$ 8,294,164	\$ 19,569,164
2013	11,415,000	8,139,275	19,554,275
2014	11,475,000	7,678,895	19,153,895
2015	11,155,000	7,230,249	18,385,249
2016	10,240,000	6,792,482	17,032,482
2017-2021	54,155,000	26,616,729	80,771,729
2022-2026	56,220,000	12,988,953	69,208,953
2027-2031	25,530,000	2,558,106	28,088,106
Total	\$ 191,465,000	\$ 80,298,853	\$ 271,763,853

### **Note F – Defeased Bonds**

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

Under the terms of the escrow agreements, the University is relieved of all liability for the defeased issues. The final maturity on the defeased Building Facilities Fee Bonds is January 1, 2012. At June 30, 2011, the unpaid principal for the defeased Building Facilities Fee Bonds was \$13.5 million.

### **Note G – Operating Leases**

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. The total rental expense under these agreements was \$385,478 for the year ended June 30, 2011.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2011, are as follows:

	Future Lease Payments
2012	\$ 345,079
2013	204,316
2014	185,503
2015	147,100
2016	124,200
Total	\$ 1,006,198

### **Note H – Investments**

Investments held in the name of the University at June 30, 2011, consisted of the following:

	Market
U.S. Government Agency Securities	\$ 152,709,369
Certificates of Deposit	41,600,000
Demand Deposit Accounts	91,903,936
Other Government Held Assets and Investments	2,400,000
Total Investments	\$ 288,613,305

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, 2011, the University held Agency Securities totaling \$152.7 million comprised of the following:

	Market
Federal Home Loan Mortgage Corporation	\$ 27,160,260
Federal National Mortgage Association	73,592,209
Federal Home Loan Bank	49,981,938
Federal Farm Credit	1,974,962
Total	<u>\$ 152,709,369</u>

- 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, 2011, the University held the following certificates of deposit totaling \$41.6 million:

	Market
Fifth Third Bank	\$ 5,300,000
First Merchants Bank, N.A.	3,000,000
The Huntington National Bank	24,300,000
STAR Financial Bank	9,000,000
Total Certificates of Deposit	<u>\$ 41,600,000</u>

- 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, 2011, the University's interest-bearing deposit accounts totaled \$91.9 and were comprised of working capital and short-term investments at the following banks:

	Market
First Merchants Bank, N.A.	\$ 3,803,936
First Financial Bank	30,100,000
Mutual Federal Savings Bank	25,000,000
The Huntington National Bank	33,000,000
Total Demand Deposit Accounts	<u>\$ 91,903,936</u>

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 entity or in a custodial account. 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 Agency Securities	\$ -	\$ -	\$ 152,709,369	\$ 152,709,369
Certificates of Deposit	37,300,000	4,300,000	-	41,600,000
Demand Deposit Accounts	91,903,936	-	-	91,903,936
Other Government Held Assets and Investments	-	-	2,400,000	2,400,000
Total Investments	\$ 129,203,936	\$ 4,300,000	\$ 155,109,369	\$ 288,613,305

## Note I – Pension Plans and Other Post-Employment Benefits

### Pension Plans

#### Public Employees' Retirement Fund

The University contributes to the 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, 2011, there were 1,282 employees participating in PERF with an annual pay equal to \$46,975,329.



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 Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (317) 233-3882.

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	\$ 3,202,628
Interest on Net Pension Obligation	(80,951)
Adjustment to Annual Required Contribution	92,250
Annual Pension Cost	\$ 3,213,927
Contributions Made	3,008,378
Increase/(Decrease) in Net Pension Obligation	\$ 205,549
Net Pension Obligation, July 1, 2009	(1,116,566)
Net Pension Obligation, June 30, 2010	\$ (911,017)

Contribution Rates:

University	7.00%
Plan Members (Paid by BSU)	3.00%
Actuarial Valuation Date	7/1/2010
Actuarial Cost Method	Entry Age - Normal Cost
Amortization Method	Level Dollar, Closed
Amortization Period	30 years from 07-01-97
Asset Valuation Method	Smoothed Market Value Basis

