

**OMB Circular A-133  
Reporting Package**

**Saginaw Valley State University**

*Year ended June 30, 2008*

Saginaw Valley State University

OMB Circular A-133  
Reporting Package

Year ended June 30, 2008

Audited Financial Statements and Other Financial Information (Schedule of Expenditures of Federal Awards).....	i
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	28
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	30
Schedule of Findings and Questioned Costs .....	32
Summary Schedule of Prior Audit Findings.....	34

**Audited Financial Statements and  
Other Financial Information**

**Saginaw Valley State University**

*Years ended June 30, 2008 and 2007  
with Report of Independent Auditors*

Saginaw Valley State University

Audited Financial Statements  
and Other Financial Information

*Years ended June 30, 2008 and 2007*

**Table of Contents**

Required Supplementary Information – Management’s Discussion and Analysis .....	i
Report of Independent Auditors .....	1
Financial Statements	
Statements of Net Assets .....	2
Statements of Revenues, Expenses, and Changes in Net Assets .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements .....	6
Other Financial Information	
Schedule of Expenditures of Federal Awards .....	25
Notes to Schedule of Expenditures of Federal Awards .....	27

## SAGINAW VALLEY STATE UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following provides a discussion and analysis of the financial performance of Saginaw Valley State University (SVSU or University). This discussion, the financial statements and related footnotes have been prepared by and are the responsibility of management.

### USING THE ANNUAL REPORT

The annual report consists of a series of financial statements, which have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These financial statements focus on the financial condition and results of financial position of the University and its component unit, Saginaw Valley State University Foundation (Foundation), and the cash flows of the University.

The fundamental objective of the University's financial statements is to provide an overview of the University's economic condition. The various statements and their primary purpose are discussed below.

- Statement of Net Assets. This statement presents information on all University assets and liabilities. It is prepared on an accrual basis - revenues and expenses are recognized when earned or incurred, respectively.
- Statement of Revenues, Expenses, and Changes in Net Assets. This statement presents a summary of revenues and expenses classified as either operating or nonoperating. The operating loss results from the classification of state appropriations as nonoperating revenue. Also, this statement reflects a change in the University's net assets based upon revenues in excess of expenses.
- Statement of Cash Flows. This statement classifies cash inflows and outflows into the following classifications: operating activities, noncapital financing activities, capital financing activities, and investing activities. This information is useful in assessing the University's ability to meet maturing financial obligations.

### REPORTING ENTITY

The University is considered a component unit of the State of Michigan because the Governor of the State of Michigan appoints its Board of Control. Accordingly, the University is included in the State's comprehensive annual financial report as a discretely presented component unit.

The financial statements report information about total University operations. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, the Foundation is included in the financial statements of the University as a discretely presented component unit.

**SAGINAW VALLEY STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

**FINANCIAL HIGHLIGHTS**

The University experienced sound financial performance as indicated by the following:

- Net assets increased by 1.2% from June 30, 2007 to June 30, 2008, 5.9% from June 30, 2006 to June 30, 2007 and 1.3% from June 30, 2005 to June 30, 2006.
- Operating revenues increased in fiscal 2008, 2007 and 2006 as a result of increased enrollment, tuition rates, housing capacity, and grant activity.

Demand/economic factors underlying this level of performance were favorable:

- Applications increased 3.5% from Fall 2006 to Fall 2007, 9.0% from Fall 2005 to Fall 2006, and 3.5% from Fall 2004 to Fall 2005.
- Headcount enrollment declined slightly from 9,569 in Fall 2005 to 9,543 in Fall 2006 then increased to 9,662 in Fall 2007. Credit hours increased from 223,360 in 2005 to 227,356 in 2006, 229,646 in 2007 and 233,412 in 2008.

**FINANCIAL STATEMENT SUMMARIES**

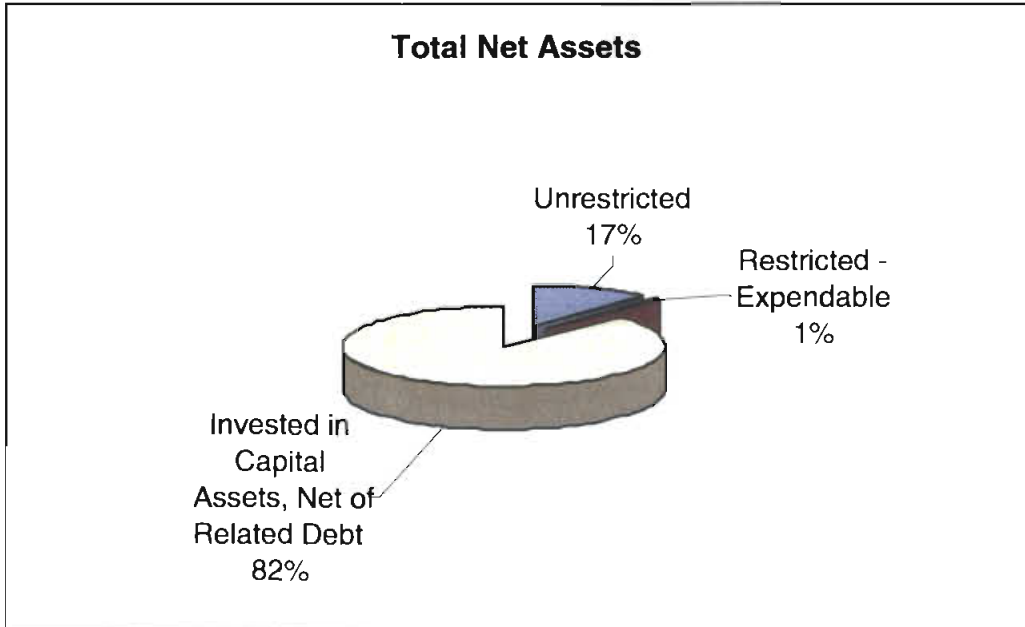
Net assets are summarized in the table below.

