B44957

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

FEDERAL SINGLE AUDIT REPORT

BALL STATE UNIVERSITY

MUNCIE, INDIANA

July 1, 2013 to June 30, 2014

FILED
03/27/2015

TABLE OF CONTENTS

Description	Page
Schedule of University Officials	2
Independent Auditor's 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*	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; on Internal Control Over Compliance; and on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	10-13
Notes to Schedule of Expenditures of Federal Awards	14
Schedule of Findings and Questioned Costs	15

SCHEDULE OF UNIVERSITY OFFICIALS

Office	Official	Term
President	Dr. Jo Ann M. Gora	07-01-13 to 06-30-14
	Dr. Terry S. King (Interim)	07-01-14 to 07-31-14
	Dr. Paul W. Ferguson	08-01-14 to 06-30-15
Vice President, Business Affairs and Treasurer	Dr. Randall B. Howard	07-01-13 to 08-25-14
	Management Team (Interim)	08-26-14 to 02-02-14
	Bernard M. Hannon	02-03-15 to 06-30-15
Associate Vice President, Finance and Assistant Treasurer	Bernard M. Hannon	07-01-13 to 02-03-15
	(Vacant)	02-04-15 to 02-26-15
President of the Board of Trustees	Hollis E. Hughes, Jr.	01-01-13 to 12-31-13
	Richard J. Hall	01-01-14 to 12-31-15

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S 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, 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, the financial statements of the business-type activities and the aggregate discretely presented component unit of Ball State University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 23, 2014. Our report includes a reference to other auditors who audited the financial statements of Ball State University Foundation, as described in our report on the University's financial statements. The financial statements of Ball State University Foundation were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 23, 2014

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Ball State University's (University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied in all material respects with the types of 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, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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, in a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University, a component unit of the State of Indiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon October 23, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)

the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

February 26, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the University. The schedule and notes are presented as intended by the University.

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Student Financial Assistance Cluster			
U.S. DEPARTMENT OF EDUCATION			
Federal Supplemental Educational Opportunity Grants	84.007	$ 528,634	$ -
Federal Work-Study Program	84.033	927,985	-
Federal Pell Grant Program	84.063	23,077,330	-
Federal Direct Student Loans	84.268	120,640,549	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	27,186	-
Total Student Financial Assistance Cluster		145,201,684	-
Research and Development Cluster			
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Iowa State University			
Integrated Programs	10.303	9,130	-
U.S. DEPARTMENT OF DEFENSE			
Basic Scientific Research	12.431	1,935	-
Basic, Applied, and Advanced Research in Science and Engineering	12.630	32,076	-
Pass-Through Illinois Department of Military Affairs			
National Guard Military Operations and Maintenance (O&M) Projects	12.401	18,578	-
Pass-Through Defense Finance and Accounting Service			
Military Medical Research and Development	12.420	37,860	-
Total U.S. Department Of Defense		90,449	-
U.S. DEPARTMENT OF THE INTERIOR			
Pass-Through Indiana Department of Natural Resources			
Sport Fish Restoration Program	15.605	93,202	-
Wildlife Restoration and Basic Hunter Education	15.611	83,829	-
Historic Preservation Fund Grants-In-Aid	15.904	103,385	-
Outdoor Recreation-Acquisition, Development and Planning	15.916	13,962	-
Pass-Through University of Wisconsin			
Assistance to State Water Resources Research Institutes	15.805	(19)	-
Pass-Through Western Michigan University			
Endangered Species Conservation Recovery Implementation Funds	15.657	13,259	-
Pass-Through Purdue University			
Assistance to State Water Resources Research Institutes	15.805	12,017	-
Pass-Through National Park Service			
Native American Graves Protection and Repatriation Act	15.922	48,902	-
American Battlefield Protection	15.926	95,777	-
Natural Resource Stewardship	15.944	(1,492)	-
Cooperative Research and Training Programs Resources of the National Park System	15.945	106	-
Total U.S. Department Of The Interior		462,928	-
U.S. DEPARTMENT OF JUSTICE			
Pass-Through Delaware County Community Corrections			
Residential Substance Abuse Treatment for State Prisoners	16.593	8,064	-
U.S. DEPARTMENT OF STATE BUREAU OF EDUCATION AND CULTURAL AFFAIRS			
Academic Exchange Programs - Undergraduate Programs	19.009	(3,773)	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Science	43.001	159,587	-
Pass-Through Valparaiso University			
Education	43.008	1,569	-

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

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Research and Development Cluster (continued)			
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (continued)			
Pass-Through Purdue University			
Education	43.008	463	-
NASA	43.XXX	15,954	-
Total National Aeronautics And Space Administration		177,573	-
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass-Through Buffalo Bill Center of the West			
Promotion of the Humanities - Research	45.161	4,280	-
NATIONAL SCIENCE FOUNDATION			
Engineering Grants	47.041	185,856	36,179
Geosciences	47.050	73,734	-
Computer and Information Science and Engineering	47.070	81,700	-
Social, Behavioral, and Economic Sciences	47.075	179,405	-
Education and Human Resources	47.076	29,319	-
Total National Science Foundation		550,014	36,179
U.S. DEPARTMENT OF EDUCATION			
Twenty-First Century Community Learning Centers	84.287C	9,491	-
Pass-Through Indiana Department of Education			
Special Education - Grants to States	84.027A	(559)	-
Pass-Through Washington State University			
Education Research, Development and Dissemination	84.305D	38,801	-
Total U.S. Department Of Education		47,733	-
U.S. ELECTION ASSISTANCE COMMISSION			
Pass-Through Indiana Election Division			
U.S. Election Assistance Commission Research Grants	90.403	(61)	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Procurement Contract	93.XXX	37,881	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	105,423	-
Pass-Through Indiana State Department of Health			
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Health and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	93.521	51,260	-
Pass-Through NIH			
Research Related to Deafness and Communication Disorders	93.173	11,924	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	80,483	-
Aging Research	93.866	317,442	-
Total U.S. Department Of Health And Human Services		604,413	-
Total Research And Development Cluster		1,950,750	36,179
Child Nutrition Cluster			
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Indiana Department of Education			
School Breakfast Program	10.553	5,906	-
National School Lunch Program	10.555	54,161	-
Total Child Nutrition Cluster		60,067	-

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

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
CDBG-State-Administered CDBG Cluster			
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	17,767	-
Highway Planning and Construction Cluster			
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-Through Bernardin, Lochmueller & Associates, Inc.			
Highway Planning and Construction	20.205	1	-
Pass-Through Delaware-Muncie Metropolitan Planning Commission			
Highway Planning and Construction	20.205	8,500	-
Pass-Through Madison County Council of Governments			
Highway Planning and Construction	20.205	9,500	-
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction	20.205	17,287	-
Total Highway Planning and Construction Cluster		35,288	-
Other Programs			
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through University of Missouri			
Agricultural Market and Economic Research	10.290	30,890	-
U.S. DEPARTMENT OF COMMERCE			
Pass-Through Public Broadcasting Service			
Special Projects	11.553	68,115	-
U.S. DEPARTMENT OF DEFENSE			
Basic Scientific Research	12.431	971	-
U.S. DEPARTMENT OF INTERIOR			
Pass-Through Indiana Department of Natural Resources			
Historic Preservation Fund Grants-In-Aid	15.904	(11,119)	-
DEPARTMENT OF JUSTICE			
Drug Court Discretionary Grant Program	16.585	2,890	-
DEPARTMENT OF STATE			
Academic Exchange Programs - Undergraduate Programs	19.009	171,902	-
Investing in People in the Middle East and North Africa	19.021	741,633	-
Academic Exchange Programs - Scholars	19.401	139,025	-
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	(7,877)	-
Public Diplomacy Programs for Afghanistan and Pakistan	19.501	1,268,143	-
Pass-Through Meridian International Center			
Investing in People in the Middle East and North Africa	19.021	185,855	-
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	37,177	-
Total Department Of State		2,535,858	-
NATIONAL ENDOWMENT FOR THE ARTS			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	3,237	-
Promotion of the Humanities - Research	45.161	20,086	-
Pass-Through Indiana Humanities Council			
Promotion of the Humanities - Federal/State Partnership	45.129	(383)	-
Pass-Through Indiana Arts Commission			
Promotion of the Humanities - Federal/State Partnership	45.129	(764)	-
Total National Endowment For The Arts		22,176	-

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

BALL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014
(Continued)

Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Total Federal Awards Expended	Amounts Passed-Through To Subrecipients
Other Programs (continued)			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Museums for America	45.301	150,000	-
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	27,632	-
DEPARTMENT OF ENERGY			
Pass-Through Department of Energy GHP District Heating			
ARRA - Renewable Energy Research and Development	81.087	82,774	-
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Postsecondary Education	84.116M	10,596	-
Rehabilitation Long-Term Training	84.129B	132,013	-
Fund for the Improvement of Education	84.215X	206,676	-
Pass-Through Indiana Department of Education			
Special Education - Grants to States	84.027A	165,720	-
Career and Technical Education - Basic Grants to States	84.048	77,247	-
Twenty-First Century Community Learning Centers	84.287C	210,836	57,672
Improving Teacher Quality State Grants	84.367	12,337	-
Pass-Through Indiana Commission on Higher Education			
Improving Teacher Quality State Grants	84.367B	146,441	-
Pass-Through 21st Century Community Learning Centers Program			
Twenty-First Century Community Learning Centers	84.287C	24,539	-
Pass-Through Warsaw Community Schools			
Mathematics and Science Partnerships	84.366	32,597	-
Pass-Through National Writing Project			
Improving Teacher Quality State Grants	84.367D	13,861	-
National Writing Project	84.928A	8,388	-
Total U.S. Department Of Education		1,041,251	57,672
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Delaware County Circuit Court			
Child Support Enforcement	93.563	12,352	-
Pass-Through Marion County Commission on Youth			
Block Grants for Community Mental Health Services	93.958	857	-
Pass-Through Indiana University			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	251	-
Foster Care - Title IV-E	93.658	127,573	-
Total U.S. Department Of Health And Human Services		141,033	-
DEPARTMENT OF HOMELAND SECURITY			
Vietnam Education Foundation U. S. Faculty Scholar Grant	97.XXX	37,801	11,857
Total Other Programs		4,130,272	69,529
Total Federal Awards		$ 151,395,828	$ 105,708

The accompanying notes are an inergral 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, 2014, 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 subawards 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 Assistance Cluster
2. Research and Development Cluster
3. Other Federal Programs

Note 2. 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, 2014, was:

Program Title	Federal CFDA Number	Loan Amounts
Federal Perkins Loan Program - Notes Receivable	84.038	$ 10,381,337

Note 3. 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, 2014.

BALL STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
19.021	Investing in People in the Middle East and North Africa

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

B44957

FINANCIAL REPORT

Year Ended June 30, 2014

BALL STATE UNIVERSITY

EDUCATION REDEFINED®

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03/27/2015

Front Cover: Shafer Tower

BALL STATE UNIVERSITY

BUSINESS AFFAIRS
OFFICE OF ASSOCIATE VICE PRESIDENT,
BUSINESS AFFAIRS AND ASSISTANT TREASURER

Muncie, Indiana 47306-0710
Phone: 765-285-1186

December 12, 2014

Dr. Paul W. Ferguson
President

Board of Trustees
Ball State University

President Ferguson and Members of the Board of Trustees:

At the request of President Ferguson, I have been serving as a member of the Interim Business Affairs Management Team during the national search for a new Vice President for Business Affairs and was charged to prepare this Annual Report in collaboration with other members of the President's Cabinet.

This Financial Report presents the financial position of Ball State University at June 30, 2014 and the results of activities for the year then ended.

Respectfully submitted,

BALL STATE UNIVERSITY

Bernard M. Hannon
Associate Vice President, Business Affairs and Assistant Treasurer

The University

Ball State University, located in Muncie, Indiana, was founded in 1918 as the Indiana State Normal School, Eastern Division. The Ball brothers, a prominent Muncie industrial family, had acquired the land and buildings of a private normal school and donated the property to the State of Indiana. In 1929, the Indiana General Assembly separated the Muncie campus from Indiana State Normal School, naming the Muncie campus Ball State Teachers College. In 1965, the General Assembly renamed the institution Ball State University, in recognition of its significant growth in enrollment and physical facilities, the variety and quality of its educational programs and services, and in anticipation of the much broader role it would be expected to assume in the future. The University is governed by a nine-member Board of Trustees, which includes a full-time student and two members nominated by the Ball State University Alumni Association. All members of the Board are appointed by the Governor of Indiana to four-year terms, except for the student member, who is appointed to a two-year term.

McKinley Gateway

The University is divided into seven academic colleges, offering six associate-level programs, over 170 undergraduate degree programs, 88 masters-level programs, 16 doctoral-level programs and four specialists programs. Ball State is fully accredited by the North Central Association of Colleges and Schools (Higher Learning Commission of 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 2013 totaled 18,340 full-time equivalent students from a total headcount of 20,503. On-campus and blended (on-campus students taking off-campus courses) enrollment totaled 16,765 full-time equivalent students from a total headcount of 17,225. The University provides on-campus housing in residence halls and apartments for approximately 7,600 students. As of the beginning of the 2013-14 academic year, the University's staff and faculty (not including student employees and graduate assistants) totaled approximately 2,954 full-time and 436 part-time personnel. The campus facilities include approximately 120 buildings totaling approximately seven million gross square feet on over 1,000 acres.

Strategic Plan Highlights

In 2012, Ball State University completed a strategic plan, *Education Redefined,* that guided the university since 2007. It was a success by many measures. We met or made significant progress on 90 percent of the plan's 104 measurable performance indicators. We are building on our success to achieve even greater heights through our subsequent strategic plan, *Education Redefined 2.0: Advancing Indiana.* This Strategic Plan, with a fresh focus under the leadership of new Ball State University President, Dr. Paul W. Ferguson, will guide our efforts through 2017.

The four key goals of this Strategic Plan are: (1) providing distinctive, high quality educational experiences, (2) becoming a recognized leader for educational and disciplinary innovation, (3) investing in an increasingly vibrant and integrated University community, and (4) advancing Indiana through student engagement and faculty expertise. These goals enhance the distinctive opportunities offered by the University by emphasizing its entrepreneurial approach to learning, scholarship, administration, and community engagement.

Distinctive Learning Opportunities

The cornerstone of both the 2007-2012 and 2012-2017 strategic plans is the offering of distinctive learning opportunities to our students. Immersive Learning pulls together interdisciplinary student teams with faculty mentors to solve real-world problems for partners such as Indiana businesses and communities. The final product adds lasting value to the partners. Students have created business plans, websites, documentaries, content and applications for emerging media, publications, and much more. In addition to benefiting the partner organizations, 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.

Distinctive learning opportunities for Ball State University students are illustrated by immersive learning projects at the 2014 Sochi Olympics and the Circus in Winter musical production. About two dozen students were in Sochi, Russia, to provide behind-the-scenes stories for news media across the U.S. Another five to eight worked in the Windy City for the

Chicago Tribune, producing news graphics. Several students remained on campus to handle media relations, edit content, and maintain the project's website.

Through the BSU at the Games Immersive Learning experience, student photographers, reporters, videographers, and illustrators produced and distributed stories about sporting events, individual athletes, life in the Olympic Village, and Sochi's culture and atmosphere. In addition to the website, the students maintained a Facebook page, Twitter feed, and YouTube channel. Their articles, videos, and graphics were used by the *Chicago Tribune, USA Today, The Huffington Post*, NBC News, CBS News, CNN, and other media outlets.