Actuarial Assumptions	PERF
Investment Rate of Return	7.00%
Projected Future Salary Increases	4.00%
Cost-of-Living Adjustments	1.00%

Year Ending June 30	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 2,519,451	110.30%	\$ (1,096,082)
2009	\$ 2,914,777	100.70%	\$ (1,116,566)
2010	\$ 3,213,927	93.60%	\$ (911,017)

Schedule of Funding Progress				
Valuation Date	Actuarial		Excess/ (Unfunded) AL	Funded Ratio
	Value of Assets	Accrued Liability (AL)		
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%
07/01/2010	\$ 49,239,962	\$ 73,110,138	\$ (23,870,176)	67.4%

Date	Covered Payroll	Excess/ (Unfunded) AL as a Percent of Covered Payroll
07/01/2008	\$ 44,672,073	(2.8)%
07/01/2009	\$ 48,188,042	(18.9)%
07/01/2010	\$ 46,975,329	(50.8)%

### **Teachers' Retirement Fund**

The Teachers' Retirement Fund (TRF) is a cost-sharing, multiple employer public employee 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, 2011, there were 347 employees participating in TRF with annual pay equal to \$19,960,451. 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, 2011, 2010, and 2009, were \$2,121,742, \$2,060,447, and \$2,253,882, 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 Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (317) 232-3882.

### **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 employees hired on or after October 1, 2010, the University contributes five percent of each employee's base salary for the first three years and 10.5 percent for each year thereafter. For the fiscal year ended June 30, 2011, the University contributed \$12,309,463 to this plan for 1,433 participating employees with annual payroll totaling \$104,190,780.

### **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, 2011, \$429,600 is recorded as a liability representing payments to be made in 2012 and 2013 to employees who retired under the program by June 30, 2011.

## 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, 2011, approximately 1,853 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 University Controller, AD 301, Muncie, IN 47306.

### Funding Policy

The contribution requirements for members of the Plans are established by the University's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, as well as amounts necessary to prefund benefits as determined annually by the University. In addition, the University has followed a practice of contributing additional amounts generated by savings within the employee plans as well as the retiree plans. For the fiscal year ended June 30, 2011, the University contributed \$8,039,211 for current claims and estimated applicable administrative costs and an additional \$3.7 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 \$2,368,910 for health insurance and \$17,591 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 \$28.56 to \$192.78 per month for single coverage and \$74.12 to \$500.42 for family coverage. For those eligible for Medicare, the monthly premiums were \$83.96 for medical and prescription drug coverage and \$7.98 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	\$ 11,322,368
Interest on Net OPEB Obligation	(575,554)
Adjustment to Annual Required Contribution	437,094
Annual OPEB Cost	\$ 11,183,908
Contributions Made	10,331,911
Increase (Decrease) in Net OPEB Obligation	\$ 851,997
Net OPEB Obligation (Asset), Beginning of Year	(7,674,056)
Net OPEB Obligation (Asset), End of Year	\$ (6,822,059)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 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	6/30/2009	\$ 7,632,201	116.9%	\$ (7,594,193)
	6/30/2010	10,782,403	95.3%	(7,084,859)
	6/30/2011	10,739,139	93.5%	(6,384,931)
Life Insurance	6/30/2009	\$ 152,118	-	\$ 152,118
	6/30/2010	537,185	225.8%	(589,197)
	6/30/2011	444,769	65.8%	(437,128)