<b>Statements of Net Assets</b>			
<b>June 30</b>			
<b>(in thousands of dollars)</b>			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>			
Current Assets	\$ 62,636	\$ 65,996	\$ 43,721
Noncurrent Assets:			
Other	4,993	5,095	4,508
Capital	<u>251,065</u>	<u>244,833</u>	<u>229,511</u>
Total Assets	<u>318,694</u>	<u>315,924</u>	<u>277,740</u>
<b>Liabilities</b>			
Current Liabilities	24,614	24,446	18,647
Noncurrent Liabilities	<u>113,987</u>	<u>113,604</u>	<u>91,084</u>
Total Liabilities	<u>138,601</u>	<u>138,050</u>	<u>109,731</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	148,079	150,760	141,937
Restricted – Expendable	1,746	1,656	1,069
Unrestricted	<u>30,268</u>	<u>25,458</u>	<u>25,003</u>
Total Net Assets	<u>\$180,093</u>	<u>\$177,874</u>	<u>\$168,009</u>

**SAGINAW VALLEY STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

The University's largest asset is its investment in capital assets, including land, land improvements and infrastructure, buildings, equipment, and construction in progress. Capital assets represent 78.8% of the University's total assets. Notes and bonds payable totaled \$113.3 million at June 30, 2008. This represents 81.7% of the University's total liabilities.

A graphic illustration of net assets by classification and restriction is as follows:



The University's net assets consist of capital assets, net of related debt, expendable restricted net assets and unrestricted net assets. Expendable restricted net assets represent assets whose use is restricted by a party independent of the University. This includes restrictions related to gifts, grants and the Federal Perkins Loan program.

Unrestricted net assets represent net assets of the University that have not been restricted by parties independent of the University. This includes funds that the Board of Control and management have designated for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received as of June 30, 2008. The following summarizes the internal designations of the unrestricted net assets:

	<b>Unrestricted Net Assets</b>		
	<b>June 30 2008</b>	<b>2007</b>	<b>2006</b>
Capital projects and repair reserves	\$19,841,747	\$15,712,274	\$15,192,766
Auxiliary enterprises	1,361,891	1,377,650	1,386,375
Designated for departmental use	7,498,192	6,856,228	6,965,010
Amount obligated by contractual commitments	54,021	90,102	141,683
Undesignated	1,511,659	1,421,918	1,317,197
<b>Total unrestricted net assets</b>	<b>\$30,267,510</b>	<b>\$25,458,172</b>	<b>\$25,003,031</b>

**SAGINAW VALLEY STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

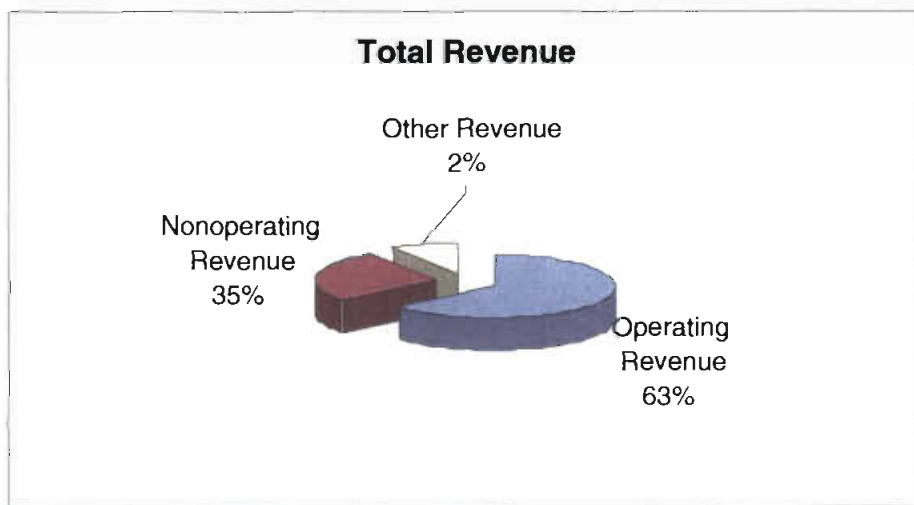
The following table summarizes revenues, expenses, and changes in net assets for the years ended June 30:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(in thousands of dollars)		
<b>Operating Revenues</b>			
Student Tuition and Fees, net	\$ 49,016	\$ 42,743	\$ 40,435
Federal Grants and Contracts	4,020	3,490	2,869
State and Local Grants and Contracts	943	842	1,091
Sales & Services of Educational Departments	3,442	3,257	3,136
Auxiliary Enterprises, net	14,684	13,794	12,118
Other Operating Revenues	2,091	1,813	1,614
Total Operating Revenues	<u>74,196</u>	<u>65,939</u>	<u>61,263</u>
<b>Operating Expenses</b>	<u>108,538</u>	<u>98,084</u>	<u>92,427</u>
<b>Operating Loss</b>	(34,342)	(32,145)	(31,164)
<b>Nonoperating Revenues (Expenses)</b>			
State Appropriations	30,981	25,427	27,706
Federal Pell Grant Program	6,796	5,921	5,559
Gifts	2,304	2,038	1,661
Investment Income, net	1,489	2,438	1,686
Interest on Capital Asset-Related Debt	(6,952)	(4,214)	(4,021)
Net Nonoperating Revenues	<u>34,618</u>	<u>31,610</u>	<u>32,591</u>
<b>Income (Loss) Before Other Revenues</b>	276	(535)	1,427
Capital Appropriations	1,683	10,050	-
Capital Grants and Gifts	260	350	792
Total Other Revenues	<u>1,943</u>	<u>10,400</u>	<u>792</u>
<b>Increase in Net Assets</b>	2,219	9,865	2,219
<b>Net Assets at Beginning of Year</b>	<u>177,874</u>	<u>168,009</u>	<u>165,790</u>
<b>Net Assets at End of Year</b>	<u>\$ 180,093</u>	<u>\$ 177,874</u>	<u>\$ 168,009</u>