In another example of an Immersive Learning project, fourteen Ball State students in 2010 adapted Cathy Day's Hoosier novel *The Circus in Winter* into an original musical that has since won a series of national accolades, including honors at the National Kennedy Center American College Theater Festival and inclusion in the National Alliance for Musical Theatre's 2012 Festival of New Musicals. On October 23, 2014, the adaptation will make its debut with Goodspeed Musicals, where *Annie*, *Man of La Mancha*, and *Shenandoah* got their starts.

Immersive Learning: "The Circus in Winter"

Student Recruitment and Retention

Another major success of the strategic plan has been to attract, retain, and enroll a more selective and diverse student body. The 2014 freshman class is historically well-prepared. Their average SAT score of 1629 is the University's best ever, representing an increase of 90 points since the 2006 class. The students' average high school GPA of nearly 3.5 is also a record, and more than half arrived on campus with advanced standing, having already earned college credit. In terms of diversity, the percentage of underrepresented minorities in the 2014 freshman cohort was 16.89 percent, close to the goal of 17.0 percent, and almost double the 2006 class. These increases in selectivity and diversity have come during a period that has also seen increases in applications to the University; applications for fall 2014 exceeded 18,000.

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 2014 was 81.7 percent, up five percentage points since fall 2006. This success is reflected in *U.S. News & World Report's* recognition of the University's first-year programs for the tenth year in a row in 2013.

National Recognition for Academic Innovation and Excellence

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. In academic year 2011-12, 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. Online programs, taught by on-campus faculty, have also drawn praise. *U.S. News & World Report* in 2014 ranked online graduate programs in business, education, and nursing in the top 20 and for bachelor's degree programs in the top 30. Plus, Ball State has received recognition for its achievements in emerging media, including the 2012 New Media Consortium Center of Excellence Award, coverage by *The Chronicle of Higher Education* of the Emerging Media Living-Learning Community in Johnson Complex, multiple awards from TechPoint, and a 2010 W3 Silver Award.

In addition, the University has been lauded for its commitment to sustainability. In *The Princeton Review's Guide to 322 Green Colleges: 2014 Edition*, Ball State was recognized for the fifth year. It is the first public institution in Indiana 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 fact, 50 universities, cities, and other entities have visited or contacted the University to learn more about our geothermal project. The University also has been named a Military Friendly School since 2009 by *G.I. Jobs*, placing it in the top 20.0 percent of all schools nationwide. *U.S. News & World Report*'s 2014 "Best Online Programs for Veterans" ranked Ball State No. 2 in graduate education, No. 4 in graduate nursing, No. 6 in MBA, and No. 11 in bachelor's programs.

College of Architecture and Planning – Student Exhibit

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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, gender identity/gender expression, 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, gender identity/gender expression, 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

2013-2014

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Ball State University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Ball State University Foundation, a component unit of the University as discussed in Note A, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Ball State Foundation, is based solely on the reports of the other auditors. 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 from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University as of June 30, 2014 and 2013, and the respective changes in financial position, where applicable, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Other Post-Employment Benefits Retiree Health and Life Insurance Plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Introductory Section, Report of the Treasurer, and Supplemental Information Section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Introductory Section, Report of the Treasurer, and Supplemental Information Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2014

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Ball State University
Management's Discussion and Analysis
June 30, 2014

Using this Report

This financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows, prepared in accordance with *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 National Association of State Budget Officers (NASBO) reported in the spring of 2014 that the national economy has been experiencing a relatively weak, by historical standards, but real recovery. Further, that the "past several years have been a period of fiscal rebuilding for states, with steady improvements alleviating the most difficult budget woes caused by the recession." However, NASBO also points out that structural challenges remain for states. States continue to wrestle with such large and complex issues as health care costs, infrastructure needs and pension costs, which compete for funding with educational appropriations. Because of this, NASBO predicts that "there will be few additional dollars available to meet the competing demands on state budgets."

Lucina Hall Welcome Center

Nationwide, revenues are projected to grow at a faster rate in fiscal year 2015. Mid-year budget cuts have been minimal, supporting the evidence of a slow, but positive recovery. Nationwide, sales tax collections performed well in fiscal year 2014 and are projected to do well again in fiscal year 2015. Personal income tax collections, however, may be hampered by stagnant wages, as appears to be happening in Indiana. Unless the states see impressive gains in tax revenues, additional state spending is likely to be modest in fiscal year 2015.

State budget gaps that dominated the fiscal landscape after the Great Recession, have largely, though not entirely subsided. In 2013, eighteen states reported budget gaps exceeding $33 billion. In 2014, through spending constraints and revenue increases, only 6 states report ongoing budget gaps. State budgets show revenue collections projected to increase by a collective 3.2 percent in fiscal year 2015. That is good news for states, but still well below the 7.1 percent increase experienced in 2013. Increased year-end balances also evidence the improved economic vitality of states. In fiscal 2013 total year end balances among states reached $73.5 billion, an all-time high. But the revenue increases and large year-end balances have also come with proposals by Governors to reduce net taxes and fees by $2.5 billion in 2015. Overall, 8 governors are proposing tax increases and fifteen (including Indiana's) are proposing tax decreases.

In its most recent report advising the Indiana General Assembly on the fiscal year 2013-14 revenue forecast, IHS Global Insight predicted that the U.S. economy is "poised to accelerate in 2014." IHS argues that consumer spending will increase, homebuilding will surge for the next two years, business investment will accelerate, led by equipment spending, and the North American energy boom will continue to create jobs, investment and a competitive advantage in manufacturing. IHS further predicts that unemployment will hit 6.0 percent by mid-2015. The Indiana economy is expected to continue to outperform is Midwestern neighbors and should expect moderate to strong growth for the near term.

Financial Highlights

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2014, as compared to the previous year. Net position increased by $8.1 million, due primarily to an increase in restricted net position for construction of $22.7 million, some of which was offset by a reduction in net investment in capital assets of $5.5 million. Unrestricted net position decreased by $5.7 million.

Nursing Simulation and Information Technology Center

The current ratio for the University, which is calculated by dividing current assets by current liabilities, decreased from 5.55 to 1 at June 30, 2013, to 4.08 to 1 at June 30, 2014, primarily due to a shift in investments from short-term to long-term holdings. This ratio measures the University's ability to meet short term obligations with short term assets. One of the most basic determinants of clear financial health is the availability of expendable net position to cover debt should it become necessary to settle those debt obligations. The viability ratio measures the University's ability to fund these long-term obligations. At June 30, 2014, the University's viability ratio was 1.45 to 1, down slightly from the June 30, 2013 viability ratio of 1.72 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

Faculty and Students Working in the David Letterman Communication and Media Building

The 2013-15 biennial budget resulted in a net $6.9 million increase in state appropriations comprised of an $8.2 million increase in the Entrepreneurial University line item, a $1.5 million reduction in the operating appropriation and a new allocation of $0.2 million for dual credit in fiscal year 2013-14. The University continues to focus its financial resources on those mission critical programs outlined in the University Strategic Plan.

The University's Sponsored Programs Office garnered over $18.2 million in grant awards, contracts awarded to University Centers and Institutes, and funding to the Ball State University Foundation. Notable proposals funded in fiscal year 2013-14 include significant grants from the U.S. Department of State to the Center for International Development and School of Physical Education, Sport, and Exercise Science; support for the "Cardinal Connect" program from the Lilly Endowment; software donations from multiple companies; multiple research grants from the National Science Foundation and National Institutes of Health; and support from the State of Indiana for various community-centered projects from the Office of Community and Rural Affairs, the Indiana Economic Development Corporation, and Department of Education, among others. Grant awards may include cash received in advance, letters of credit, and cost reimbursable projects.

During fiscal year 2013-14, supporters of Ball State University contributed private gifts to the Ball State University Foundation totaling $17.2 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, 2013, Ball State University's actuarial accrued liability for retiree health care was estimated to be $203.5 million. As of June 30, 2014, the Voluntary Employee Beneficiary Association (VEBA) Trust (fund established to assist in financing this liability) had a market value of $218.4 million. At June 30, 2013, the market value of the VEBA Trust was $181.8 million with a retiree health care plan liability of $181.7 million based on the July 1, 2011 actuarial study.

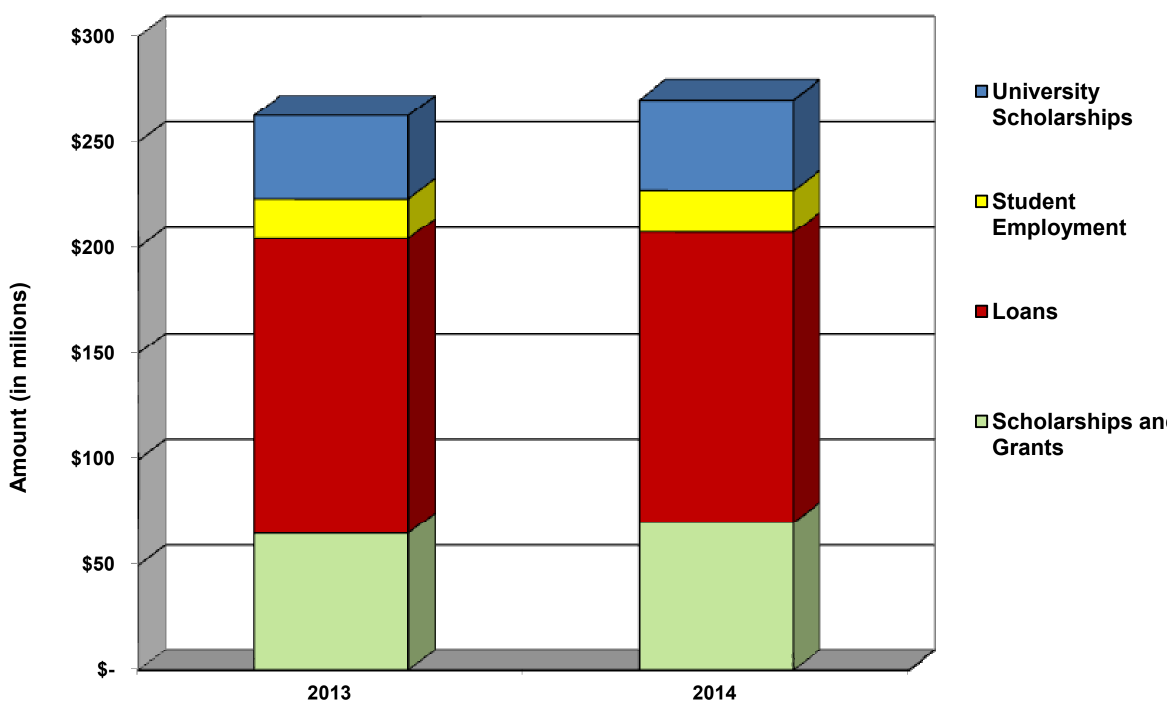
Ball State University is not unique in providing health care as a benefit for its retirees. One of Ball State University's financial strengths is that it has been engaged since the late 1980's in the systematic funding of this liability to its current status. As of June 30, 2014, the VEBA Trust was 101.0 percent actuarially funded. According to a study done by Mercer, of companies within the S&P 500 that offered an Other Post-Employment Benefits (OPEB) plan, their funded ratio was only 23.0 percent as of August 31, 2014.

In addition to retiree health care, Ball State also provides life insurance coverage to its retirees. The July 1, 2013, actuarial study estimated the liability for this benefit at $21.6 million. As of June 30, 2014, the OPEB 115 Trust (formerly Life Insurance Continuance Fund (LICF)) established to assist in financing this liability had a market value of $23.5 million compared to $21.9 million as of June 30, 2013. The OPEB 115 Trust was 105.5 percent funded on June 30, 2014. 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, and is currently showing a prepaid expense amount, as opposed to a liability, of $8.8 million, which indicates that the funding is slightly ahead of plan.

Scholarships and Financial Aid

The rising cost of higher education in the United States has received widespread attention. To help alleviate the costs of attending Ball State University, 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. Additional types of financial assistance include 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. These and other types of aid are available to improve affordability and access for Ball State students. The University's total student financial assistance provided in fiscal year 2013-14, as the graph indicates, was approximately $269.9 million compared to $264.7 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 8.5 percent in fiscal year 2013-14. Financial aid from institutional sources increased by 9.5 percent. Including loans and student employment, all forms of financial assistance increased by two percent from the prior year.

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report in summary fashion the financial position of the University as a whole and on its activities, focusing on the University's net position. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting. The only exceptions are gifts 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 position at June 30, 2014.

Net Position
As of June 30, 2014 and 2013

	2014	2013
Assets:		
Current Assets	$ 191,275,076	$ 222,257,842
Noncurrent Assets:		
Capital Assets, Net of Depreciation	630,215,193	594,652,356
Other	173,498,596	119,762,715
Total Assets	$ 994,988,865	$ 936,672,913
Liabilities:		
Current Liabilities	$ 46,924,772	$ 40,062,238
Noncurrent Liabilities	222,059,906	178,680,870
Total Liabilities	$ 268,984,678	$ 218,743,108
Net Position:		
Net Investment in Capital Assets	$ 420,355,193	$ 425,877,356
Restricted	41,061,296	21,763,360
Unrestricted	264,587,698	270,289,089
Total Net Position	$ 726,004,187	$ 717,929,805
Total Liabilities and Net Position	$ 994,988,865	$ 936,672,913

Current and Other Assets

Current assets decreased $31.0 million from the previous year primarily due to a decrease in Cash and Cash Equivalents of $22.2 million and Short Term Investments of $22.4 million which were offset by an increase in Accounts Receivable, Net, and Unbilled Costs of $12.6 million. The remaining current asset line items showed minimal variance to the prior fiscal year.

Debt Administration

The University funds new construction and large renovation projects on campus with various sources such as philanthropy, internal cash reserves, cash appropriations from the State, and bond proceeds. As of June 30, 2014, the University had $209.9 million of bond indebtedness outstanding, compared to $168.8 million outstanding the prior year end. The increase in outstanding indebtedness was the result of two new debt issues. All of the University's bonds are fixed-rate, tax-exempt issuances that are secured by student fees or auxiliary revenues, depending on the original purpose of the bond. Ball State's rating of AA- by Standard & Poor's and Aa3 by Moody's was reaffirmed in fall 2013. Both S&P and Moody's noted the University's consistently strong operating performance, conservative budgeting practices, strong liquidity levels and moderate debt burden as positive indicators of future financial performance. More details regarding the University's bonds payable are presented in the Notes to Financial Statements.

Capital Assets

As of June 30, 2014, the University had $420.4 million invested in capital assets, net of accumulated depreciation of $354.4 million and related debt of $209.9 million. Depreciation charges totaled $24.6 million for the current fiscal year. All of these amounts reflect cost of construction rather than replacement cost.

The renovation of Johnson A Residence Hall is currently underway with an expected substantial completion date of Spring 2015. The renovation of Johnson A is a complete overhaul of the building with new mechanical, electrical, and plumbing systems, a prominent new entry, and the addition of approximately 140 new beds. In fiscal year 2013-14, $25.3 million was spent on the project.

Rendering of Johnson A Residence Hall

Work continues on the largest capital project ever undertaken by Ball State University, the new geothermal district heating and cooling system. Funding for the remainder of the second and final phase of the implementation has been provided by the Indiana General Assembly. The focus of Phase 2 is the southern portion of campus, with work recently completed on the south well field and currently underway on the south district energy station. Once completed, the project will result in the largest full-scale district geothermal system in the country and will provide heating and cooling to 47 major campus buildings. The entire project, when completed, will save the University over $2.0 million per year in energy costs, reduce dependence on fossil fuels, and cut the University's carbon footprint roughly in half. Construction expenditures for the system totaled $14.3 million during fiscal year 2013-14.

The University's Central Campus Academic Renovation and Utilities Improvement project has moved into its final phase as the renovation of the Teachers College Building concluded and work began on the renovation of the Applied Technology Building. Another component of the Central Campus project is the renovation of the third and fourth floors of the West Quadrangle Building, which was also completed during fiscal year 2013-14. Approximately $4.5 million was expended on these three buildings in fiscal year 2013-14.