### **Funded Status and Funding Progress**

		Actuarial		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	Valu- ation Date	Value of Assets	Accrued Liability (AAL)				
Health	7/1/10	\$ 127,901,788	\$ 192,195,650	\$ 64,293,862	66.5%	\$ 154,679,963	41.6%
Life	7/1/10	18,429,554	20,150,137	1,720,583	91.5%	\$ 154,679,963	1.1%
Total		<u>\$ 146,331,342</u>	<u>\$ 212,345,787</u>	<u>\$ 66,014,445</u>	68.9%	\$ 154,679,963	42.7%
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		<u>\$ 130,694,064</u>	<u>\$ 212,345,787</u>	<u>\$ 81,651,723</u>	61.5%	\$ 151,120,585	54.0%
Health	7/1/08	\$ 142,837,134	\$ 171,887,451	\$ 29,050,317	83.1%	\$ 144,072,660	20.2%
Life	7/1/08	22,321,203	19,036,901	(3,284,302)	117.3%	\$ 144,072,660	(2.3)%
Total		<u>\$ 165,158,337</u>	<u>\$ 190,924,352</u>	<u>\$ 25,766,015</u>	86.5%	\$ 144,072,660	17.9%
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		<u>\$ 174,066,729</u>	<u>\$ 190,924,352</u>	<u>\$ 16,857,623</u>	91.2%	\$ 136,645,256	12.3 %

As of June 30, 2010 (while using the June 30, 2009 actuarial valuation report to calculate 2010 values), the health insurance plan was 66.5 percent funded. The actuarial accrued liability for benefits was \$192,195,650, and the actuarial value of assets was \$127,901,788, resulting in an unfunded actuarial accrued liability (UAAL) of \$64,293,862. The covered payroll (annual payroll of active employees covered by the plan) was \$154,679,963, and the ratio of UAAL to covered payroll was 41.6 percent. As of the same date, the life insurance plan was 91.5 percent funded. The actuarial accrued liability for benefits was \$20,150,137, and the actuarial value of assets was \$18,429,554, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,720,583. The covered payroll (annual payroll of active employees covered by the plan) was \$154,679,963, and the ratio of the UAAL to covered payroll was 1.1 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, 2011:

Market Value at July 1, 2010	\$ 127,901,788
Transfer from Ball State University	2,000,000
Reinvested Net Earnings (Loss)	(1,484,938)
Unrealized Gain (Loss)	28,228,792
Fund Balance at June 30, 2011	<u>\$ 156,645,642</u>

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, 2011:

Fund Balance at July 1, 2010	\$ 18,429,554
Transfer from Ball State University	-
Reinvested Net Earnings (Loss)	(466,858)
Unrealized Gain (Loss)	4,343,597
Death Claims and Related Charges	(818,531)
Fund Balance at June 30, 2011	<u>\$ 21,487,762</u>

These funds cannot under any circumstances revert to the University.

## **Note J – Included Entities**

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

### **Note K – Commitments and Contingent Liability**

During the normal course of operations, the University has become an interested party to various legal and administrative actions, the resolutions of which are not yet known. However, in the opinion of legal counsel and University management, the disposition of all pending litigation and actions will not have a material adverse effect on the financial condition of the University. To protect the integrity of any litigation or action, further details are held confidential.

The University has entered into 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.

The University has outstanding commitments for capital construction contracts of \$21,822,578 at June 30, 2011.

### **Note L – Risk Management**

The University is exposed to risks of loss related to:

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

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

Separate funds and accounts have been established to measure the results of the various combinations of risk retention and commercial insurance. Periodically (in some cases annually), after reviewing exposures with insurance consultants and actuaries, adjustments are made to reflect potential liabilities arising from risk retention. The University accounts for incurred, but not reported, health care claims by calculating an amount based on a review of applicable claims submitted after year end, as well as past experience. This estimated liability of \$4.7 million at June 30, 2011, was determined by our actuarial consultants. Claims activity for the year was as follows:

Unpaid Health Care Claims at July 1, 2010	\$ 3,766,618
Claims Incurred	41,703,102
Claims Paid	<u>40,753,318</u>
Unpaid Health Care Claims at June 30, 2011	<u>\$ 4,716,402</u>

**Ball State University**  
**Required Supplemental Information**  
**June 30, 2011**

Other Post-Employment Benefits  
Retiree Health and Life Insurance Plans

		Actuarial		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Valu- ation Date		Value of Assets	Accrued Liability (AAL)				
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		<u>\$ 130,694,064</u>	<u>\$ 212,345,787</u>	<u>\$ 81,651,723</u>	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		<u>\$ 174,066,729</u>	<u>\$ 190,924,352</u>	<u>\$ 16,857,623</u>	91.2%	\$ 136,645,256	12.3 %