**SAGINAW VALLEY STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

Since 2001, SVSU as well as its sister institutions in Michigan have experienced the impact of a poor economy and deficit-ridden state budget. The University’s year-end state appropriations accrual as of June 30, 2007 reflected the July 2007 payment less a base operations reduction of \$822,400 as signed into law via Public Act 17 of 2007. The August payment of \$2,624,800 was delayed by Executive Order 2007-3 and Public Act 17 of 2007. Since at the time the fiscal 2007 financial statements were issued there was no appropriated commitment by the State of Michigan to honor the August payment, the amount was not recognized as revenue or a receivable at June 30, 2007. The University did receive the August 2007 payment in October 2007 and recorded this amount as fiscal 2008 State Appropriations. For fiscal 2008 both the July and August 2008 payments were recorded as receivables. Capital appropriations represent the State of Michigan’s contribution to Pioneer Hall. Capital grants and gifts relate primarily to gifts received from the Creating the Future Campaign for the Regional Education Center, Student Center and Fitness Center.

A graphic illustration of each revenue source follows:



**SAGINAW VALLEY STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

The following table summarizes cash flows for the years ended June 30:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(in thousands of dollars)		
<b>Cash provided (used) by:</b>			
Operating Activities	(\$21,561)	(\$20,300)	(\$22,255)
Noncapital Financing Activities	36,799	37,422	33,454
Capital Financing Activities	(14,309)	(4,653)	(21,217)
Investing Activities	1,585	1,848	1,251
Net Increase (Decrease)	<u>2,514</u>	<u>14,317</u>	<u>(8,767)</u>
Cash and Cash Equivalents at Beginning of Year	<u>37,859</u>	<u>23,542</u>	<u>32,309</u>
Cash and Cash Equivalents at End of Year	<u><u>\$40,373</u></u>	<u><u>\$37,859</u></u>	<u><u>\$23,542</u></u>

**OPERATING EXPENSES**

The University reports expenditures on a functional basis. Operating expenses were \$108,538,022 in fiscal 2008, an increase of 10.6% over the prior year. The following summarizes operating expenses for the years ended June 30:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(in thousands of dollars)		
Educational and General			
Instruction	\$ 34,836	\$ 33,001	\$ 31,279
Research	570	512	700
Public Service	2,535	2,016	1,906
Academic Support	12,864	11,430	10,537
Student Services	5,286	4,749	4,427
Institutional Support	11,897	10,861	10,010
Operations and Maintenance of Plant	12,266	9,020	8,733
Depreciation	11,548	11,222	10,468
Student Aid	5,391	5,132	4,974
Auxiliary Enterprises	<u>11,345</u>	<u>10,141</u>	<u>9,393</u>
Total Operating Expenses	<u><u>\$ 108,538</u></u>	<u><u>\$ 98,084</u></u>	<u><u>\$ 92,427</u></u>

**SAGINAW VALLEY STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

Effective for fiscal 2008 and forward, the University increased the threshold it uses for capitalizing assets from \$500 to \$5,000. The impact of this change was an increase in expense of approximately \$3,214,000 for fiscal year 2008, the majority of which is reflected in Operations and Maintenance of Plant.

**CAPITAL ASSETS/LONG-TERM DEBT**

***Capital Plan and Related Debt Financing***

The University Board of Control has approved a long-term capital development and related financing plan. Fiscal 2008 expenditures for capital projects approximated \$17.8 million. These capital projects were funded by a combination of bonds issued by the Michigan State Building Authority (SBA), University general revenue bonds, capital gifts, and other available University resources.

In fiscal 2001, the University engaged an independent consultant to perform a facilities condition assessment. As a result of this report, a deferred maintenance plan has been developed, including an ongoing commitment of financial resources.

***University Rating***

The University issued General Revenue Bonds, Series 2008B, in the amount of \$12,555,000 in August 2008. Proceeds from the bonds will be used to finance construction of new student housing. Moody’s Investors Services, Inc. and Standard & Poor’s Ratings Services have rated the bonds “A2” and “A”, respectively.

**FACTORS OR CONDITIONS IMPACTING FUTURE PERIODS**

Financial and budget planning is directly related to and supportive of the University’s mission and operational needs. The ability to plan effectively is influenced by an understanding of the following factors, which impact the University’s finances:

- State Economy
- Inflationary Pressures
- Program Growth and Development
- New Initiatives
- Technology
- Productivity Improvements

**SAGINAW VALLEY STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

**SAGINAW VALLEY STATE UNIVERSITY FOUNDATION**

The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. The University provided approximately \$683,000 of administrative support to the Foundation during fiscal 2008. This support is reflected as institutional support in the University's financial statements and as gift revenue and corresponding operating expenses in the Foundation's financial statements. The Foundation transferred endowment distributions and unrestricted and restricted gifts to the University totaling \$2,563,807 in fiscal 2008. The net assets of the Foundation were as follows as of June 30, 2008:

Nonexpendable Restricted	\$34,794,240
Expendable Restricted	3,055,622
Unrestricted	<u>4,489,964</u>
	<u>\$42,339,826</u>



**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

Report of Independent Auditors

Board of Control  
Saginaw Valley State University

We have audited the accompanying financial statements of Saginaw Valley State University, a component unit of the State of Michigan as of and for the years ended June 30, 2008 and 2007 and Saginaw Valley State University Foundation, a discretely presented component unit of the University, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the University's administration. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saginaw Valley State University and its discretely presented component unit, Saginaw Valley State University Foundation as of June 30, 2008 and 2007, and the changes in their financial position and Saginaw Valley State University's cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2008 on our consideration of Saginaw Valley State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audits.