The new Charles W. Brown Planetarium is on track for substantial completion in October 2014. Made possible by the generosity of donors to Ball State University, the new planetarium will be an immersive theater where state-of-the-art technology transforms a 52-foot dome into a simulation of the night sky as seen from Earth and from space. Approximately $2.1 million was expended in fiscal year 2013-14.

Charles W. Brown Planetarium

The Dr. Joe and Alice Rinard Orchid Greenhouse is another project funded by the philanthropy of friends of the University. The greenhouse officially welcomed visitors for the first time in Spring 2014 when it became the new home to the University's Wheeler-Thanhauser Collection. In fiscal year 2013-14, $1.1 million was spent bringing this project to completion.

Dr. Joe and Alice Rinard Orchid Greenhouse

Additional modules continue to be added to the University's new Enterprise Resource Planning (ERP) system. This new system, once completed, will allow for better collaboration and sharing of information from finance, human resources, student services, and financial aid. Expenditures on the ERP system in fiscal year 2013-14 totaled $3.1 million.

Current operating funds were utilized to purchase $5.0 million in capital equipment, some of which replaced mostly fully-depreciated equipment dispositions originally costing $2.9 million.

The University is committed to maintaining its capital assets in good condition. This is accomplished through comprehensive planning for facilities upkeep. Although the physical age of many of the campus buildings is in excess of 40-60 years, long-range planning has allowed for funding to keep these facilities in the best condition possible. The next section on net position describes the components of this planning in more detail.

Net Position

The net investment in capital assets of the University accounts for $420.4 million of its net position. In addition, the University had other net positions totaling $305.6 million as of June 30, 2014. This included $41.1 million in restricted net position which was comprised of: $0.9 million in nonexpendable endowment restricted for student scholarships, $3.7 million restricted for debt service, $2.5 million restricted for student loans, $30.4 million restricted for construction, and $3.6 million restricted for external grants. Restricted net position increased by $19.3 million, primarily due to the issuance of new debt for the renovation of Johnson A Residence Hall and completion of the Central Campus Academic Renovation and geothermal conversion projects.

Aside from capital assets and restricted net position, the remaining $264.6 million of net position is in unrestricted net position. Unrestricted net position is not subject to externally imposed restrictions. However, the unrestricted net position is 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. Unrestricted net position decreased by $5.7 million over the prior fiscal year, primarily due to a $10.0 million extraordinary investment loss, a $2.8 million decrease in the reserve for land acquisitions, and a $1.8 million decrease in the reserve for academic building maintenance, partially offset by a $12.6 million increases in reserves for non-state supported buildings.

Stewardship and Renewal of Capital Assets

The campus facilities of Ball State University have a current replacement value of approximately $2.2 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 108 elevators, 406 general-purpose classrooms wired for technology, and complex mechanical operating systems in each structure. The average building at Ball State University is 44 years old. The University also owns over 1,000 acres of land, approximately 731 of which are developed. Under the ground, the University has nearly 20 miles of steam, condensate and chilled water piping, nearly 26 miles of sewers, over 14 miles of water piping, over 50 miles of

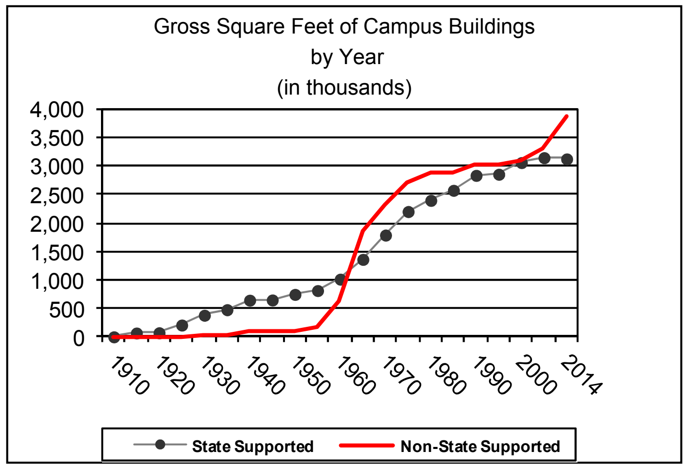
North District Energy Station

electrical power distribution wiring and over 5,338 miles of communication cable to connect buildings. Much of this infrastructure is located in the over half a million cubic feet of utility tunnels on campus. In addition, the thousands of boreholes drilled to date for the geothermal conversion project include over 730 miles of loop piping. Above the ground, the University has 1,489 outside lighting poles, over 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 the Facilities Planning & Maintenance staff of the University is responsible for ensuring that the assets are kept in excellent condition.

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. The University is committed to a systematic plan of ongoing renewal of campus facilities and infrastructure systems. This commitment is evidenced by Ball State University's strategic initiative of creating a vibrant and supportive campus atmosphere.

State Supported Academic and Administrative Buildings

Campus buildings which serve a primarily academic or administrative purpose are generally funded through bond financing, state appropriations allocated on a biennial basis by the Indiana General Assembly, or philanthropic support. As shown in the accompanying graph, approximately 45.0 percent of the campus square footage is dedicated to academic and administrative uses. As the "state supported" moniker suggests, the upkeep of these buildings is intended to be funded by the State of Indiana In reality, state funding for repair and rehabilitation of these spaces has been reduced over the last several biennia, leading to increased deferred maintenance needs. Deferred maintenance needs are addressed with internal funds when available and occasionally through large scale renovation projects such as the Central Campus Academic Renovation and Utilities Improvement Project which was discussed earlier. The University has also set aside approximately $3.6 million of internal funds 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 built and maintained without state funds. These "non-state supported" facilities include dining and residence halls, parking facilities, the student center, performance venues, athletic facilities, and conference venues. These non-state supported buildings play a critical role in achieving the University's mission of fostering educational, cultural, and social development in the student body and the community. Non-state supported buildings have a current replacement value of approximately $0.9 billion. Between now and 2021, approximately $172.4 million, in current dollars, is planned or underway for investment in renewal projects on these facilities. As of the end of fiscal year 2013-14, $94.7 million has been allocated from auxiliary operations revenues and student fees for the stewardship and renewal of these facilities. The following tables list major non-state supported projects currently underway or in the planning process for the next few years.

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

	Budget (in millions)
Johnson A Renovation	$ 35.7
	-
Total Major Projects in Progress	$ 35.7

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

	Budget (in millions)
Johnson B Renovation	$ 38.0
McKinley Commons	25.9
Total Major Projects in Planning	$ 63.9

Since the University receives no state funding for the repair and rehabilitation of these facilities, the University, for many years, has followed a very strategic and pragmatic plan for maintaining these facilities. The underlying premise of the plan is an independent study done jointly by the Society for College and University Planning, the National Association of College and University Business Officers, and the Association of Physical Plant Administrators of Universities and Colleges and sponsored by the Lilly Endowment *(Financial Planning Guidelines for Facility Renewal and Adaption)*. This study 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. This approach has allowed the University to 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 principle 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.

The success of this pragmatic approach is validated by the evolution of the University's residence hall and dining facilities system. Over the past several years, the facilities in the residence hall and dining system have been systematically renovated or replaced as they reach the end of their useful lives. These improvements have been financed utilizing residence and dining revenues accumulated over many years, together with debt to be serviced utilizing future residence and dining revenues. The result has been an offering of on-campus residence and dining facilities with the type of accommodations that students attending college today expect at room and board rates that are competitive with other housing and dining options available to students.

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

Of the $94.7 million set aside for the stewardship and renewal of non-state supported facilities, approximately $48.6 million is specifically for repair and rehabilitation of residence and dining hall facilities. Over the last seven years, two new residence halls, Park Hall in 2007 and Kinghorn Hall in 2010, have opened. DeHority Complex and Studebaker East have both been completely renovated during that time, and a complete renovation of Johnson A Residence Hall is now underway. These new and renovated accommodations have proven to be very popular with students. Overall, residence halls occupancy rates were at 93.5 percent for Fall 2013. Following the renovation of Johnson A, which is currently underway, future renovation plans include the neighboring Johnson B Residence Hall and Elliott Hall, as well as future construction of residence hall space to replace the aging LaFollette Complex. Dining options have also been upgraded over the past few years, with renovations to Noyer Dining and Woodworth Commons and new offerings throughout campus including Starbucks, Taco Bell, and Quizno's. The current replacement value for the residence hall and dining facilities is $676.1 million. Over the next seven years, the University plans to use more than $140.7 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 the Johnson Halls Complex and construction of future residence halls to replace the aging and deteriorating LaFollette Complex.

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 $59.0 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 $3.8 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 $5.7 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 $204.2 million. A renewal plan for each of these buildings is updated annually. Over $42.2 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 $26.1 million in current dollars will be used from this account for regular ongoing capital renewal projects.

Emens Auditorium

The University is wrapping up a comprehensive campus master planning process that will develop strategic goals, guiding principles and priorities for the development and use of facilities over the next several decades. As part of this process, the University has solicited broad and active input from current students, alumni, faculty and staff, and the community. 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 $12.3 million for further development of the campus.

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 Information Technology. 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 $12.5 million for cyclical updates of this equipment as well as for automating other campus systems, such as the library circulation system.

Students Working with Technology

As discussed in the Capital Assets section, the University is updating its Enterprise Resource Planning (ERP) system. The University has implemented a phased roll-out of various modules including Finance, Recruiting and Admissions, Human Resources, Registration, Accounts Receivable, Campus Portal, Data Warehouse solution, and various student system components. 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. The core components of the ERP system have been fully implemented. The primary systems still to be updated include the CRM, replacement of the Advancement system, and HR Applicant Tracker. Approximately $14.1 million remains allocated for costs related to these endeavors.

Approximately $12.9 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 and furnishings and equipment for academic buildings.

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, 2014, self-insurance reserves total $13.2 million, of which $10.6 million pertains to the self-insured health care plan for employees, retirees, and their families. Of the $10.6 million reserve for health claims, $6.3 million represents claims that were incurred but not yet paid as of year-end, while $4.3 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 $2.6 million in insurance reserves includes $1.0 million for the employee and retiree life insurance plan and $1.6 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 $8.8 million in prepaid retiree health care expense, a decrease of $0.2 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 reimbursed 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 $15.9 million.

The University has allocated $3.4 million, or 1.0 percent of the fiscal year 2013-14 general fund budget, 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.

The University has also designated funds to be used for various academic initiatives. As part of a matching grant agreement, approximately $2.8 million will be used primarily for on-going programs at the Marilyn K. Glick Center for Glass. In addition, $5.9 million has been designated to assist with strategic plan initiatives.

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, 2014, these balances totaled $64.2 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, 2014, the adjustment was negligible.

Change in Net Position

The following is a summary of the revenues and expenses resulting in the changes in net position for the year ended June 30, 2014. Note that, for purposes of this statement, state appropriations are considered non-operating revenues.

Change in Net Position
Year Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues	$ 250,325,765	$ 251,330,630
Operating Expenses	444,560,887	421,135,527
Net Operating Income/(Loss)	$ (194,235,122)	$ (169,804,897)
Net Non-Operating Revenues	193,985,205	186,658,684
Other Revenue – Capital Appropriations and Gifts	18,347,004	3,658,732
Increase in Net Position Before Extraordinary Item	$ 18,097,087	$ 20,512,519
Loss from Extraordinary Item	(10,022,705)	-
Increase in Net Position After Extraordinary Item	$ 8,074,382	$ 20,512,519
Net Position - Beginning of Year	717,929,805	697,417,286
Net Position - End of Year	$ 726,004,187	$ 717,929,805

Operating Revenues

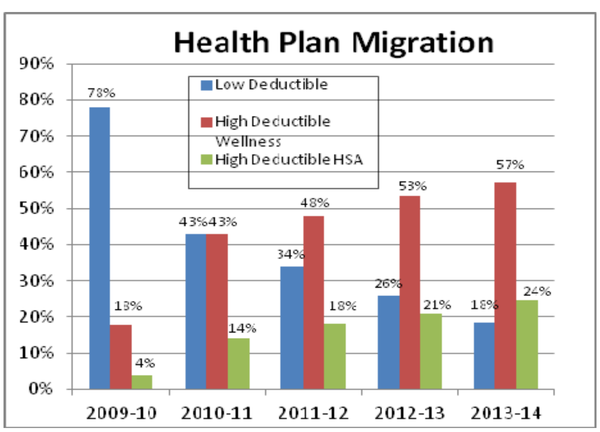
Operating revenues increase net position and include all transactions that result in sales and/or receipts from goods and services such as tuition and fees, housing, dining and athletics. In addition, federal, state and private grants are considered operating if they are not for financial aid or capital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

Gross student tuition and fees for fiscal year 2013-14 increased 2.5 percent while scholarship allowances increased by 11.3 percent resulting in a net revenue decrease of $2.3 million or 1.5 percent as a result of a modest rate increase, slight enrollment decreases and a large increase in scholarship allowances. Auxiliary enterprise revenue, including housing and dining net revenues, increased $3.4 million due primarily to an increase in other auxiliary enterprises. Other auxiliary enterprises includes: revenue from parking, athletic events, and cultural events which produced an increase of $2.8 million.

Grants and contracts revenue decreased by $2.6 million from the prior year to total $13.8 million for fiscal year 2013-14. The combined balances for sales and services of educational departments and other operating revenue resulted in a $0.5 million increase.

Operating Expenses

Operating expenses reduce net position and consist of all the costs necessary to perform and conduct the programs and primary purposes of the University. Included in this total are student aid payments of $4.4 million, which are in addition to $75.4 million and $5.9 million in scholarships and auxiliary fee allowances netted against tuition and fees revenue and room and board revenues, respectively. Overall, operating expenses increased $23.4 million over last year. Personnel services increased 3.4 percent or $7.3 million due largely from a 4.0 percent salary increase as well as adding new positions. The largest increase resulted from employee benefits that showed an increase of $9.6 million for fiscal year 2013-14. This increase was largely caused by catastrophic health care claims in excess of premiums in the University's self-insurance health care plans. Fiscal year 2013-14 also yielded a 5.7 percent or $4.6 million increase in other supplies and expense. The other supplies and expense balance includes: basic office supplies, insurance, certain contracts, postage, certain rental costs, software, minor equipment, travel and other expenses. Depreciation expense



increased by $0.8 million over the prior fiscal year. There were reductions for repairs and maintenance of $0.2 million and an increase in utilities of $1.0 million.

The largest area of uncertainty in budgeting operating expenses comes from managing the self-insurance health care plan. As more initiatives of the Patient Protection and Affordable Care Act come into effect, we try to anticipate the effects on health care expenses. The University is diligent in working to control costs and still provide competitive benefit rich plans. Employees receive an incentive to migrate to consumer driven heath care plans. The University has been able to reduce premiums paid by both employee and the University, while at the same time reducing medical claims in the consumer driven health care plans. Since fiscal year 2006-07, premiums have actually seen a reduction in two of the three health care plans offered by the University.

The University is committed to providing health enhancement wellness programs to employees to not only improve their level of health but also to improve their quality of life by 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, free tobacco cessation programs, and continuing to work with employees on managing their chronic health conditions. The University also continues to monitor and make appropriate changes to the various health plans to encourage good consumer behavior, such as use of generic drugs and preventative care to control costs, without adversely affecting medical care. Even with the increase in the healthcare actuarial liability, a contribution to the VEBA Trust was not necessary in fiscal year 2013-14.

Non-Operating Revenues and Expenses

Non-operating revenues increase net position, and non-operating expenses reduce net position. Non-operating revenues and expenses are generated from transactions that are primarily non-exchange in nature, consisting mainly of state appropriations, federal and state scholarships and grants, private gifts, interest expense and investment income (interest and dividend income and realized and unrealized gains and losses).