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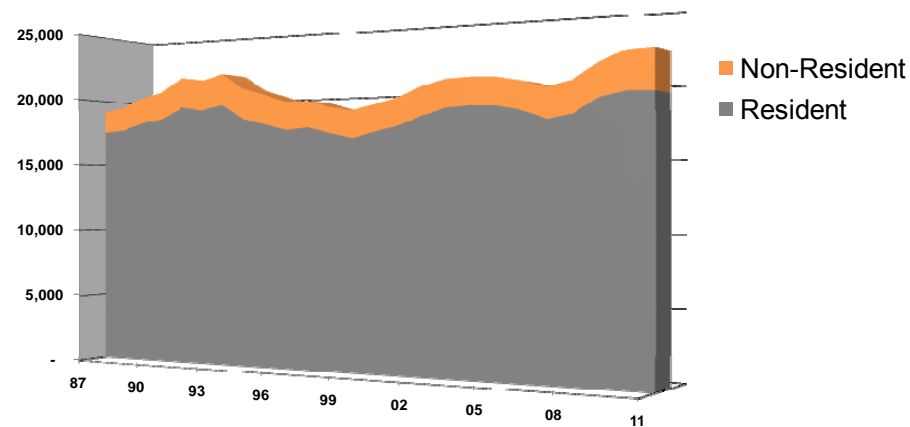
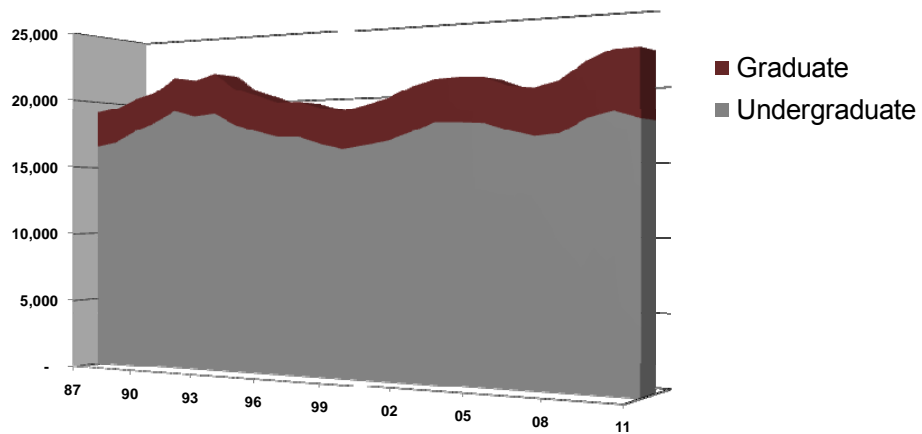
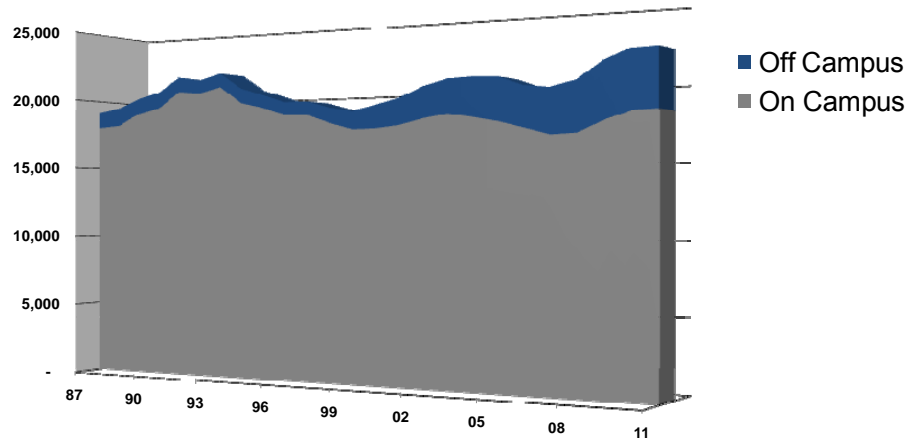