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

Our audit was performed for the purpose of forming an opinion on the financial statements of Saginaw Valley State University and its discretely presented component unit, Saginaw Valley State University Foundation, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Andrews Hoope & Pavlik P.L.C.*

Saginaw, Michigan  
August 22, 2008

**SAGINAW VALLEY STATE UNIVERSITY**

**STATEMENTS OF NET ASSETS**

	June 30, 2008		June 30, 2007	
	SVSU	Component Unit SVSU Foundation	SVSU	Component Unit SVSU Foundation
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 40,373,274	\$ 1,735,459	\$ 37,858,884	\$ 2,678,533
Short-term investments		50,598		2,945
Accounts receivable, net	2,639,927	2,383,245	13,159,438	3,914,832
State appropriations receivable - operations	5,155,672		1,802,708	
State appropriations receivable - charter schools	11,996,113		11,457,926	
Inventories and prepaid expenses	2,459,148		1,701,845	
Notes receivable, net	11,818		14,885	
<b>Total current assets</b>	<b>62,635,952</b>	<b>4,169,302</b>	<b>65,995,686</b>	<b>6,596,310</b>
<b>Noncurrent Assets</b>				
Cash and cash equivalents, restricted		2,805,428		85,565
Notes receivable, net	23,994		29,770	
Accounts receivable, net		3,919,340		5,211,892
Endowment investments		31,926,733		32,411,990
Other long-term investments	4,969,368		5,065,328	
Capital assets, net	251,064,899		244,833,068	
<b>Total noncurrent assets</b>	<b>256,058,261</b>	<b>38,651,501</b>	<b>249,928,166</b>	<b>37,709,447</b>
<b>Total assets</b>	<b>318,694,213</b>	<b>42,820,803</b>	<b>315,923,852</b>	<b>44,305,757</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	5,623,576	480,977	6,847,919	483,671
Deferred revenues	5,288,791		4,874,121	
Deposits	11,412,415		10,516,462	
Long-term liabilities - current portion	2,289,076		2,207,544	
<b>Total current liabilities</b>	<b>24,613,858</b>	<b>480,977</b>	<b>24,446,046</b>	<b>483,671</b>
<b>Noncurrent Liabilities</b>				
Long-term liabilities	113,987,536		113,604,130	
<b>Total noncurrent liabilities</b>	<b>113,987,536</b>	<b>-</b>	<b>113,604,130</b>	<b>-</b>
<b>Total liabilities</b>	<b>138,601,394</b>	<b>480,977</b>	<b>138,050,176</b>	<b>483,671</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	148,079,405		150,759,351	
<b>Nonexpendable Restricted</b>				
Scholarships		11,827,292		11,963,734
Endowed chairs		11,422,453		11,693,750
Other		11,544,495		10,176,324
<b>Expendable Restricted</b>				
Capital		180,851		444,319
Scholarships and fellowships	608,201	211,920	538,601	284,170
Research	55,162		33,592	
Instructional department use	251,767		270,178	
Loans	6,489		8,124	
Other	824,285	2,662,851	805,658	5,951,033
Unrestricted	30,267,510	4,489,964	25,458,172	3,308,756
<b>Total net assets</b>	<b>\$ 180,092,819</b>	<b>\$ 42,339,826</b>	<b>\$ 177,873,676</b>	<b>\$ 43,822,086</b>

**SAGINAW VALLEY STATE UNIVERSITY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**

	For the year ended June 30, 2008		For the year ended June 30, 2007	
	SVSU	Component Unit SVSU Foundation	SVSU	Component Unit SVSU Foundation
<b>REVENUES</b>				
Operating revenues				
Student tuition and fees	\$ 57,786,314		\$ 50,318,041	
Less: Scholarship allowances	(8,770,575)		(7,574,540)	
	<u>49,015,739</u>		<u>42,743,501</u>	
Federal grants and contracts	4,020,227		3,490,434	
State and local grants and contracts	943,050		842,068	
Gifts		\$ 2,852,304		\$ 2,132,757
Sales and services of educational departments	3,441,692		3,256,750	
Auxiliary enterprises	16,665,629		15,532,012	
Less: Scholarship allowances	(1,981,191)		(1,738,417)	
	<u>14,684,438</u>		<u>13,793,595</u>	
Other operating revenues	<u>2,090,758</u>		<u>1,813,054</u>	
Total operating revenues	<u>74,195,904</u>	<u>2,852,304</u>	<u>65,939,402</u>	<u>2,132,757</u>
<b>EXPENSES</b>				
Operating expenses				
Educational and general				
Instruction	34,835,772		33,001,185	
Research	570,585		512,024	
Public service	2,535,156		2,016,022	
Academic support	12,863,655		11,430,576	
Student services	5,285,616		4,748,689	
Institutional support	11,897,113	751,805	10,861,056	958,290
Operations and maintenance of plant	12,266,169		9,019,985	
Depreciation	11,548,142		11,221,633	
Student aid	5,390,890		5,131,755	
Auxiliary enterprises	<u>11,344,924</u>		<u>10,141,560</u>	
Total operating expenses	<u>108,538,022</u>	<u>751,805</u>	<u>98,084,485</u>	<u>958,290</u>
Operating income (loss)	(34,342,118)	2,100,499	(32,145,083)	1,174,467
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	30,981,000		25,427,300	
Federal Pell Grant Program	6,796,426		5,920,601	
Gifts	2,303,662	(2,303,662)	2,037,832	(2,037,832)
Investment income, net	1,489,338	(1,979,384)	2,437,822	4,761,389
Interest on capital asset-related debt	(6,951,757)		(4,213,924)	
Net nonoperating revenues (expenses)	<u>34,618,669</u>	<u>(4,283,046)</u>	<u>31,609,631</u>	<u>2,723,557</u>
Income (loss) before other revenues (expenses)	276,551	(2,182,547)	(535,452)	3,898,024
Capital appropriations	1,682,447		10,049,934	
Additions to permanent endowments		960,432		3,194,988
Capital grants and gifts	<u>260,145</u>	<u>(260,145)</u>	<u>349,758</u>	<u>(349,758)</u>
Total other revenues (expenses)	<u>1,942,592</u>	<u>700,287</u>	<u>10,399,692</u>	<u>2,845,230</u>
Increase (decrease) in net assets	2,219,143	(1,482,260)	9,864,240	6,743,254
Net assets - beginning of year	<u>177,873,676</u>	<u>43,822,086</u>	<u>168,009,436</u>	<u>37,078,832</u>
Net assets - end of year	<u>\$ 180,092,819</u>	<u>\$ 42,339,826</u>	<u>\$ 177,873,676</u>	<u>\$ 43,822,086</u>