For fiscal year 2013-14, state operating appropriations distributed to the University increased by $2.0 million from $139.5 million to $141.5 million. Revenues from private gifts increased 1.2 percent to $7.3 million.

Federal and State Scholarships and Grants increased by $5.8 million. Other Non-Operating Income consists primarily of head count funds (formerly ADM receipts) for the Indiana Academy for Science, Mathematics and Humanities and for the Burris Laboratory School, plus a Medicare Retiree Drug Subsidy the total of which decreased $1.5 million. Investment income may fluctuate from day to day as the amounts reported are tied to market fluctuations and unrealized losses at any given time. At June 30, 2014, investment income increased by $2.0 million over the prior year.

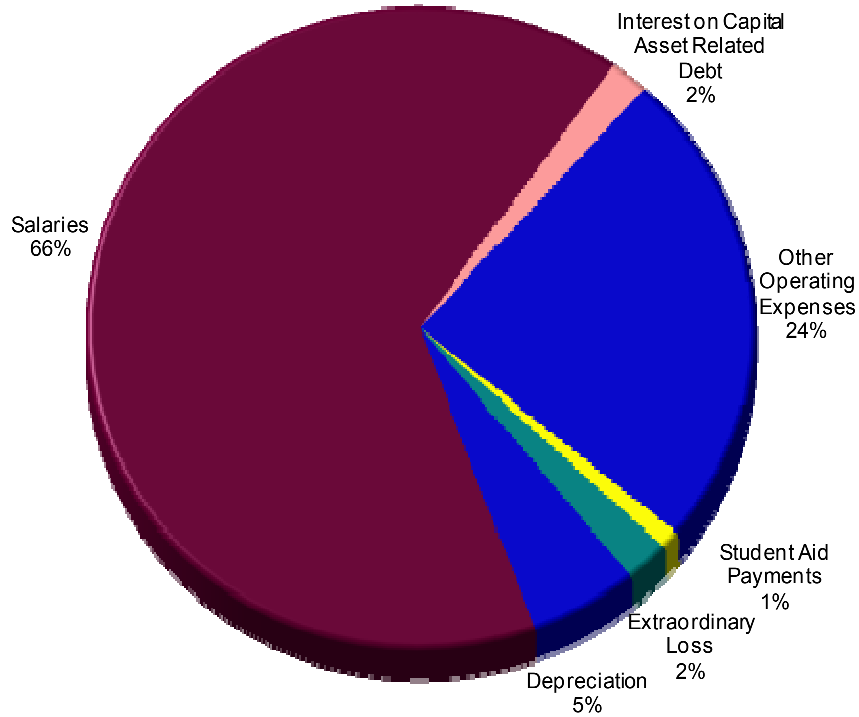
Other Revenues

Renewal and Replacement Appropriations (millions of dollars)					
2009	**2010**	**2011**	**2012**	**2013**	**2014**
$0.0	**$1.6**	**$2.5**	**$4.3**	**$0.0**	**$14.2**

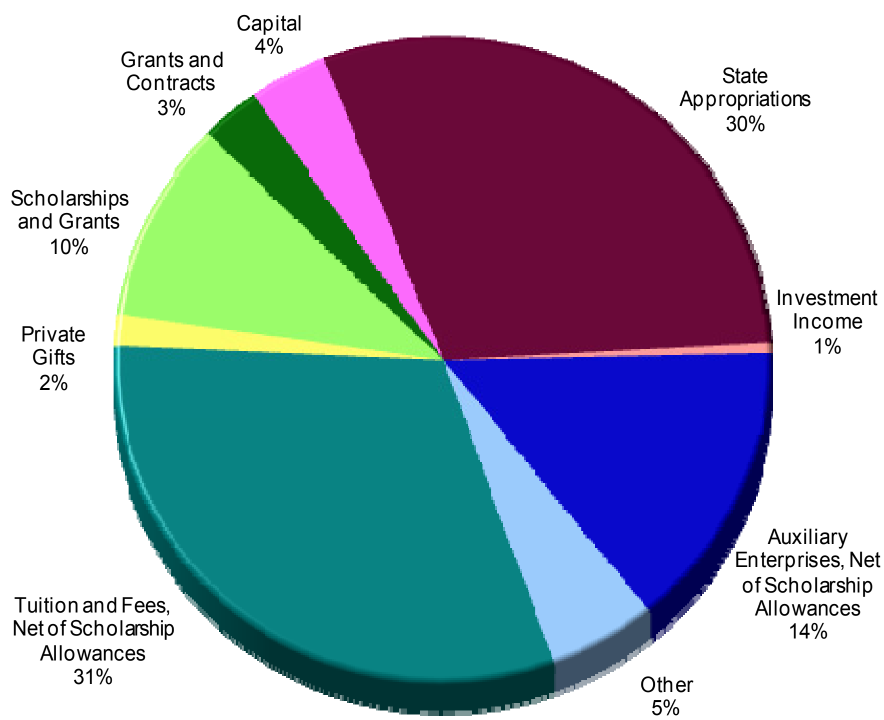
Other revenues increase net position and consist of capital appropriations, gifts and grants, as well as items that are typically non-recurring, extraordinary, or unusual to the University.

Capital renewal and replacement funds from the State of Indiana are appropriated on a biennial basis. The funding amount is based on a formula that takes into account the age, condition, and use of the campus facilities. In recent years, the state has not allocated full funding for capital renewal and replacement appropriations due to the financial condition of the state. Renewal and replacement appropriations received between 2010 and 2012 were from federal stimulus funds, which were fully expended as of the end of fiscal year 2011-12. Renewal and replacement appropriations received in fiscal year 2013-14 include $2.4 million in appropriations for general repair and rehabilitation and $11.8 million in draws against the $30.0 million appropriation for the University's geothermal conversion project. Capital gifts from the Ball State University Foundation totaled $4.1 million for various capital projects, including the new Dr. Joe and Alice Rinard Orchid Greenhouse, the Unified Media Lab, and the new Charles W. Brown Planetarium.

Total Expenses by Source



Total Revenues by Source



Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of the University during the period. Unlike the Statement of Revenues, Expenses and Changes in Net Position, 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, 2014 and 2013

	2014	2013
Cash and Equivalents Provided By/(Used In):		
Operating Activities	$ (162,669,962)	$ (150,939,796)
Non-Capital Financing Activities	188,239,256	202,627,926
Capital and Related Financing Activities	(8,282,170)	(45,153,046)
Investing Activities	(39,448,352)	(2,670,476)
Net Increase in Cash and Equivalents	$ (22,161,228)	$ 3,864,608
Cash and Equivalents – Beginning of Year	144,781,138	140,916,530
Cash and Equivalents – End of Year	$ 122,619,910	$ 144,781,138

The major components of cash flows provided from operating activities are tuition and fees and auxiliary enterprise activities (housing and dining fees). Tuition and fees and auxiliary enterprise activities showed a slight increase of $2.0 million than in the prior year due to a modest rate increase. 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 personnel services and benefits by $9.5 million and $9.0 million respectively. Payments for supplies remained constant at $77.6 million for both fiscal years 2013-14 and fiscal year 2012-13. In addition, payments for scholarships and fellowships doubled over the prior year from $2.6 million to $5.8 million in fiscal year 2013-14.

Cash flows provided from non-capital financing activities primarily reflect state appropriations received of $129.7 million and scholarships and grants from federal and state sources of $47.2 million.

Cash flows from capital financing activities reflect a decrease in cash for the year, due primarily to cash expenditures of $60.8 million for capital assets in fiscal year 2013-14, but were offset by the capital debt proceeds of $69.0 million. Debt service was $36.6 million in fiscal year 2013-14. Capital appropriations of $14.2 million were also a major component in fiscal year 2013-14.

Cash flows from investing activities, most of which consists of reinvesting the proceeds from investments as they mature, resulted in a net decrease in cash of $39.4 million as more funds were placed in long term investments at June 30, 2014, compared to June 30, 2013, while cash and cash equivalents were reduced by $22.2 million.

Economic Factors That Will Affect the Future

As a public university, Ball State University is obviously tied to the State of Indiana, which supplies a little less than 30.0 percent of the total financial resources in fiscal year 2013-14. State revenues for fiscal year 2013-14 were 0.1 percent above forecast and 0.4 percent below fiscal year fiscal year 2012-13 and slightly above forecast. State reserves remain quite high for the second year in a row in excess of $2.0 billion, or 13.7 percent of expenditures. The State of Indiana maintains an Aaa rating from Moody's and an AAA rating from Standard & Poor's, one of only 11 states with top rankings by both ratings agencies. State revenues are forecasted to continue to grow by 3.3 percent in fiscal year 2014-15.

For 2014, both Moody's and Standard and Poor's gave a negative outlook for U.S. not-for-profit private and public colleges and universities. In 2013, ratings downgrades far outpaced upgrades for the fifth consecutive year. Standard and Poor's further reported that downward rating momentum continued through the first half of calendar year 2014. Ball State University's rating, on the other hand, was upgraded in fiscal year 2010-11. That rating was confirmed in fiscal year 2011-12. In 2013, Ball State's ratings for student fee and housing and dining bonds rating was once again confirmed and the parking revenue bonds were upgraded. Presently, all of Ball State bonds are rated Aa3 (stable outlook) by Moody's and AA- (stable outlook) by Standard & Poor's.

In affirming the University's rating, Moody's cited Ball State's "recorded strong and consistent operating performance." Moody's also noted that "the University has a solid balance sheet cushion" and that the "Aaa rated State of Indiana has provided consistent operating and capital appropriation support". Standard & Poor's also cited the University's "[c]onsistently strong operating performance", as well as "[s]trong financial resource ratios" and also cited the University's "[s]teady student demand and stable enrollment." Ball State is well positioned to maintain its strong financial position into the future.

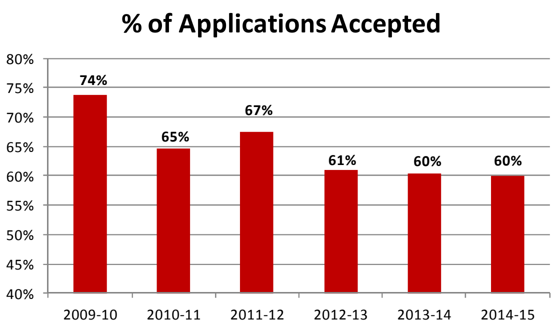
In Moody's 2013 higher education sector outlook, they note that management teams will be forced to make deeper and more structural expense reductions to adjust to long-term prospects of muted revenue growth. The University prides itself on being good stewards of taxpayer and student dollars. Based on 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. These are areas where the University has been able to make structural reductions in expenditures to both maintain the strong financial position of the University and to keep college affordable for students and families.

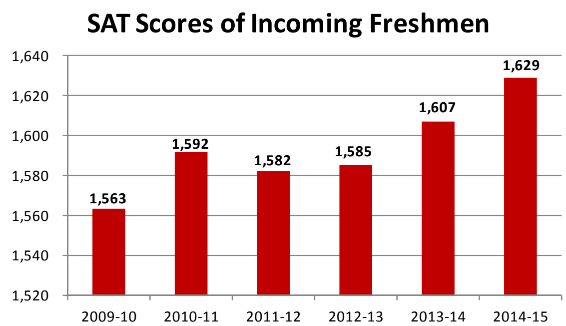
Students working in the Cooper Life Science Building

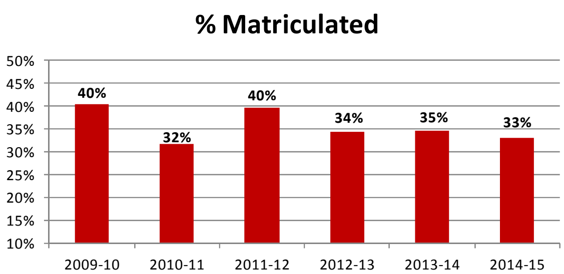
Since 2004, the State of Indiana has been utilizing a performance funding formula for higher education in one form or another. The formula is drafted and managed by the Indiana Commission for Higher Education (ICHE). ICHE uses the funding formula to recommend funding to the Indiana legislature for appropriations to the various public universities in the state. The funding formula has changed somewhat in each of the last six biennial budget cycles. The two constants in the funding formula have been to recommend increases in funding to campuses that increase the number of degrees awarded, primarily to resident undergraduate students, and to campuses that increase graduation rates. Because Ball State has focused on increasing the quality of the student body and the quality of our educational experiences, as opposed to the quantity of our student body, the university has not fared as well under the performance funding formula as some of the growing and larger campuses in the state in the most recent budget years. However, due to deliberate actions taken by the University to improve the quality of our student body, Ball State is currently performing quite well under the performance funding metrics.

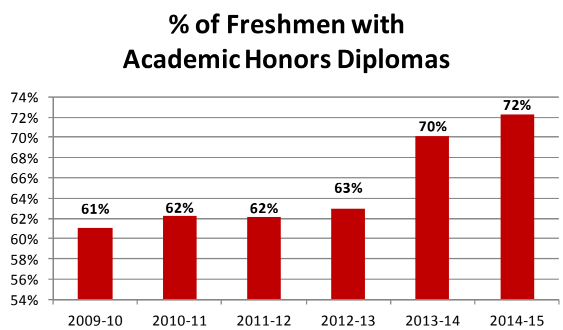
In the most recent manifestation of the performance funding formula, Ball State is classified as a research campus and earns funding under the formula primarily for an increase in the number of degrees awarded to resident students, increases in the number of "high-impact" degrees awarded to resident students (as chosen by ICHE, primarily in STEM disciplines), increases in the resident undergraduate four-year graduation rate, and some measure of efficiency. Ball State takes very seriously the goals set forth by ICHE in creating their budget recommendations. With an eye toward increasing the amount of funding that Ball State receives under the Performance Funding formula, while being true to our strategic direction of becoming better and not bigger, the University continues to focus on enrolling students who are increasingly better academically prepared. In part because of our increasing selectivity in student admissions, and in part through a concerted set of policy initiatives, the University's graduation and retention rates have been growing steadily and substantially. In fact, the Chronicle of Higher Education found that between 2002 and 2008, Ball State showed the sixth highest improvement in six-year graduation rate of any public research university in the country. In addition, since 2002, Ball State has had the fastest growing four-year graduation rate among all Indiana public universities.

The increase in selectivity of the University's student body is illustrated in the following charts:









Ball State also rolled out a four-point affordability plan in the fall of 2011, designed to both increase the graduation rate and to keep college affordable for students and families. The four-point plan included: (1) reducing the number of credit hours required for a baccalaureate degree from 126 to 120 for most majors; (2) allowing students to take on-line courses as part of the 12-18 credit hour bracket for no additional charge, giving students the ability to complete more credit hours for less money and more flexibility in scheduling courses; (3) reducing the cost of summer school; and (4) granting a $500 Completion Scholarship to any resident student who graduated in four calendar years or less.

These policies and initiatives are expected to increase the performance of the University as measured in the performance funding formula. Indeed, going into the next state budget cycle Ball State shows progress on all but a single performance funding metric used by the state to fund research campuses. In addition to the funding under the performance funding formula, Ball State also receives a line item in the budget for the "Entrepreneurial College", which the Indiana General Assembly has funded quite generously over the past few years, increasing the appropriation from $1.0 million in fiscal year 2010-11 to $6.6 million in fiscal year 2013-14. The line item is considered an acknowledgement of the distinctive education that Ball State provides to Indiana, and recognition of the immersive and entrepreneurial education provided to its citizens.

Tuition and Enrollment

Ball State University has the second lowest tuition rate of any college in the Mid-American Conference and lower tuition than the University's two closest competitors for Indiana students. Total enrollment has increased by three percent since 2002-03. This increase in enrollment is attributable to aggressive recruitment of higher ability students. Increased quality of applicants has enabled Ball State to increase its admissions standards and selectivity.