## ***Supplemental Information***



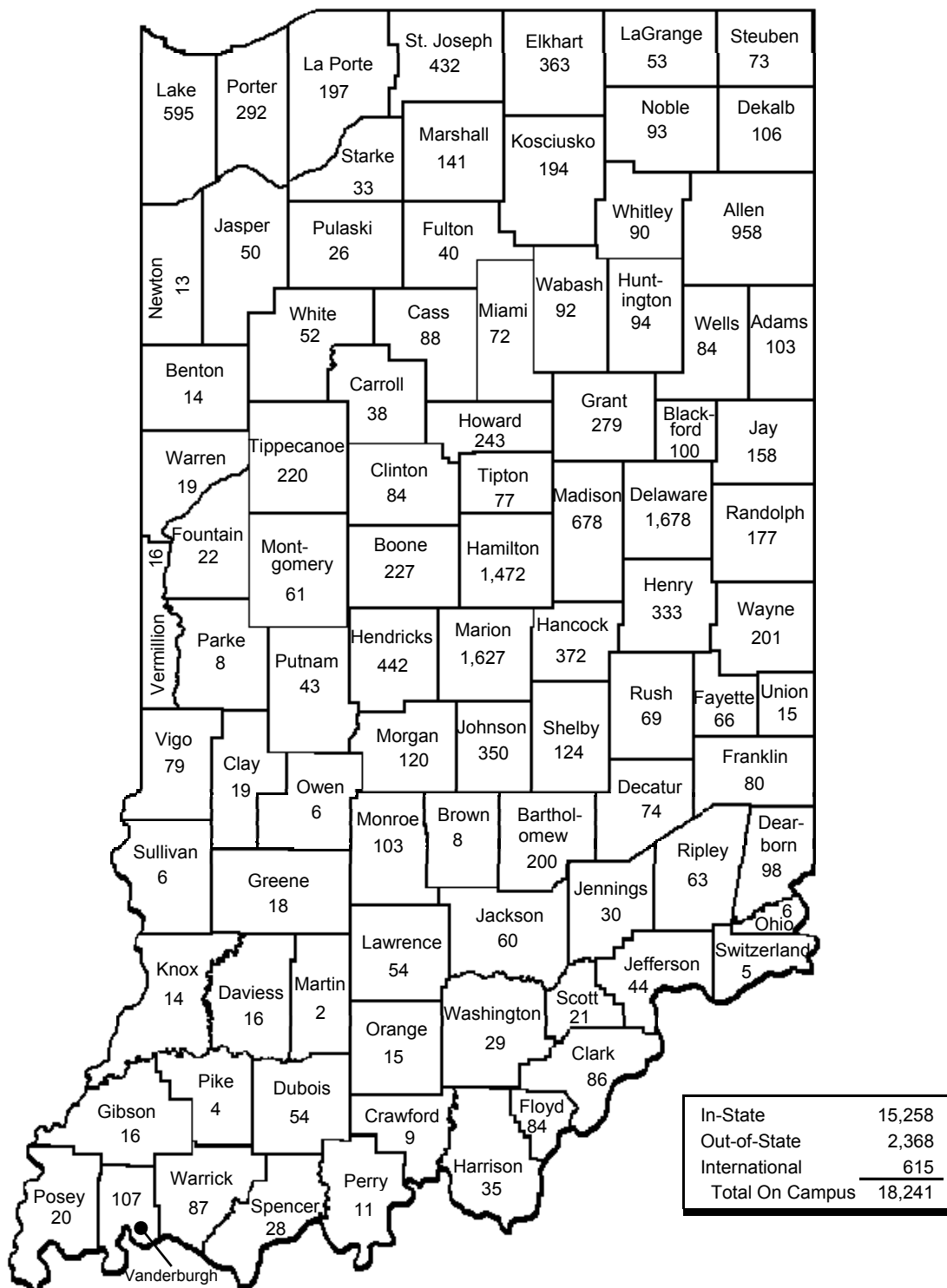
The following supplemental information has not been subjected to the auditing procedures applied to the basic financial statements and accordingly, the State Board of Accounts expresses no opinion thereon.