**SAGINAW VALLEY STATE UNIVERSITY**

**STATEMENTS OF CASH FLOWS**

	<b>For the years ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 49,247,770	\$ 43,390,362
Grants and contracts	5,588,163	3,781,249
Payments to suppliers	(24,761,764)	(17,615,849)
Payments for utilities	(3,483,575)	(3,091,459)
Payments to employees	(48,779,536)	(45,633,150)
Payments for benefits	(14,648,462)	(13,957,006)
Payments for scholarships and fellowships	(5,548,992)	(5,617,247)
Federal share of Perkins loans	(11,136)	(15,534)
Collection of loans to students	8,843	3,453
Auxiliary enterprises charges	15,186,520	13,622,954
Sales and services	3,550,592	3,019,244
Other receipts	2,090,758	1,813,054
<b>Net cash used by operating activities</b>	(21,560,819)	(20,299,929)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	27,628,036	28,746,919
Federal Pell Grant Program	6,802,074	6,723,116
Federal Direct Lending receipts	32,801,014	29,454,273
Federal Direct Lending disbursements	(32,801,014)	(29,454,273)
Gifts	2,369,034	1,951,579
<b>Net cash provided by noncapital financing activities</b>	36,799,144	37,421,614
<b>Cash Flows from Capital Financing Activities</b>		
Capital appropriations	11,456,485	160,000
Capital grants and gifts received	260,145	349,758
Principal paid on capital debt	(26,550,000)	(2,070,000)
Proceeds from capital debt	26,845,000	24,435,000
Interest paid on capital debt and related costs	(7,115,891)	(3,593,505)
Purchase of capital assets	(19,204,972)	(23,933,980)
<b>Net cash used by capital financing activities</b>	(14,309,233)	(4,652,727)
<b>Cash Flows from Investing Activities</b>		
Interest on investments	1,585,298	1,848,352
<b>Net cash provided by investing activities</b>	1,585,298	1,848,352
<b>Net increase in cash and cash equivalents</b>	2,514,390	14,317,310
Cash and cash equivalents - beginning of year	37,858,884	23,541,574
Cash and cash equivalents - end of year	\$ 40,373,274	\$ 37,858,884

**SAGINAW VALLEY STATE UNIVERSITY**

**STATEMENTS OF CASH FLOWS - CONTINUED**

	<b>For the years ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Reconciliation of operating loss to net cash used by operating activities</b>		
<b>Operating loss</b>	\$ (34,342,118)	\$ (32,145,083)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>		
Depreciation	11,548,142	11,221,633
Changes in assets and liabilities:		
Accounts receivable, net	136,266	(1,868,441)
Inventories and prepaid expenses	(190,290)	52,313
Notes receivable, net	8,843	3,453
Accounts payable and accrued liabilities	(164,344)	716,928
Deferred revenues	435,680	(39,353)
Deposits	895,953	1,595,255
Compensated absences	122,185	178,900
Student loans - federal	(11,136)	(15,534)
<b>Net cash used by operating activities</b>	<b>\$ (21,560,819)</b>	<b>\$ (20,299,929)</b>

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared to incorporate all fund groups utilized internally by Saginaw Valley State University (University) and include Saginaw Valley State University Foundation (Foundation), a discretely presented component unit of the University. The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Foundation's financial information has been prepared on the accrual basis following accounting policies established by the Financial Accounting Standards Board (FASB).

Reporting Entity

The University's financial statements are presented discretely in the State of Michigan Comprehensive Annual Financial Report in accordance with GASB Statement No. 14. Public universities with governing boards appointed by the Governor are considered component units of the State. Transactions with the State relate primarily to appropriations for operations and capital projects and grants from various state agencies.

The Saginaw Valley State University Foundation, a component unit of the University, is a not-for-profit corporation, which provides support for the objectives and purposes of the University.

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred.

In accordance with GASB Statement No. 20, the University is required to follow all applicable GASB pronouncements. In addition, the University applies all applicable FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

The Foundation has applied all applicable FASB pronouncements issued to date.