L.A. Pittenger Student Center

Similarly, freshman retention has risen from 76.7 percent in Fall 2007 to 81.7 percent in Fall 2014. By extracting 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 in the form of scholarships, grants, student employment and remitted fees have more than doubled since 2003-04 and have grown at a higher rate than tuition charges have grown.

Gifts and Other Revenue

Following the successful Ball State Bold capital campaign which exceeded its $200.0 million goal by more than $10.8 million, the University has embarked on a smaller athletics campaign titled *Cardinal Commitment: Developing Champions*. The $20.0 million campaign is intended to improve the athletic facilities for football, baseball, softball, volleyball, golf and basketball. Although the campaign close is not until December 2014, the University has already raised over 95.0 percent of the funds in gifts or pledges as of June 30, 2014.

Cardinal Baseball Field

Fiscal year 2013-14 brought $18.2 million in external dollars to Ball State University in the form of sponsored programs, slightly less than the prior fiscal year. 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.

Conclusion

In summary, as the financial statements indicate, the University has been an effective steward of the human, physical and financial resources entrusted to it, based on a planned approach to addressing long-term needs and liabilities while facing shorter-term challenges not unlike other public institutions nationwide. In addition, Ball State's distinctive educational offerings, solid financial position, efficient operations and growing reputation make the University well positioned for the future. With the 2007-12 Strategic Plan now completed and the new 2012-17 Strategic Plan well underway, the University has a solid plan 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.

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Ball State University

Statement of Net Position
As of June 30, 2014 and 2013

	2014	2013
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 122,619,910	$ 144,781,138
Short Term Investments	-	22,399,893
Accrued Interest Receivable – Investments	286,118	326,081
Accounts Receivable, Net, and Unbilled Costs (Note C)	36,692,686	24,058,602
Inventories	1,263,335	1,296,776
Deposit with Bond Trustee	18,250,994	15,429,830
Notes Receivable, Net	1,413,342	1,596,726
Prepaid Retiree Benefits (Note I)	8,840,970	9,080,422
Prepaid Expenses	1,907,721	3,288,374
Total Current Assets	$ 191,275,076	$ 222,257,842
Noncurrent Assets:		
Endowment Investments	$ 1,502,197	$ 1,492,528
Accounts and Notes Receivable, Net	9,033,278	9,579,113
Other Long Term Investments (Note H)	162,963,121	108,691,074
Capital Assets, Net (Note D)	630,215,193	594,652,356
Total Noncurrent Assets	$ 803,713,789	$ 714,415,071
Total Assets	$ 994,988,865	$ 936,672,913
Liabilities:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 25,439,510	$ 20,488,698
Deposits	7,596,670	7,247,724
Unearned Revenue	538,592	850,816
Long Term Liabilities – Current Portion (Note E)	13,350,000	11,475,000
Total Current Liabilities	$ 46,924,772	$ 40,062,238
Noncurrent Liabilities:		
Liability for Compensated Absences (Note B)	$ 7,357,362	$ 7,469,745
Perkins Loan Program – Federal Capital Contribution	8,881,337	9,027,549
Long Term Liabilities, Net (Note E)	205,821,207	162,183,576
Total Noncurrent Liabilities	$ 222,059,906	$ 178,680,870
Total Liabilities	$ 268,984,678	$ 218,743,108
Net Position:		
Net Investment in Capital Assets	$ 420,355,193	$ 425,877,356
Restricted for:		
Nonexpendable Scholarships	905,340	1,221,392
Expendable:		
Debt Service	3,660,626	6,448,040
Loans	2,478,312	2,866,919
Construction	30,455,588	7,751,670
External Grants	3,561,430	3,475,339
Unrestricted	264,587,698	270,289,089
Total Net Position	$ 726,004,187	$ 717,929,805
Total Liabilities and Net Position	$ 994,988,865	$ 936,672,913

Ball State University Foundation

Consolidated Statements of Financial Position
As of June 30, 2014 and 2013

	2014	2013
Assets:		
Cash	$ 1,375,111	$ 379,205
Contributions Receivable, Net	12,443,413	16,215,568
Investments	203,500,789	182,729,475
Investments Held in Split-Interest Agreements	2,426,377	2,197,928
Beneficial Interest in Remainder Trusts	1,115,392	1,051,210
Other Assets	712,795	936,399
Cash Surrender Value of Life Insurance	1,680,737	1,736,952
Property and Equipment	9,994,275	8,599,539
Beneficial Interest in Perpetual Trusts	2,638,989	2,518,316
Total Assets	$ 235,887,878	$ 216,364,592
Liabilities:		
Accounts Payable	$ 7,490,833	$ 6,238,867
Accrued Expenses	200,445	177,970
Notes Payable	340,000	-
Line of Credit	1,200,000	6,550,000
Term Note Payable	4,300,000	5,300,000
Annuity Obligations	2,390,713	2,439,071
Trust Obligations	715,245	609,789
Bonds Payable	10,000,000	10,000,000
Total Liabilities	$ 26,637,236	$ 31,315,697
Net Assets:		
Unrestricted	$ 9,102,051	$ (3,924,889)
Temporarily Restricted	128,979,787	118,403,404
Permanently Restricted	71,168,804	70,570,380
Total Net Assets	$ 209,250,642	$ 185,048,895
Total Liabilities and Net Assets	$ 235,887,878	$ 216,364,592

See Note A in Notes to Financial Statements

Ball State University

Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues:		
Student Tuition and Fees	$ 222,842,172	$ 217,476,258
Scholarship Allowances	(75,433,696)	(67,776,493)
Net Student Tuition and Fees	$ 147,408,476	$ 149,699,765
Federal Grants and Contracts (Note C)	6,158,114	6,836,429
State & Local Grants and Contracts	1,684,823	2,471,052
Non-Governmental Grants and Contracts	5,994,425	7,146,986
Sales and Services of Educational Departments	9,941,338	12,759,993
Auxiliary Enterprises:		
Residential Life (Net of Scholarships and Allowances: 2014 - $6,010,807; 2013 - $5,931,304)	57,438,723	56,819,743
Other	10,848,762	8,038,457
Other Operating Revenues	10,851,104	7,558,205
Total Operating Revenues	$ 250,325,765	$ 251,330,630
Operating Expenses:		
Personnel Services	$ 223,401,128	$ 216,089,205
Benefits (Note I)	79,491,469	69,903,749
Utilities	13,147,394	12,197,026
Repairs and Maintenance	13,435,936	13,676,386
Other Supplies and Expenses	86,048,964	81,428,222
Student Aid	4,400,138	4,027,667
Depreciation	24,635,858	23,813,272
Total Operating Expenses	$ 444,560,887	$ 421,135,527
Operating Income/(Loss)	$ (194,235,122)	$ (169,804,897)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants (Note C)	$ 47,183,397	$ 41,402,424
State Appropriations (Note C)	141,538,979	139,513,297
Investment Income	2,416,213	399,241
Interest on Capital Asset Related Debt	(8,703,514)	(7,651,334)
Private Gifts	7,299,442	7,212,364
Other Non-Operating Income (Note C)	4,250,688	5,782,692
Net Non-Operating Revenues/(Expenses)	$ 193,985,205	$ 186,658,684
Income Before Other Revenues, Expenses, Gains or Losses	$ (249,917)	$ 16,853,787
Capital Appropriations (Note C)	14,220,896	-
Capital Gifts	4,126,108	3,658,732
Increase in Net Position Before Extraordinary Item	$ 18,097,087	$ 20,512,519
Extraordinary Item:		
Loss from Extraordinary Item	$ (10,022,705)	$ -
Increase in Net Position After Extraordinary Item	$ 8,074,382	$ 20,512,519
Net Position – Beginning of Year	717,929,805	697,417,286
Net Position – End of Year	$ 726,004,187	$ 717,929,805

Ball State University Foundation

Consolidated Statements of Activities

Years Ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:								
Contributions	$ 1,759,285	$ 15,007,080	$ 462,796	$ 17,229,161	$ 904,390	$ 16,506,253	$ 507,990	$ 17,918,633
Promotional Activities and Other Revenue	45,954	-	-	45,954	12,016	-	-	12,016
Investment Income (Loss)	16,696,193	11,746,902	205,430	28,648,525	7,194,819	12,538,175	200,343	19,933,337
Change in Value of Split-Interest Agreements	105,557	271,400	197,272	574,229	46,824	578,688	150,080	775,592
Rental and Other Income	836,086	-	-	836,086	591,922	-	-	591,922
Operating Support Fees	1,424,310	(1,420,001)	(4,309)	-	1,222,096	(1,216,859)	(5,237)	-
	$ 20,867,385	$ 25,605,381	$ 861,189	$ 47,333,955	$ 9,972,067	$ 28,406,257	$ 853,176	$ 39,231,500
Net Assets Released from Restrictions	15,291,763	(15,028,998)	(262,765)	-	13,027,389	(12,970,590)	(56,799)	-
Total Revenues, Gains and Other Support	$ 36,159,148	$ 10,576,383	$ 598,424	$ 47,333,955	$ 22,999,456	$ 15,435,667	$ 796,377	$ 39,231,500
Expenses:								
University Programs	$ 17,105,342	$ -	$ -	$ 17,105,342	$ 15,645,886	$ -	$ -	$ 15,645,886
Management and General	2,576,195	-	-	2,576,195	2,009,594	-	-	2,009,594
Fund Raising	3,450,671	-	-	3,450,671	3,546,563	-	-	3,546,563
Total Expenses	$ 23,132,208	$ -	$ -	$ 23,132,208	$ 21,202,043	$ -	$ -	$ 21,202,043
Change in Net Assets	$ 13,026,940	$ 10,576,383	$ 598,424	$ 24,201,747	$ 1,797,413	$ 15,435,667	$ 796,377	$ 18,029,457
Net Assets, Beginning of Year	(3,924,889)	118,403,404	70,570,380	185,048,895	(5,722,302)	102,967,737	69,774,003	167,019,438
Net Assets, End of Year	$ 9,102,051	$ 128,979,787	$ 71,168,804	$ 209,250,642	$ (3,924,889)	$ 118,403,404	$ 70,570,380	$ 185,048,895

Ball State University

Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Source / (Uses) of Cash:		
Operating Activities:		
Tuition and Fees	$ 146,328,678	$ 145,530,835
Grants and Contracts	15,616,730	11,341,743
Payments to Suppliers	(77,586,626)	(77,633,035)
Payment for Maintenance and Repair	(13,435,936)	(13,676,386)
Payments for Utilities	(13,147,394)	(12,197,026)
Payments for Personnel Services	(223,220,731)	(213,764,786)
Payments for Benefits	(80,433,394)	(71,342,785)
Payments for Scholarships and Fellowships	(5,797,702)	(2,576,431)
Auxiliary Enterprise Charges:		
Room and Board	57,468,099	56,273,029
Other	10,848,762	7,911,841
Sales and Services of Educational Activities	9,993,576	11,638,870
Other Receipts/Disbursements/Advances	10,695,976	7,554,335
Net Cash Provided/(Used) by Operating Activities	$ (162,669,962)	$ (150,939,796)
Non-Capital Financing Activities:		
Federal and State Scholarships and Grants	$ 47,183,397	$ 41,402,424
State Appropriations	129,691,793	139,617,526
William D. Ford Direct Lending Receipts	121,019,726	133,890,006
William D. Ford Direct Lending Disbursements	(120,640,549)	(125,842,327)
Private Gifts	6,734,201	7,777,605
Foundation Receipts	1,893,070	1,879,023
Foundation Disbursements	(1,893,070)	(1,879,023)
Other Non-Operating Revenue	4,250,688	5,782,692
Other Receipts	-	-
Net Cash Provided/(Used) by Non-Capital Financing Activities	$ 188,239,256	$ 202,627,926
Capital Financing Activities:		
Proceeds from Capital Debt	$ 69,000,000	$ -
Capital Appropriations	14,220,896	-
Capital Gifts	4,126,108	3,658,732
Unamortized Bond Premium	4,654,573	(258,391)
Purchases of Capital Assets	(60,844,069)	(29,656,604)
Principal Paid on Capital Debt	(27,915,000)	(11,415,000)
Interest Paid on Capital Debt	(8,703,514)	(7,651,334)
Deposits with Trustee	(2,821,164)	169,551
Net Cash Provided/(Used) by Capital Financing Activities	$ (8,282,170)	$ (45,153,046)
Investing Activity:		
Proceeds from Sales and Maturities of Investments	$ 156,374,216	$ 103,055,705
Interest on Investments	1,877,396	(726,181)
Purchase of Investments	(197,699,964)	(105,000,000)
Net Cash Provided/(Used) by Investing Activities	$ (39,448,352)	$ (2,670,476)
Net Increase/(Decrease) in Cash	$ (22,161,228)	$ 3,864,608
Cash – Beginning of the Year	144,781,138	140,916,530
Cash – End of the Year	$ 122,619,910	$ 144,781,138

Ball State University

Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of Net Operating Revenues/(Expenses) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	$ (194,235,122)	$ (169,804,897)
Adjustments to Reconcile Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	24,635,853	23,813,272
Equipment Retired	645,379	518,114
Changes in Assets and Liabilities:		
Operating Receivables, Net	(600,834)	3,685,821
Inventories	33,441	159,131
Other Assets	1,620,105	(452,734)
Accounts Payable	4,723,870	(6,871,397)
Deferred Revenue	(312,224)	543,625
Deposits Held for Others	202,734	(2,753,206)
Compensated Absences	(112,383)	(229,583)
Advance on Long Term Grants	-	-
Long Term Accounts and Notes Receivable	729,219	452,058
Net Cash Provided/(Used) by Operating Activities	$ (162,669,962)	$ (150,939,796)

Ball State University Foundation

Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

		2014		2013
Operating Activities:				
Change in Net Assets	$	24,201,747	$	18,029,457
Items not Requiring/(Providing) Cash:				
Depreciation and Amortization		241,283		149,362
Bad Debts		285,392		164,129
Net Realized and Unrealized Gains on Investments		(30,752,218)		(20,614,189)
Gain on Disposal of Property and Equipment		(234,667)		-
Change in Value of Trusts		(184,855)		(68,091)
Contributions of Marketable Equity Securities		(1,551,807)		(708,050)
Contributions Restricted for Long-Term Investment		(462,796)		(507,990)
Net Change in Value of Split-Interest Agreements		(171,351)		(97,833)
Changes In:				
Contributions Receivable, Including Amortization of Discount on Pledges Receivable		3,486,763		(3,716,369)
Other Assets		223,604		(325,205)
Accounts Payable and Accrued Expenses		1,614,441		1,246,655
Grants Payable		-		(741,508)
Net Cash Used in Operating Activities	$	(3,304,464)	$	(7,189,632)
Investing Activities:				
Purchase of Property and Equipment	$	(2,423,488)	$	(3,490,540)
Proceeds from Property & Equipment & Sale of Real Estate		1,022,136		790,665
Purchase of Investments		(24,913,134)		(31,309,396)
Sales and Maturities of Investments		36,445,845		39,659,122
Net Increase (decrease) in Cash Surrender Value of Life Insurance		56,215		(58,083)
Net Cash Provided by Investing Activities	$	10,187,574	$	5,591,768
Financing Activities:				
Net Borrowings (Payments) Under Lines of Credit Agreement	$	(6,350,000)	$	1,096,000
Proceeds from Contributions Restricted for Investment in Permanent Endowment		462,796		507,990
Net Cash Provided by (used in) Financing Activities	$	(5,887,204)	$	1,603,990
Net Increase in Cash	$	995,906	$	6,126
Cash-Beginning of the Year		379,205		373,079
Cash-End of Year	$	1,375,111	$	379,205
Interest Paid	$	293,046	$	243,908

See Note A in Notes to Financial Statements

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. 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 (GASB). The University has elected to report its financial results as a special-purpose government engaged only in business-type activities, using proprietary fund accounting and financial reporting. Required financial statements consist of:

Management's Discussion and Analysis
Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Statement of Cash Flows
Notes to Financial Statements
Required Supplemental Information other than Management 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 unearned income on the Statement of Net Position. Advances on exchange activities are recorded as unearned 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/Expenses

Operating revenues encompass all revenues from exchange transactions arising from the activities necessary to carry out the primary mission of the University, including tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprises net revenues. Revenues from investing activities, Ball State University Foundation donations, federal and state financial aid, and state appropriations are considered to be non-operating revenue.