## Student Enrollment Fall Headcount 1987-2011



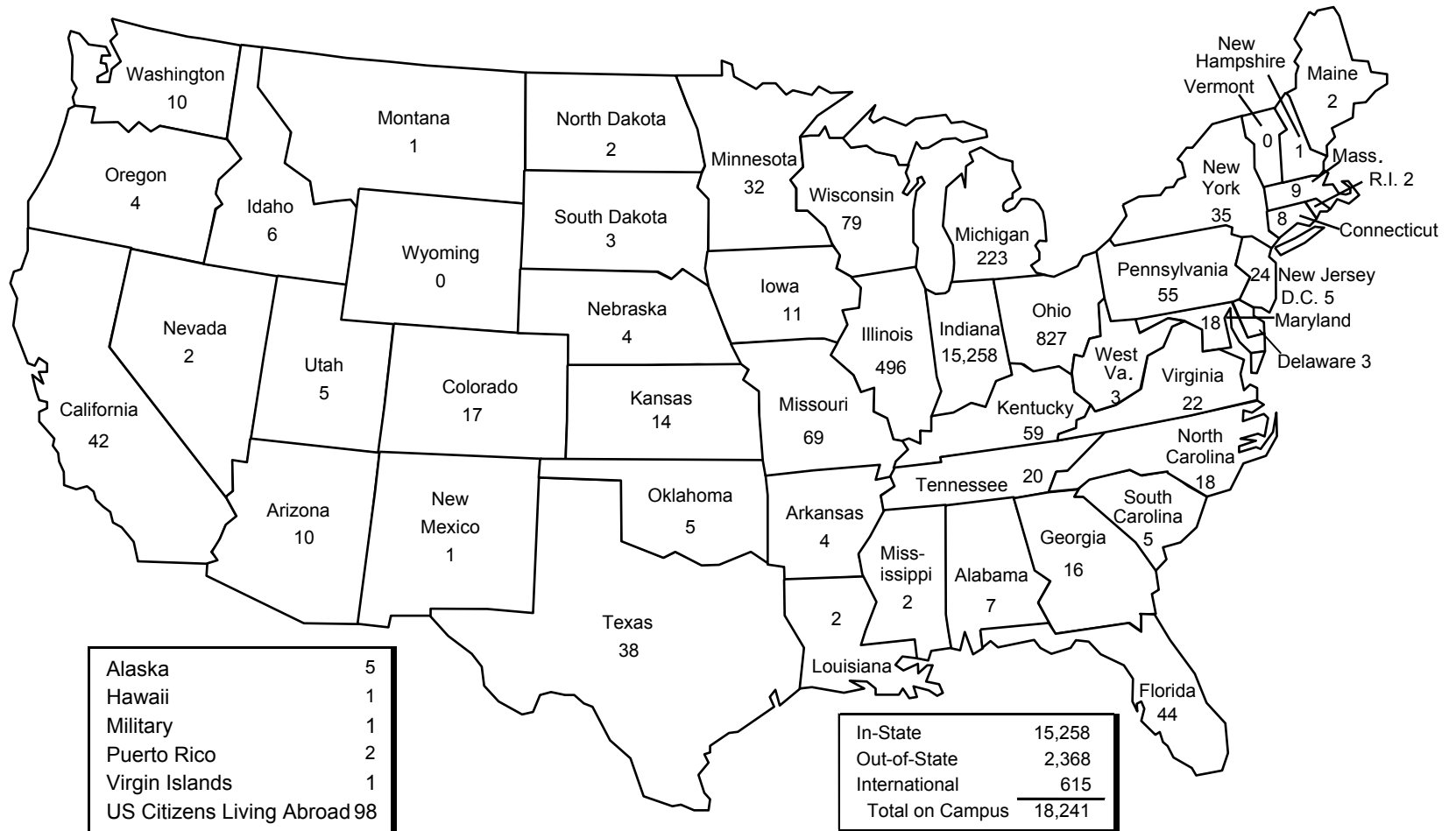
## Campus Enrollment by County

### Fall 2011

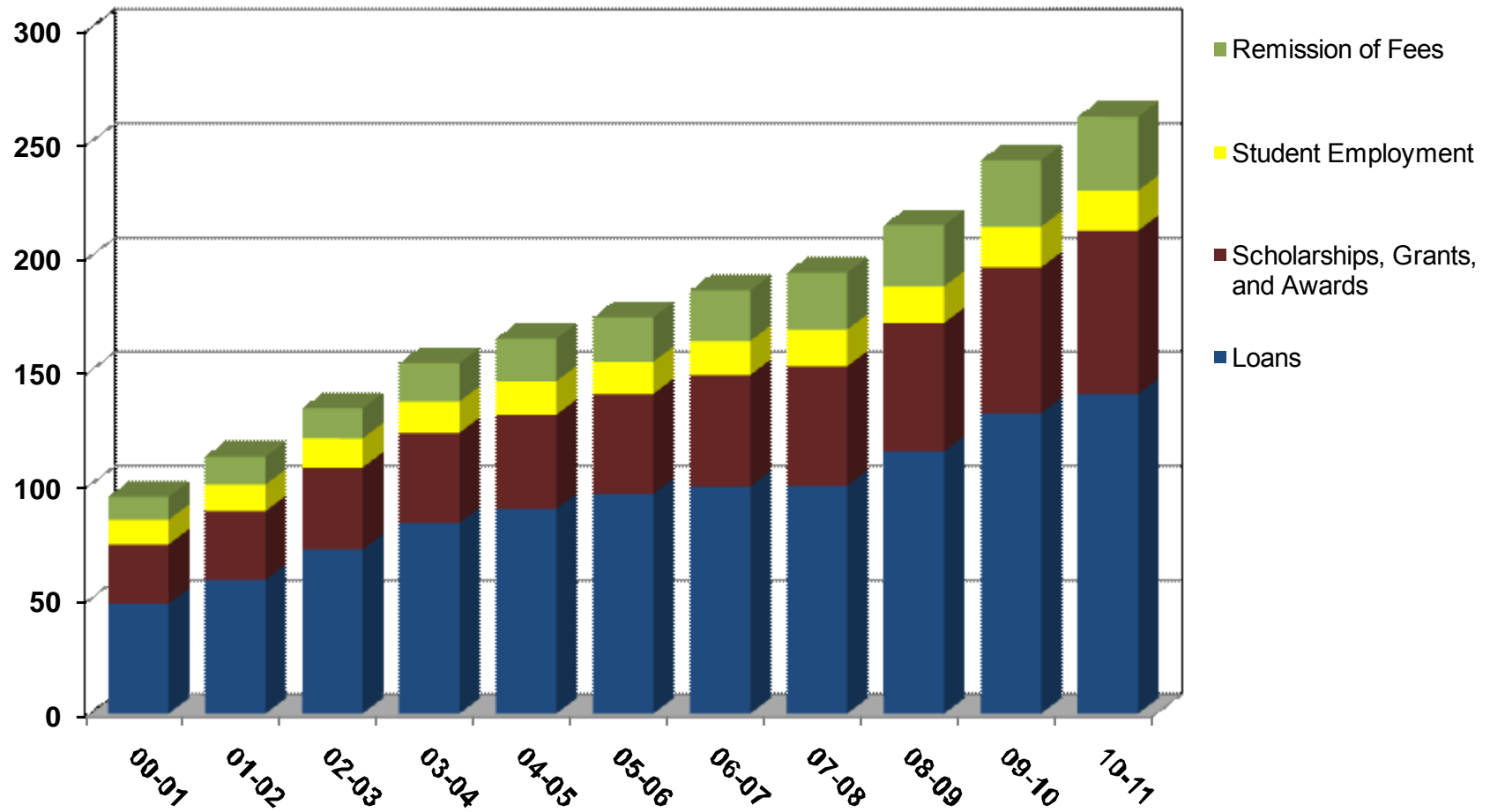


# Campus Enrollment by State

Fall 2011



## Student Financial Assistance 2000-2001 through 2010-2011 (in millions of dollars)



Ball State University  
**Schedule of Annual  
Requirements for Principal and Interest**