Revenue Recognition

Operating revenues of the University consist of tuition and fees, grants and contracts, sales and services, and auxiliary enterprises revenue. These revenues represent revenue earned from exchange transactions and are reported net of discounts. The University's nonoperating revenues include State appropriations, gifts, investment income, capital appropriations, and grants. When both restricted and unrestricted resources are available for expenses, the University applies the restricted and unrestricted resources at its discretion.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Institutional Physical Properties

Physical properties are stated at cost or, when donated, at fair market value at date of gift. Effective for fiscal year 2008 and forward, the University increased the threshold it uses for capitalizing assets from \$500 to \$5,000. The impact of this change was an increase in expense of approximately \$3,214,000 for fiscal year 2008. Depreciation is computed using the straight-line method over the useful life of the property as follows:

<u>Classification</u>	<u>Life</u>
Land improvements & infrastructure	15 years
Buildings	20 - 50 years
Equipment	4 - 15 years
Library acquisitions	10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The cost of maintenance and repairs are expensed as incurred; significant renewals and improvements are capitalized.

Reclassifications

Certain fiscal year 2007 balances have been reclassified to conform to the current year presentation.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and cash equivalents in order to maximize investment return. The investment policy for pooled cash, approved by the Board of Control, divides cash for purposes of investment into three asset groups: short-term pool, intermediate-term pool and long-term pool. The University did not have funds in the intermediate-term pool as of June 30, 2008 or 2007.

Credit Risk

The University's investment policy requires that investments shall be in marketable securities of the following types and with the noted credit ratings:

1. Debt securities which are rated Aaa, Aa, A or Baa by Moody's Investors Service, Inc. or AAA, AA, A or BBB by Standard & Poor's Corporation.
2. Obligations of, or guaranteed by, the United States of America, its agencies or instrumentalities.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS–UNIVERSITY  
(continued)

Credit Risk–Continued

3. Obligations of, or guaranteed by, national or state banks or bank holding companies, which obligations, although not rated as a matter of policy by either Moody's Investors Service, Inc., or Standard & Poor's Corporation are rated AAA, AA or A by Fitch Investors Service, Inc.
4. Commercial paper rated Prime-1, Prime-2 or Prime-3 by Moody's Investors Service, Inc.
5. Bankers' acceptances or negotiable certificates of deposit issued by banks and rated AAA, AA or A by Fitch Investors Service, Inc.
6. Repurchase agreements secured by securities qualifying under clauses (1) through (5) above.
7. Commingled funds may be used if they are in compliance with the above guidelines.

Investments in short-term pool funds are restricted to U.S. Treasury and government agency securities and high quality corporate securities and commercial and bank paper.

Investments in intermediate-term pool funds are restricted to securities which are rated A or better at the time of purchase. At least two-thirds of the holdings of a fund will be in U.S. Government obligations, government agency securities and corporate securities rated AAA.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the University's investment policy limits the average weighted maturity for a short-term portfolio to between one day and one year and the average weighted maturity for the intermediate-term portfolio to between one year and three years. Permanent core cash may be invested in the Commonfund Absolute Return Fund or a similar fund offered by other financial institutions.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY  
(continued)

The following table summarizes the components of the University's cash and cash equivalents and investments at June 30, 2008 and 2007:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Market Value</u>	
		<u>2008</u>	<u>2007</u>
Deposits:			
Bank of America - Public Funds	Moody's Aaa Standard & Poor's AAAm	\$ 1,503,328	\$ 1,848,855
Commonfund Short Term Fund	Average Quality of Fund Investments: AAA	39,736,359	37,683,963
Investments:			
Mutual Funds - Commonfund Absolute Return Fund	N/A	4,969,368	5,065,328
		<u>\$ 46,209,055</u>	<u>\$ 44,598,146</u>
Less Investments Reported as "Cash and Cash Equivalents" on Statement of Net Assets		(41,239,687)	(39,532,818)
Total Investments		<u>\$ 4,969,368</u>	<u>\$ 5,065,328</u>
<b><u>As reported on the Statement of Net Assets</u></b>			
Noncurrent Investments		\$ 4,969,368	\$ 5,065,328
Total Investments		<u>\$ 4,969,368</u>	<u>\$ 5,065,328</u>
Investments Reported as Cash and Cash Equivalents		\$ 41,239,687	\$ 39,532,818
Cash		( 866,413)	(1,673,934)
Total Cash and Cash Equivalents		<u>\$ 40,373,274</u>	<u>\$ 37,858,884</u>

The effective duration of investments in the Commonfund Short Term Fund is 3.1 months.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY  
(continued)

Concentration of Credit Risk

The University's investment policy does not specifically address concentrations of credit risk. Cash and cash equivalents consist primarily of funds invested with either a bank short-term investment pool or the Commonfund Short Term Fund. The yield was 3.14% for 2008 and 5.26% for 2007. The University's noncurrent investments consisted of investment in the Commonfund Absolute Return Fund.

Foreign Currency Risk

The University did not have holdings in foreign investments as of June 30, 2008 or 2007.

Custodial Credit Risk

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent in the University's name. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2008 were \$41,381,323. Of that balance \$41,253,855 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2007 were \$40,061,394. Of that balance \$39,931,410 was uninsured and uncollateralized.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University has no custodial credit risk in its investments as of June 30, 2008 or 2007.

NOTE C - INVESTMENTS-FOUNDATION

The primary objective of the Foundation's investment policy, approved by the Foundation Board, is to increase the purchasing power of the Foundation's assets after inflation while maintaining a distribution policy as established by the Foundation Board. The secondary objective is to consistently earn a high, long-term, total rate of return without undue risk exposure or volatility.

Credit Risk

The Foundation's investment policy requires that fixed income investments emphasize high-quality and that on average, the portfolio should have a rating of "A" or better as defined by a majority of the major credit rating agencies.

SAGINAW VALLEY STATE UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 (continued)

NOTE C - INVESTMENTS-FOUNDATION  
 (continued)

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the Foundation's investment policy limits the maximum maturity for any single security to 40 years; mortgage bonds will be on an average maturity basis with the weighted average maturity not to exceed ten years.