Operating expenses encompass all expenses paid to acquire goods and services provided in return for operating revenues and to carry out the mission of the University. Examples include personnel services, benefits, and other supplies and expenses. Expenses are reported using natural classifications in the Statement of Revenues, Expenses and Changes in Net Position.

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, 2014, and June 30, 2013, were $7,276,948 and $7,217,258 respectively for accounts receivable. For notes receivable, the reserves were $2,263,265 and $2,045,265 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 is more than $100,000 or 20.0 percent of the building's replacement value and either extends the useful life of the building, changes the use or purpose of the original building, or expands the total square footage of the building. The University capitalizes equipment with a cost of $5,000 or more and a useful life in excess of one year. Construction costs that cross fiscal years are capitalized as Construction in Progress, but are not depreciated until the assets are placed in service. Non-capital equipment and facility costs, routine repairs, and maintenance are charged to operating expenses in the year the expense was incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally 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

Discrete 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 Financial Accounting Standards Board (FASB) standards, including *FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the 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 7: Line of Credit and Term Note Payable (complete reproduction)

The Foundation has a $15,000,000 unsecured revolving line of credit with a group of banks expiring in June 2015. At June 30, 2014, there was $1,200,000 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, 2014.

The Foundation also has a term loan facility that is due December 30, 2018. The line is unsecured, with a fixed interest rate of 3.30 percent. There was $4,300,000 borrowed against this facility at June 30, 2014. Repayments are $250,000 quarterly beginning in October 2010 and extending through December 2018, when the remaining balance outstanding is due.

Both of these agreements contain covenants, which include maintaining minimum net assets of $100,000,000. As of June 30, 2014, the Foundation was in compliance with the financial covenants.

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

Related Entities

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as required by *GASB Statement No. 14, The Financial Reporting Entity*. As additionally required by *GASB Statement No. 39*, *Determining Whether Certain Organizations Are Component Units*, organizations that raise and hold economic resources for the direct benefit of the University are included in the reporting entity. The reporting entity is further clarified by the addition of *GASB Statement No. 61*, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. A financial benefit or burden relationship must now also exist between the primary government and the component unit before it becomes part of the reporting entity. The University evaluates potential component units for inclusion in the reporting entity based on all of these criteria.

Service Concession Agreements

The University has entered into agreements with various vendors. They are all considered Service Concession Agreements as Ball State University is the transferor and each of these entities is recognized as an operator under *GASB Statement No. 60*, *Accounting and Financial Reporting for Service Concession Agreements*. However, none of the agreements have resulted in significant deferred inflows or outflows of resources that would require further disclosure as of June 30, 2014.

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, and 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.

From the inception of the 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.

ARRA funds received or those due from ARRA projects that have been started and not reimbursed are recorded on the financial statements. The receivable revenue equals the amount of the unreimbursed expenditures for the Office of Contracts and Grants. The Accounts Receivable, Net and Unbilled Costs from the Statement of Net Position, includes $38,821 of ARRA receivables at June 30, 2014.

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

	2014	2013
Operating Revenues:		
Federal Grants and Contracts *	$ 38,821	$ (1,362)
Total ARRA Operating Revenues and Receivables	$ 38,821	$ (1,362)
Non-Operating Revenues/(Expenses):		
Federal and State Scholarship and Grants	$ -	$ -
State Appropriations	-	-
Other Non-Operating Income	-	-
Total ARRA Non-Operating Revenues	$ -	$ -
Capital Appropriations	$ -	$ -
Total ARRA Funding	$ 38,821	$ (1,362)

*ARRA revenue adjusted in FY 2012 and FY 2013 for overstatement in FY 2011, resulting in negative revenue listed for FY 2012 and FY 2013.

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, 2013	Additions	Deductions	CIP Transfers	Book Value June 30, 2014
Land and Inexhaustible Improvements	$ 15,022,049	$ 796,482	$ -	$ -	$ 15,818,531
Exhaustible Land Improvements	39,383,257	926,134	-	627,434	40,936,825
Infrastructure	76,944,315	-	-	-	76,944,315
Educational Buildings	331,766,920	4,906,313	-	62,729	336,735,962
Utility Buildings	23,919,763	60,069	-	-	23,979,832
Educational Equipment	49,053,011	3,362,948	2,439,588	-	49,976,371
Auxiliary Enterprise Buildings	349,457,399	939,603	-	-	350,397,002
Auxiliary Enterprise Equipment	12,062,379	1,659,225	509,333	-	13,212,271
Construction in Process (CIP)	10,076,604	47,557,739	-	(690,163)	56,944,180
Other Property	1,274,156	427,801	-	-	1,701,957
Software	17,838,387	207,755	-	-	18,046,142
Total	$ 926,798,240	$ 60,844,069	$ 2,948,921	$ -	$ 984,693,388
Less Accumulated Depreciation:					
Infrastructure	$ 13,745,389	$ 2,415,103	$ -		$ 16,160,492
Exhaustible Land Improvements	18,847,498	1,375,336	-		20,222,834
Educational Buildings	136,626,544	6,748,612	-		143,375,156
Utility Buildings	9,209,567	477,773	-		9,687,340
Educational Equipment	38,812,431	3,328,596	2,096,739		40,044,288
Auxiliary Enterprise Buildings	103,121,715	7,082,806	-		110,204,521
Auxiliary Enterprise Equipment	9,252,324	948,103	206,808		9,993,619
Other Property	172,238	34,102	-		206,340
Software	2,358,178	2,225,427	-		4,583,605
Total	$ 332,145,884	$ 24,635,858	$ 2,303,547		$ 354,478,195
Capital Assets, Net	$ 594,652,356	$ 36,208,211	$ 645,374		$ 630,215,193

Note E – Bonds Payable

Long term liabilities reported in the Statement of Net Position include principal obligations for outstanding bonds and the noncurrent portions of premiums received on certain bond series and unamortized deferred costs. The premiums are being amortized over the life of each series and reduce the recorded interest expense. The deferred costs represent losses on refunding of previous debt and are amortized over the shorter of the life of the old or new debt. The current portions of Unamortized Premium on Bonds and Unamortized Deferred Costs are reflected in the Statement of Net position as Accounts Payable and Accrued Liabilities. Issuance costs were expensed in the year incurred during fiscal year 2013-14. Additionally, any previous issuance costs with unamortized balances were expensed in the fiscal year 2013-14 pursuant to GASB Statement 65. The University's financial statements were not adjusted retroactively for this change due to materiality thresholds.

	Long Term Liabilities			
	June 30, 2014		June 30, 2013	
	Current Portion	Noncurrent Portion	Current Portion	Noncurrent Portion
Outstanding Bonds Payable	$ 13,350,000	$ 196,510,000	$ 11,475,000	$ 157,300,000
Unamortized Premiums on Bonds	672,916	9,311,207	445,970	5,071,159
Unamoritized Deferred Costs	(187,582)	-	(187,579)	(187,582)
Total	$ 13,835,334	$ 205,821,207	$ 11,733,391	$ 162,183,577

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.

Housing and Dining System Revenue Bonds, Series 2013, in the amount of $33,160,000 were dated and issued on October 8, 2013. Proceeds from the bonds were used to partially fund the renovation and expansion of Johnson A Residence Hall Complex.

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. Proceeds from Series Q bonds were used to fund Phase II of the Central Campus Renovation and Utilities Improvement Project, a portion of the campus geothermal project, and to refund the outstanding Student Fee Bonds, Series M.

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.

Student Fee Bonds, Series Q, in the amount of $35,840,000, were dated and issued on October 21, 2013. Proceeds from Series Q bonds were used to fund Phase II of the Central Campus Renovation and Utilities Improvement Project, a portion of the campus geothermal project, and to refund the outstanding Student Fee Bonds, Series M.

Long term bonds outstanding at June 30, 2014, were:

	Date of Issue	Original Issue	Retired 2013-2014	Outstanding June 30, 2014
Revenue Bonds:				
Parking System Revenue Bonds of 2003:				
Current Interest Bonds, 2.00% to 5.00%	08/14/03	$ 3,985,000	$ 340,000	$ 2,355,000
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	1,500,000	24,780,000
Housing and Dining System Revenue Bonds of 2013:				
Current Interest Bonds, 3.00% to 5.00%	10/08/13	21,940,000	-	21,940,000
Term Bonds, 4.00% to 5.00%	10/08/13	11,220,000	-	11,220,000
Student Fee Bonds:				
Student Fee Bonds, Series I:				
Current Interest Bonds, 3.25% to 5.20%	01/12/99	38,770,000	1,260,000	130,000
Student Fee Bonds, Series K:				
Current Interest Bonds, 4.00% to 4.60%	01/03/02	5,700,000	-	-
Term Bonds, 5.25% to 5.75%	01/03/02	16,275,000	975,000	-
Student Fee Bonds, Series L:				
Current Interest Bonds, 3.00% to 5.50%	07/21/04	16,425,000	1,015,000	8,785,000
Student Fee Bonds, Series M:				
Current Interest Bonds, 3.00% to 5.00%	12/15/04	19,355,000	13,870,000	-
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	3,300,000	50,025,000
Student Fee Bonds, Series O:				
Current Interest Bonds, 3.00% to 5.25%	03/12/09	20,980,000	1,060,000	16,950,000
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	1,115,000	28,685,000
Student Fee Bonds, Series Q:				
Current Interest, 2.00% to 5.00%	10/21/13	35,840,000	1,555,000	34,285,000
Total Bonds		$ 334,385,000	$ 27,915,000	$ 209,860,000

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

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

	Principal	Interest and Capital Appreciation	Total
2015	$ 13,350,000	$ 9,563,141	$ 22,913,141
2016	11,970,000	9,076,950	21,046,950
2017	11,620,000	8,554,832	20,174,832
2018	12,170,000	7,988,906	20,158,906
2019	12,765,000	7,383,206	20,148,206
2020-2024	69,030,000	27,154,063	96,184,063
2025-2029	55,025,000	11,462,545	66,487,545
2030-2034	23,930,000	2,237,419	26,167,419
Total	$ 209,860,000	$ 83,421,062	$ 293,281,062

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.

Proceeds of Student Fee Bonds, Series Q, dated October 21, 2013, were used to refund the outstanding Student Fee Bonds, Series M and to provide funding for Phase II of the Central Campus Renovation and Utilities Improvement Project and a portion of the campus geothermal project. The refunding resulted in an accounting loss of $182,395 which was recognized during fiscal year 2013-14.

Through the refunding, the University reduced its aggregate debt service payment by $1,589,883, which will be realized over the next thirteen years. There was an economic gain (difference between the present values of the old and new debt service payments) of $1,318,070 on the refinancing activity. The entire gain on this transaction accrues to the State of Indiana in that it reduces the amount of fee replacement funds provided to the University by the State.

Under the terms of the escrow agreements, the University is relieved of all liability for the defeased issues. At June 30, 2014, the unpaid principal for the defeased Building Facilities Fee Bonds was $14,885,000, the entire amount of which matured on July 1, 2014.

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 $307,725 for the year ended June 30, 2014.

Future minimum lease payments on all significant operating leases with initial terms in excess of one year, as of June 30, 2014, are as follows:

	Future Lease Payments
2015	$ 353,192
2016	144,410
2017	8,443
2018	-
2019	-
Total	$ 506,045

Note H – Investments

Investments held in the name of the University at June 30, 2014, consisted of the following:

		Market
U.S. Government Agency Securities	$	162,893,015
Demand Deposit Accounts		130,351,440
Total Investments	$	293,244,455

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, 2014, the University held Agency Securities totaling $162.9 million comprised of the following:

		Market
Federal Home Loan Mortgage Corporation	$	44,610,665
Federal National Mortgage Association		67,124,045
Federal Home Loan Bank		42,906,160
Federal Agricultural Mortgage Corporation		3,501,295
Financing Corporation		4,750,850
Total Agency Securities	$	162,893,015

- Certificates of deposit held at banks and savings banks incorporated under the laws of Indiana and national banking associations with banking office in Indiana.
- 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, 2014, the University's interest-bearing deposit accounts totaled $130.4 million and were comprised of working capital and short-term investments at the following banks:

		Market
JP Morgan Chase	$	899,942
First Merchants Bank, N.A.		12,206,498
First Financial Bank		16,300,000
Fifth Third Bank		11,445,000
Mutual Bank		40,000,000
PNC Bank		35,500,000
The Huntington National Bank		14,000,000
Total Demand Deposit Accounts	$	130,351,440

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 with 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 Three Months	Greater than or Equal to Three 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	$ -	$ -	$ 162,893,015	$ 162,893,015
Demand Deposit Accounts	130,351,440	-	-	130,351,440
Total Investments	$ 130,351,440	$ -	$ 162,893,015	$ 293,244,455

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 Indiana Public Retirement System (INPRS) 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, 2014, there were 1,384 employees participating in PERF with an annual pay equal to $48,545,777.

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) 232-3882.

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

Annual Required Contribution	$	4,554,942
Interest on Net Pension Obligation		116,054
Adjustment to Annual Required Contribution		135,090
Annual Pension Cost	$	4,535,906
Contributions Made		4,569,568
Increase/(Decrease) in Net Pension Obligation	$	(33,662)
Net Pension Obligation, July 1, 2012		1,719,322
Net Pension Obligation, June 30, 2013	$	1,685,660

Contribution Rates:	
University	11.20%
Plan Members (Paid by BSU)	3.00%
Actuarial Valuation Date	6/30/2013
Actuarial Cost Method	Entry Age - Normal Cost
Amortization Method	Level Dollar, Closed Amortization Period
Amortization Period	30 years from 07-01-97
Asset Valuation Method	Smoothed Market Value Basis

Actuarial Assumptions (PERF)	
Projected Future Salary Increases	3.25%-4.5% (includes 3% wage inflation)
Cost-of-Living Adjustments	1.0% per year in retirement
Investment Rate of Return	6.75% (net of administration and investment expenses)

	Three Year Trend Information		
Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 4,795,184	67.72%	$ 636,812
2012	$ 4,971,515	78.12%	$ 1,719,322
2013	$ 4,535,906	100.74%	$ 1,685,660

The Schedule of Funding Progress, presented as required supplementary information 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.

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AL)	Excess/ (Unfunded) AL	Funded Ratio
07/01/2011	$ 44,630,032	$ 79,043,027	$ (34,412,995)	56.5%
07/01/2012	$ 39,422,688	$ 83,261,123	$ (43,838,435)	47.3%
07/01/2013	$ 34,781,644	$ 67,369,606	$ (32,587,962)	51.6%

Date	Covered Payroll	Excess/ (Unfunded) AL as a Percent of Covered Payroll
07/01/2011	$ 47,684,764	(72.2)%
07/01/2012	$ 50,333,747	(87.1)%
07/01/2013	$ 47,959,486	(67.9)%

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, 2014, there were 412 employees participating in TRF with annual pay equal to $23,420,742. 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, 2014, 2013, and 2012, were $2,436,635, $2,223,498, and $2,009,189, 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 (888) 526-1687.