**Revenue Bonds--Parking Facilities**

Year Ended June 30, 2011

June 30	Principal	Interest	Total	Unliquidated Balance
2011				\$ 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	<u>\$ 5,830,000</u>	<u>\$ 2,097,341</u>	<u>\$ 7,927,341</u>	

Ball State University  
**Schedule of Annual  
Requirements for Principal and Interest**

**Revenue Bonds--Housing and Dining**

Year Ended June 30, 2011

June 30	Principal	Interest	Total	Unliquidated Balance
2011				\$ 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
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	<u>\$ 29,110,000</u>	<u>\$ 11,045,193</u>	<u>\$ 40,155,193</u>	

Ball State University  
**Schedule of Annual  
Requirements for Principal and Interest**

**Student Fee Bonds**

Year Ended June 30, 2011

June 30	Principal	Interest	Total	Unliquidated Balance
2011				\$ 156,525,000
2012	\$ 9,585,000	\$ 6,740,909	\$ 16,325,909	146,940,000
2013	9,650,000	6,658,245	16,308,245	137,290,000
2014	9,635,000	6,271,565	15,906,565	127,655,000
2015	9,235,000	5,906,844	15,141,844	118,420,000
2016	8,225,000	5,565,664	13,790,664	110,195,000
2017	7,710,000	5,211,626	12,921,626	102,485,000
2018	8,085,000	4,829,038	12,914,038	94,400,000
2019	8,480,000	4,421,463	12,901,463	85,920,000
2020	8,905,000	3,999,070	12,904,070	77,015,000
2021	9,355,000	3,556,607	12,911,607	67,660,000
2022	8,270,000	3,128,750	11,398,750	59,390,000
2023	8,675,000	2,714,650	11,389,650	50,715,000
2024	9,105,000	2,278,413	11,383,413	41,610,000
2025	7,840,000	1,858,881	9,698,881	33,770,000
2026	8,240,000	1,456,488	9,696,488	25,530,000
2027	6,990,000	1,077,488	8,067,488	18,540,000
2028	7,315,000	731,994	8,046,994	11,225,000
2029	4,290,000	454,000	4,744,000	6,935,000
2030	4,510,000	234,000	4,744,000	2,425,000
2031	2,425,000	60,625	2,485,625	-
Total	<u>\$ 156,525,000</u>	<u>\$ 67,156,318</u>	<u>\$ 223,681,318</u>	



Ball State University  
**Schedule of Annual  
Requirements for Principal and Interest**

**Total Revenue and Student Fee Bonds**

Year Ended June 30, 2011

June 30	Principal	Interest	Total	Unliquidated Balance
2011				\$ 191,465,000
2012	\$ 11,275,000	\$ 8,294,164	\$ 19,569,164	180,190,000
2013	11,415,000	8,139,275	19,554,275	168,775,000
2014	11,475,000	7,678,895	19,153,895	157,300,000
2015	11,155,000	7,230,249	18,385,249	146,145,000
2016	10,240,000	6,792,482	17,032,482	135,905,000
2017	9,830,000	6,336,944	16,166,944	126,075,000
2018	10,300,000	5,857,018	16,157,018	115,775,000
2019	10,800,000	5,347,193	16,147,193	104,975,000
2020	11,330,000	4,816,273	16,146,273	93,645,000
2021	11,895,000	4,259,301	16,154,301	81,750,000
2022	10,940,000	3,702,363	14,642,363	70,810,000
2023	11,475,000	3,152,738	14,627,738	59,335,000
2024	12,040,000	2,584,951	14,624,951	47,295,000
2025	10,905,000	2,036,738	12,941,738	36,390,000
2026	10,860,000	1,512,163	12,372,163	25,530,000
2027	6,990,000	1,077,488	8,067,488	18,540,000
2028	7,315,000	731,994	8,046,994	11,225,000
2029	4,290,000	454,000	4,744,000	6,935,000
2030	4,510,000	234,000	4,744,000	2,425,000
2031	2,425,000	60,625	2,485,625	-
Total	<u>\$ 191,465,000</u>	<u>\$ 80,298,852</u>	<u>\$ 271,763,852</u>	

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