The following table summarizes the components of the Foundation's investments at June 30, 2008 and 2007:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Market Value</u>	
		<u>2008</u>	<u>2007</u>
Commonfund Short Term Fund	Average Quality of Investments: AAA	\$ 458,462	\$ 379,959
Commonfund Intermediate Term Fund	Average Quality of Investments: AA+	2,385,435	3,369,578
Equities	N/A	2,641,812	4,437,000
Mutual Fund - Equities	N/A	10,087,035	12,694,751
Mutual Fund - International Equities	N/A	5,221,816	5,176,993
Mutual Fund - Debt	N/A	6,839,461	4,626,961
Alternative Investments	N/A	4,343,310	1,729,693
Cash and Cash Equivalents	N/A	2,805,428	85,565
		<u>34,782,759</u>	<u>32,500,500</u>
Less Investments Reported as "Cash and Cash Equivalents, Restricted" on Statement of Net Assets		(2,805,428)	(85,565)
Total Investments		<u>\$31,977,331</u>	<u>\$32,414,935</u>
<b><u>As reported on the Statement of Net Assets</u></b>			
Short-term Investments		\$ 50,598	\$ 2,945
Endowment Investments		31,926,733	32,411,990
		<u>\$31,977,331</u>	<u>\$32,414,935</u>

The effective duration of investments in the Commonfund Short Term Fund is 3.1 months. The weighted average life of investments in the Commonfund Intermediate Term Fund is 2.9 years and the effective duration is 1.9 years.

SAGINAW VALLEY STATE UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 (continued)

NOTE C – INVESTMENTS–FOUNDATION  
 (continued)

Interest Rate Risk–Continued

Mutual Fund – debt have the following quality of investment:

- Harbor Bond Fund – 59% AAA, 23% AA, 14% A, 4% below investment grade;
- Loomis Sayles Global Bond Fund – 46% AAA, 12.8% AA, 11.3% A, 29.4% BBB, .5% below investment grade;
- Ridgworth SEIX Floating Rate High Income Fund – 4.3% BBB, 95.7% below investment grade.

Concentration of Credit Risk

The Foundation recognizes that, over the long term, equity investments provide the best opportunity to achieve the objectives and goals of the Endowment Fund. However, a degree of diversification in other forms of investments is prudent. To accomplish the endowment investment objectives, investment managers are authorized to utilize portfolios of equity securities, fixed-income securities, alternative investments, and short-term investments (cash and cash equivalents). The total portfolio shall be maintained within the following ranges:

	<u>Minimum</u>	<u>Maximum</u>
Equities	50%	70%
Fixed Income	20%	40%
Alternative Investments		20%
Cash/Short-term Investments		10%

The investments shall be reviewed quarterly to ensure the Endowment assets are within these ranges.

To ensure diversification in the investment equity portfolio, the Foundation’s investment policy limits investment in an individual common stock to 10% of a given investment manager’s portfolio based on market value. Additionally, within each separately managed account, economic sector allocations must be less than twice that of the same economic sector as defined by the market benchmark. For the fixed income portfolio, with the exception of securities guaranteed by the U.S. Government, the securities of single issuers should not exceed five percent of the market value of the investment manager’s portfolio.

At June 30, 2008, the Foundation's investments that exceeded five percent of the investment portfolio included the Commonfund Intermediate Term Fund (\$2,385,435), Vanguard 500 Index Fund (\$4,158,429), DFA US Large Cap Value Portfolio (\$2,748,199), Vanguard Mid Cap Index Fund (\$2,127,078), Harbor International Fund (\$2,554,576), Harbor Bond Fund (\$4,835,819), and the William Blair Funds International Growth Fund Class I (\$2,444,303).

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE C – INVESTMENTS–FOUNDATION  
(continued)

Foreign Currency Risk

The Foundation investment policy states that foreign denominated investments should not exceed 20% of the portfolio. The Foundation's holdings in foreign investments were made in mutual funds as noted above. In addition, the Foundation had \$151,716 in foreign equities at June 30, 2008 and \$239,036 at June 30, 2007.

Custodial Credit Risk

The Foundation has engaged Comerica Bank to serve as custodian of the endowment investments. The custodian maintains physical possession of securities owned by the Foundation, collects dividend and interest payments, redeems maturing securities, and affects receipt and delivery following purchases and sales. The custodian also performs regular accounting of all assets owned, purchased or sold.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open–end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

NOTE D – ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

The University's accounts receivable relate to several transactions including State appropriations, student tuition and fee billings and auxiliary enterprise sales, such as food service and residence halls. In addition, receivables arise from grant awards, financial aid, and billings related to capital assets. The details of accounts receivable, excluding State appropriations, as of June 30, 2008 and 2007 are listed below in the table:

	June 30,	
	2008	2007
Tuition and fees	\$ 1,233,716	\$ 1,203,087
Auxiliary enterprises	706,672	981,580
Contracts and grants	1,315,890	1,823,072
Sales and services	511,790	530,232
State Building Authority	115,896	9,889,934
Agency accounts	307,893	51,172
Allowance for uncollectible accounts	(1,551,930)	(1,319,639)
Total accounts receivable	<u>\$ 2,639,927</u>	<u>\$13,159,438</u>

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE D - ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE  
(continued)

Notes receivable represent the remaining balance of loans issued to students under the Federal Perkins Loan Program. Notes receivable are recorded net of allowance for uncollectible accounts of \$8,000 at June 30, 2008 and 2007. As of July 1, 1996, Saginaw Valley State University terminated participation in the Federal Perkins Loan Program. The University will retain and administer the loan portfolio until all outstanding loans are liquidated. Additionally, the University must return to the United States Department of Education annually the Federal share of any cash-on-hand as of June 30. Federal cash-on-hand as of June 30, 2008 was returned in July, 2008.