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, 2014, the University contributed $11,992,431 to this plan for 1,546 participating employees with annual payroll totaling $111,348,662, and for fiscal year ended June 30, 2013, the University contributed $12,064,703 for 1,613 employees with payroll totaling $108,304,100.

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. Prior to fiscal year 2012-13, the plan would also permit participants to select a cash settlement option in lieu of life insurance that is equal to 40.0 percent of that life insurance. Payments were 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. During fiscal year 2012-13, it was determined to discontinue the cash settlement option. Therefore, beginning fiscal year 2013-14, the cash settlement option was no longer available. The fiscal year 2012-13 and remaining payments for fiscal year 2011-12 were accelerated and most were paid by June 30, 2013. However, there were some payments that were made in the first few months of fiscal year 2013-14. As of June 30, 2013, $306,761 was recorded as a liability representing payments to be made in fiscal year 2013-14 to employees who retired under the program. As of June 30, 2014, there is no remaining liability.

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, 2014, approximately 1,957 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, 2014, the University contributed $8,689,781 for current claims and estimated applicable administrative costs and an additional $2,811,362 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 $2,739,136 for health insurance and $40,690 for life insurance or approximately 25.0 percent of the total premiums assessed, through their required contributions, which for health insurance and dental insurance ranged, for those not eligible for Medicare, from $48.24 to $325.57 per month for single coverage and $125.13 to $725.43 for family coverage. For those eligible for Medicare, the monthly premiums were $100.84 for medical and prescription drug coverage and $9.56 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 $0.692 per $1,000 of coverage with the University paying 75.0 percent of the premium.

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	$	9,015,032
Interest on Net OPEB Obligation		(681,032)
Adjustment to Annual Required Contribution		(557,498)
Annual OPEB Cost	$	8,891,498
Contributions Made		8,652,046
Increase (Decrease) in Net OPEB Obligation	$	239,452
Net OPEB Obligation (Asset), Beginning of Year		(9,080,422)
Adjustment to OPEB Obligation (Asset) Beginning of Year		-
Net OPEB Obligation (Asset), End of Year	$	(8,840,970)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 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	6/30/2012	$ 6,644,670	119.9%	$ (7,704,014)
	6/30/2013	7,426,483	107.7%	(8,275,837)
	6/30/2014	8,435,393	102.6%	(8,492,491)
Life Insurance	6/30/2012	$ 438,859	84.7%	$ (369,869)
	6/30/2013	580,584	195.5%	(804,585)
	6/30/2014	456,105	0.0%	(348,480)

Funded Status and Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Acrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/13	$ 181,841,263	$ 203,498,679	$ 21,657,416	89.4%	$ 167,849,364	12.9%
Life	7/1/13	21,672,127	21,579,195	(92,932)	100.4%	$ 167,849,364	-0.1%
Total		$ 203,513,390	$ 225,077,874	$ 21,564,484	90.4%	$ 167,849,364	12.8%
Health	7/1/12	$ 155,839,955	$ 190,882,577	$ 35,042,622	81.6%	$ 161,982,678	21.6%
Life	7/1/12	20,062,555	22,828,391	2,765,836	87.9%	$ 161,982,678	1.7%
Total		$ 175,902,510	$ 213,710,968	$ 37,808,458	82.3%	$ 161,982,678	23.3%
Health	7/1/11	$ 156,645,643	$ 181,683,897	$ 25,038,254	86.2%	$ 157,397,746	15.9%
Life	7/1/11	21,487,762	22,261,030	773,268	96.5%	$ 157,397,746	0.5%
Total		$ 178,133,405	$ 203,944,927	$ 25,811,522	87.3%	$ 157,397,746	16.4%

As of June 30, 2013 (while using the July 01, 2013 actuarial valuation report), the health insurance plan was 89.4 percent funded. The actuarial accrued liability for benefits was $203,498,679, and the actuarial value of assets was $181,841,263, resulting in an unfunded actuarial accrued liability (UAAL) of $21,657,416. The covered payroll (annual payroll of active employees covered by the plan) was $167,849,364, and the ratio of UAAL to covered payroll was 12.9 percent. As of the same date, the life insurance plan was 100.4 percent funded. The actuarial accrued liability for benefits was $21,579,195, and the actuarial value of assets was $21,672,127, resulting in a surplus of funding equivalent to $92,900. The covered payroll (annual payroll of active employees covered by the plan) was $167,849,364, and the ratio of the UAAL to covered payroll was -0.1 percent which indicates the OPEB 115 Trust is over 100.0 percent funded at fiscal year end June 30, 2014.

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

Actuarial Methods and Assumptions

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

In the July 01, 2007, 2009, 2011 and 2013 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 Trust) 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 and 2011 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. The actuarial assumptions for 2013 include an annual healthcare cost trend rate with an initial 8.25 percent, decreasing to 7.5 percent the following year and decreasing incrementally thereafter to an ultimate rate of four percent after ten years. However, the dental care cost trend rate remains at a static four percent throughout the entire projection period. A payroll growth rate of four percent is assumed throughout. The actuarial value of the plan assets is market value for the VEBA Trust (Retiree Healthcare). The OPEB 115 Trust (Retiree Life Insurance) calculates actuarial value of the plan assets as market value adjusted for the value of the IBNP (Incurred But Not Processed claims) at year end. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 24 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, 2014:

Market Value at July 1, 2013	$	181,841,263
Transfer from Ball State University		-
Reinvested Net Earnings (Loss)		12,324,598
Unrealized Gain (Loss)		24,243,706
Fund Balance at June 30, 2014	$	218,409,567

These funds cannot under any circumstances revert to the University.

The OPEB 115 Trust Fund (formerly Life Insurance Continuance Fund) established for the sole purpose of funding future retiree life insurance benefits had the following activity for the year ended June 30, 2014:

Fund Balance at July 1, 2013	$	21,927,626
Transfer from Ball State University		-
Reinvested Net Earnings (Loss)		5,587,919
Unrealized Gain (Loss)		(2,803,357)
Death Claims and Related Charges		(1,245,959)
Fund Balance at June 30, 2014	$	23,466,229

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. Current financial statements provided by the chapter show 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. On June 18, 2009, the University guaranteed a term loan in the amount of $1,040,000 and a term note in the amount of $559,000. On January 2, 2014, the loan and note were consolidated with a reduction in the original interest rate at the request of the housing corporation and the consent of the University for a total consolidated loan of $1,068,957.13. Current financial statements provided by the chapter show the housing corporation has the ability to service the debt and meet its other financial obligations.

The University has outstanding commitments for capital construction contracts of $26,407,516 at June 30, 2014.

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 $6.3 million at June 30, 2014, was determined by our actuarial consultants. Claims activity for the year was as follows:

Unpaid Health Care Claims at July 1, 2013	$ 6,988,078
Claims Incurred	48,626,806
Claims Paid	49,272,856
Unpaid Health Care Claims at June 30, 2014	$ 6,342,028

Note M – Functional Expenses

The University's operating expenses by functional classification were as follows for fiscal year ended June 30, 2014:

	Natural Classification						
Functional Classification	Personnel Services	Benefits	Student Aid	Utilities	Supplies and Expenses Repairs and Maintenance	Depreciation	Total
Instruction	$ 97,129,329	$ 31,847,136	$ 47,390	$ 4,854	$ 16,635,892	$ -	$ 145,664,601
Research	3,479,785	900,721	11,877	700	2,071,747	-	6,464,830
Public Service	6,641,211	1,905,390	108,776	30,770	5,946,894	-	14,633,041
Academic Support	27,678,403	9,512,808	171,684	10,847	10,803,239	-	48,176,981
Student Services	6,778,556	2,316,425	2,364	1,690	6,989,619	-	16,088,654
Institutional Support	39,416,468	11,125,450	428,600	-	18,427,791	-	69,398,309
Oper & Maint of Physical Plant	12,944,715	6,068,778	-	12,298,934	5,807,937	-	37,120,364
Scholarships & Fellowships	1,655,102	868,040	2,641,947	-	236,031	-	5,401,120
Auxilliary Enterprises	27,677,559	14,946,721	987,500	799,599	32,565,750	-	76,977,129
Bond & Plant Funds	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	24,635,858	24,635,858
Total Operating Expenses	$ 223,401,128	$ 79,491,469	$ 4,400,138	$ 13,147,394	$ 99,484,900	$ 24,635,858	$ 444,560,887

Ball State University
Required Supplemental Information
June 30, 2014

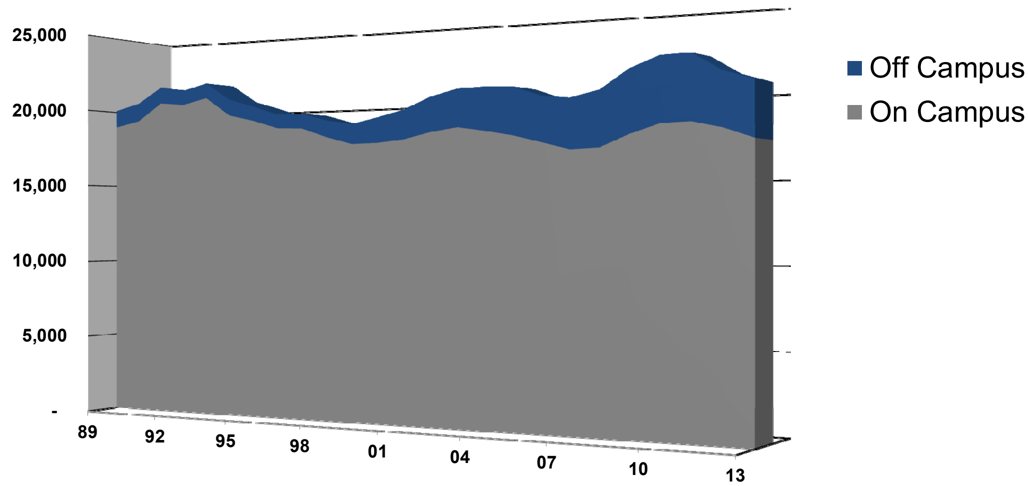
Other Post-Employment Benefits
Retiree Health and Life Insurance Plans

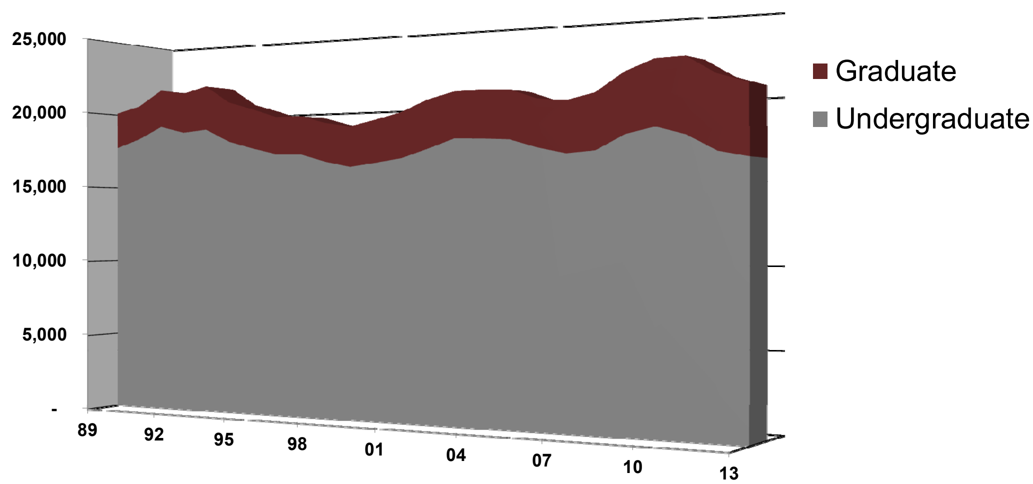
	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Health	7/1/13	$ 181,841,263	$ 203,498,679	$ 21,657,416	89.4%	$ 167,849,364	12.9%
Life	7/1/13	21,672,127	21,579,195	(92,932)	100.4%	$ 167,849,364	-0.1%
Total		$ 203,513,390	$ 225,077,874	$ 21,564,484	90.4%	$ 167,849,364	12.8%
Health	7/1/11	$ 156,645,643	$ 181,683,897	$ 25,038,254	86.2%	$ 157,397,746	15.9%
Life	7/1/11	21,487,762	22,261,030	773,268	96.5%	$ 157,397,746	0.5%
Total		$ 178,133,405	$ 203,944,927	$ 25,811,522	87.3%	$ 157,397,746	16.4%
Health	7/1/09	$ 114,147,732	$ 192,195,650	$ 78,047,918	59.4%	$ 151,120,585	51.6%
Life	7/1/09	16,546,332	20,150,137	3,603,805	82.1%	$ 151,120,585	2.4%
Total		$ 130,694,064	$ 212,345,787	$ 81,651,723	61.5%	$ 151,120,585	54.0%
Health	7/1/07	$ 148,827,822	$ 171,887,451	$ 23,059,629	86.6%	$ 136,645,256	16.9 %
Life	7/1/07	25,238,907	19,036,901	(6,202,006)	132.6%	$ 136,645,256	(4.5)%
Total		$ 174,066,729	$ 190,924,352	$ 16,857,623	91.2%	$ 136,645,256	12.3 %

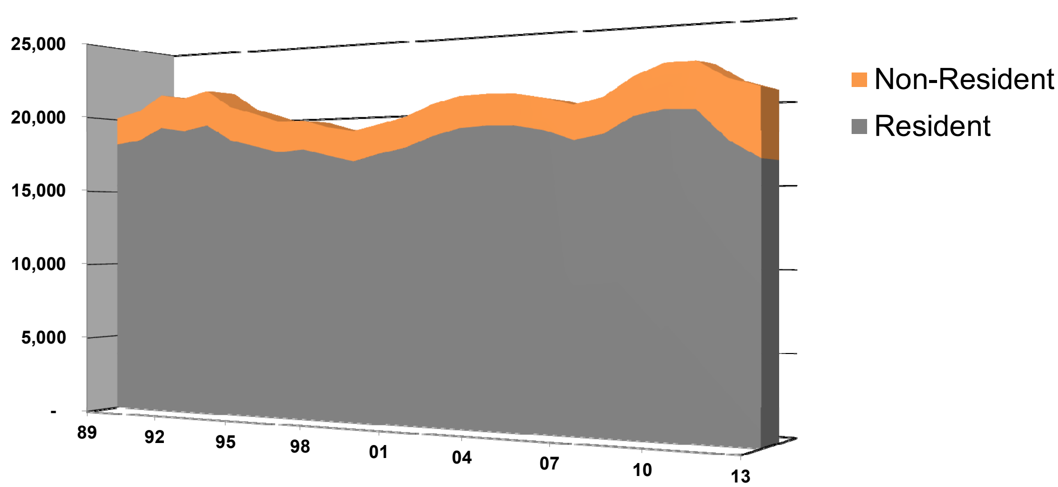
Supplemental Information

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 1989-2013

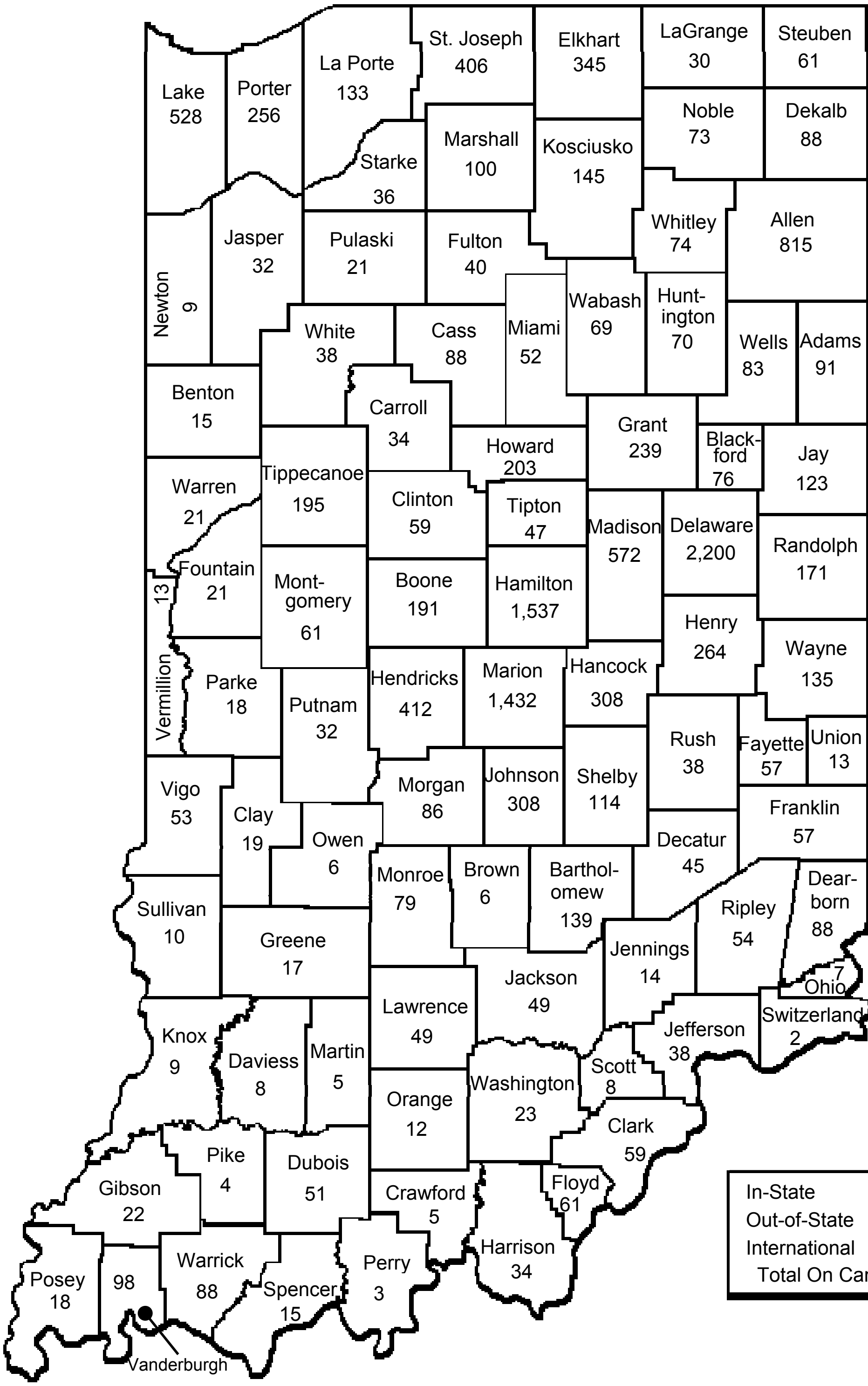






Campus Enrollment by County

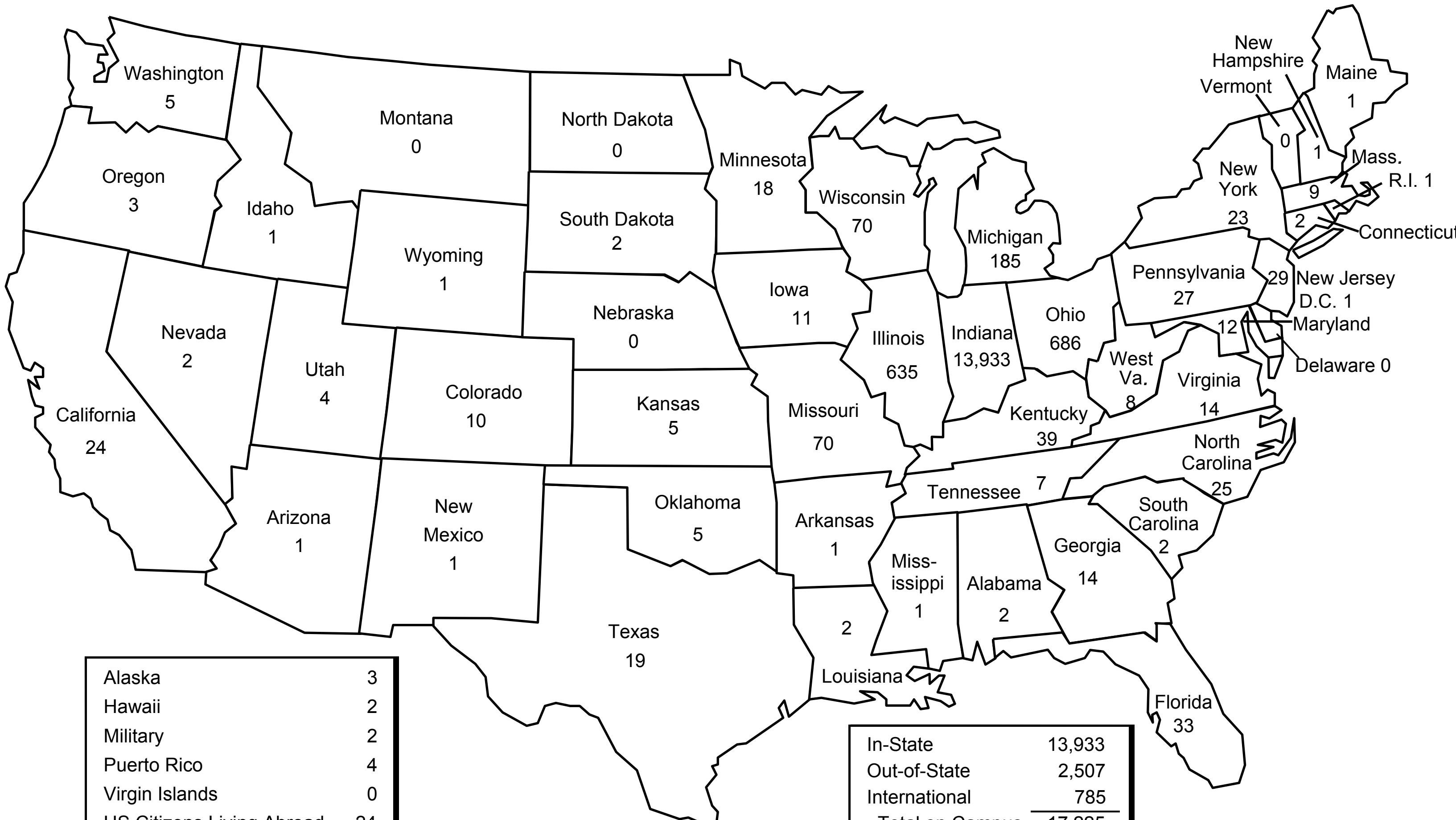
Fall 2013



In-State	13,933
Out-of-State	2,507
International	785
Total On Campus	17,225

Campus Enrollment by State

Fall 2013



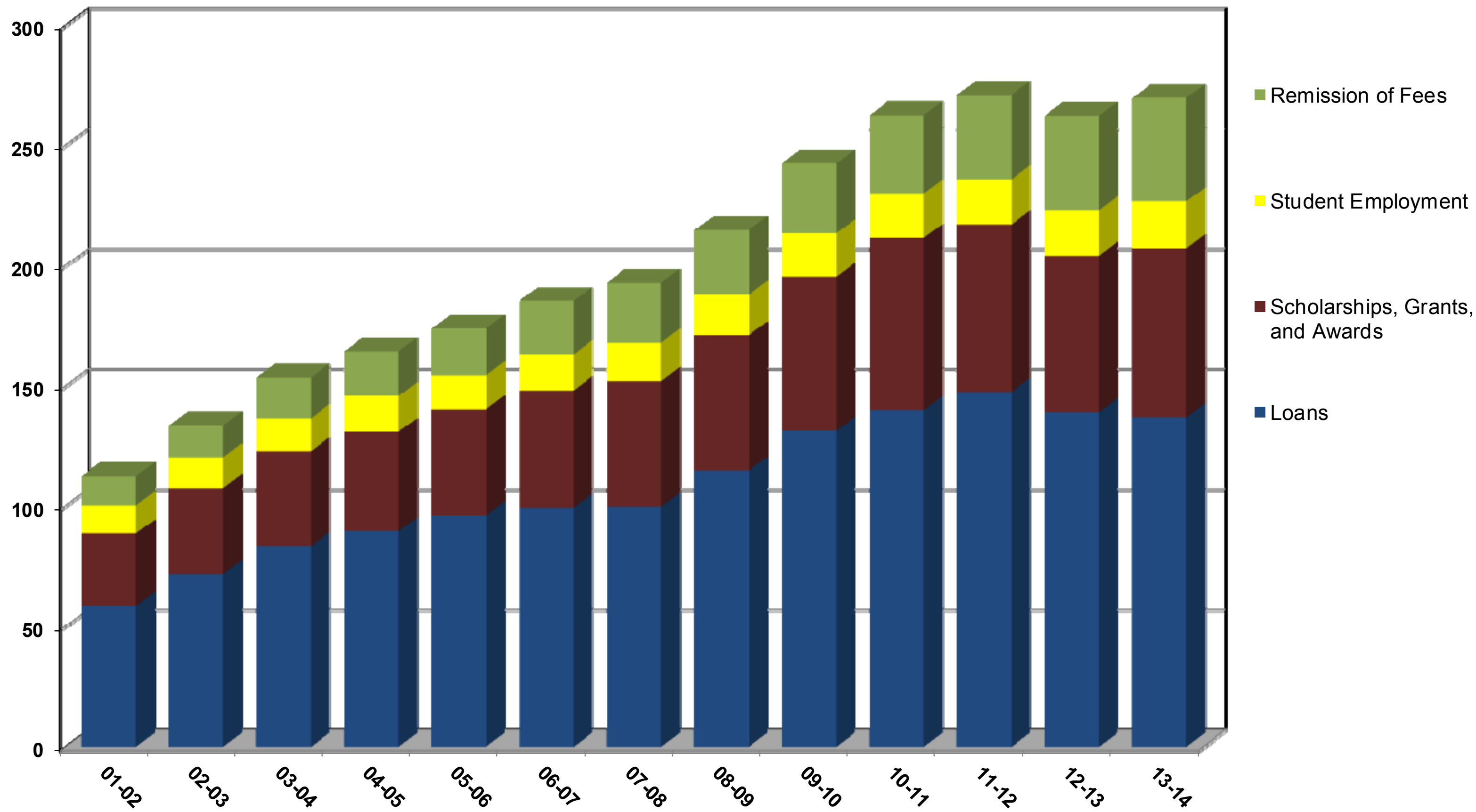
Alaska	3
Hawaii	2
Military	2
Puerto Rico	4
Virgin Islands	0
US Citizens Living Abroad	24

In-State	13,933
Out-of-State	2,507
International	785
Total on Campus	17,225

Student Financial Assistance

2000-2001 through 2013-2014

(in millions of dollars)



Ball State University

Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Parking Facilities

Year Ended June 30, 2014

June 30	Principal	Interest	Total	Unliquidated Balance
2014				$ 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	$ 4,865,000	$ 1,356,116	$ 6,221,116	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Revenue Bonds—Housing and Dining

Year Ended June 30, 2014

June 30	Principal	Interest	Total	Unliquidated Balance
2014				$ 57,940,000
2015	$ 3,100,000	$ 2,646,930	$ 5,746,930	54,840,000
2016	2,710,000	2,522,280	5,232,280	52,130,000
2017	2,835,000	2,394,455	5,229,455	49,295,000
2018	2,960,000	2,264,155	5,224,155	46,335,000
2019	3,105,000	2,121,605	5,226,605	43,230,000
2020	3,255,000	1,970,565	5,225,565	39,975,000
2021	3,410,000	1,811,900	5,221,900	36,565,000
2022	3,585,000	1,637,025	5,222,025	32,980,000
2023	3,765,000	1,453,275	5,218,275	29,215,000
2024	3,945,000	1,271,069	5,216,069	25,270,000
2025	4,130,000	1,089,169	5,219,169	21,140,000
2026	4,315,000	897,300	5,212,300	16,825,000
2027	1,780,000	754,750	2,534,750	15,045,000
2028	1,865,000	663,625	2,528,625	13,180,000
2029	1,960,000	568,000	2,528,000	11,220,000
2030	2,060,000	477,800	2,537,800	9,160,000
2031	2,140,000	393,800	2,533,800	7,020,000
2032	2,225,000	295,375	2,520,375	4,795,000
2033	2,340,000	181,250	2,521,250	2,455,000
2034	2,455,000	61,375	2,516,375	-
Total	$ 57,940,000	$ 25,475,703	$ 83,415,703	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Student Fee Bonds

Year Ended June 30, 2014

June 30	Principal	Interest	Total	Unliquidated Balance
2014				$ 147,055,000
2015	$ 9,900,000	$ 6,698,886	$ 16,598,886	137,155,000
2016	8,895,000	6,353,432	15,248,432	128,260,000
2017	8,400,000	5,976,014	14,376,014	119,860,000
2018	8,810,000	5,558,051	14,368,051	111,050,000
2019	9,240,000	5,113,351	14,353,351	101,810,000
2020	9,695,000	4,659,707	14,354,707	92,115,000
2021	10,185,000	4,184,244	14,369,244	81,930,000
2022	9,140,000	3,713,888	12,853,888	72,790,000
2023	9,590,000	3,255,163	12,845,163	63,200,000
2024	10,065,000	2,772,050	12,837,050	53,135,000
2025	8,840,000	2,316,169	11,156,169	44,295,000
2026	9,270,000	1,884,838	11,154,838	35,025,000
2027	8,180,000	1,465,450	9,645,450	26,845,000
2028	8,555,000	1,070,581	9,625,581	18,290,000
2029	5,580,000	739,600	6,319,600	12,710,000
2030	5,860,000	462,656	6,322,656	6,850,000
2031	3,835,000	228,025	4,063,025	3,015,000
2032	1,475,000	102,488	1,577,488	1,540,000.00
2033	1,540,000	34,650	1,574,650	-
Total	$ 147,055,000	$ 56,589,243	$ 203,644,243	

Ball State University

Schedule of Annual Requirements for Principal and Interest

Total Revenue and Student Fee Bonds

Year Ended June 30, 2014

June 30	Principal	Interest	Total	Unliquidated Balance
2014				$ 209,860,000
2015	$ 13,350,000	$ 9,563,141	$ 22,913,141	196,510,000
2016	11,970,000	9,076,950	21,046,950	184,540,000
2017	11,620,000	8,554,832	20,174,832	172,920,000
2018	12,170,000	7,988,906	20,158,906	160,750,000
2019	12,765,000	7,383,206	20,148,206	147,985,000
2020	13,385,000	6,759,285	20,144,285	134,600,000
2021	14,050,000	6,104,563	20,154,563	120,550,000
2022	13,205,000	5,437,126	18,642,126	107,345,000
2023	13,855,000	4,771,376	18,626,376	93,490,000
2024	14,535,000	4,081,713	18,616,713	78,955,000
2025	13,520,000	3,418,401	16,938,401	65,435,000
2026	13,585,000	2,782,138	16,367,138	51,850,000
2027	9,960,000	2,220,200	12,180,200	41,890,000
2028	10,420,000	1,734,206	12,154,206	31,470,000
2029	7,540,000	1,307,600	8,847,600	23,930,000
2030	7,920,000	940,456	8,860,456	16,010,000
2031	5,975,000	621,825	6,596,825	10,035,000
2032	3,700,000	397,863	4,097,863	6,335,000
2033	3,880,000	215,900	4,095,900	2,455,000
2034	2,455,000	61,375	2,516,375	-
Total	$ 209,860,000	$ 83,421,062	$ 293,281,062	

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