Based on Senate Bill 905, PA 273 of 1998, State appropriations are recorded principally on the accrual basis, when earned. As a result, the University recorded State appropriations receivable of \$5,155,672 at June 30, 2008 and \$1,802,708 at June 30, 2007. Charter schools appropriations receivable were recorded at June 30, 2008 of \$11,996,113 and at June 30, 2007 of \$11,457,926. The University has recorded a corresponding amount due to the charter schools. The University received \$70,540,770 of State appropriations to be forwarded to eighteen (18) charter schools for fiscal 2008 and \$63,484,260 for fiscal 2007.

The detail of the Foundation's accounts receivable for June 30, 2008 and 2007 are listed below in the table:

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Pledges receivable	\$3,240,894	\$6,257,665
Less: allowance for uncollectible pledges	198,738	347,316
Less: discount to reflect promise to give at fair value	143,260	321,935
	<u>2,898,896</u>	<u>5,588,414</u>
Interest in trusts held by others	3,401,284	3,536,693
Accrued interest	2,405	1,617
Total Foundation accounts receivable	<u>\$6,302,585</u>	<u>\$9,126,724</u>
Current	\$2,383,245	\$3,914,832
Noncurrent	3,919,340	5,211,892
Total Foundation accounts receivable	<u>\$6,302,585</u>	<u>\$9,126,724</u>

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE E – CAPITAL ASSETS

The following table presents the changes in the various capital asset categories:

Asset Classification	Balance at June 30, 2007	Additions	Retirements	Balance at June 30, 2008
Land	\$ 1,882,803			\$ 1,882,803
Land improvements and infrastructure	20,662,297	\$ 2,160,417		22,822,714
Buildings	266,575,008	11,036,924	\$(1,641,193)	275,970,739
Equipment	46,104,812	1,084,493	(2,298,813)	44,890,492
Library acquisitions	10,008,803	760,723	(442,977)	10,326,549
Construction in progress	8,636,524	2,737,416		11,373,940
Works of fine art	607,085			607,085
Accumulated depreciation:				
Land improvements and infrastructure	(10,369,010)	(995,803)		(11,364,813)
Buildings	(63,377,382)	(6,745,642)	1,641,193	(68,481,831)
Equipment	(29,075,861)	(3,192,732)	2,298,813	(29,969,780)
Library acquisitions	(6,822,011)	(613,965)	442,977	(6,992,999)
Total capital assets, net	<u>\$244,833,068</u>	<u>\$ 6,231,831</u>	<u>\$ 0</u>	<u>\$251,064,899</u>

NOTE F – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year. Listed below is a breakdown of those liabilities:

	June 30,	
	2008	2007
Compensation	\$1,273,564	\$1,323,763
Supplies and construction related expenditures	4,350,012	5,524,156
Total accounts payable and accrued liabilities	<u>\$5,623,576</u>	<u>\$6,847,919</u>

NOTE G – NOTES AND BONDS PAYABLE

The University issued General Revenue Refunding Bonds, Series 2008, in the amount of \$26,845,000 in March 2008 to refund all of the Series 2001B General Revenue Bonds and to pay the related 2001B Bonds swap termination fee of \$1,486,000. The bonds bear interest at rates ranging from 4.00% to 5.00% and mature at various dates through July 1, 2031.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE G – NOTES AND BONDS PAYABLE  
(continued)

In June 2005 the University entered into two interest rate swap agreements in connection with forward refunding of select General Revenue Bonds. The University terminated the swap agreements in June 2008 resulting in a termination fee of \$6,400 in favor of the University.

The University issued General Revenue Bonds, Series 2007, in the amount of \$24,435,000 in March 2007 to fund various capital projects. The interest rate of the 2007 bonds range from 4.00% to 5.00% and mature at various dates through July 1, 2037.

The University issued General Revenue Bonds, Series 2005, in the amount of \$28,010,000 in April 2005 to fund various capital projects and to advance refund and defease a portion of the outstanding General Revenue Bonds, Series 1998, 1999 and 2001A. The University deposited noncallable, U.S. Government securities in an irrevocable trust with an escrow agent to advance refund and defease the bonds. The refunded bonds will be called for redemption on their respective first call date (July 1, 2008 for the 1998 bonds, July 1, 2009 for the 1999 bonds, and July 1, 2010 for the 2001A bonds). The bonds were refunded in order to reduce the University's debt service.

The deferred amount on refunding is the difference between the reacquisition price (funds required to be deposited in escrow to refund the old bonds) and the net carrying amount of the old debt, calculated as follows:

Reacquisition price	\$19,832,228
Net carrying amount of old bonds	<u>18,360,000</u>
Deferred amount on refunding	<u>\$ 1,472,228</u>

The deferred amount on refunding is being amortized over the remaining life of the old bonds and represents a reduction to long-term debt.

The difference in the cash flow requirements of the portion of the Series 2005 General Revenue Bonds used to advance refund the old bonds and the advance refunded old bonds was a gain on refundings of \$880,569 (\$30,553,381 debt service of the new bonds versus \$31,433,950 the debt service requirements of the old bonds). The present value of the gain at 4.313%, the effective rate of the new bonds, was \$709,618.

The University issued General Revenue Bonds, Series 2004B, in the amount of \$3,165,000 in October 2004 to fund various capital projects.

The University issued General Revenue Bonds, Series 2004A, in the amount of \$11,825,000 in July 2004 to fund various capital projects and to refund and defease \$3,385,000 of the General Revenue Bonds, Series 1993. The refunded bonds were called for redemption on August 17, 2004. The bonds were refunded to reduce the University's debt service.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE G – NOTES AND BONDS PAYABLE  
(continued)

The University issued General Revenue Bonds, Series 2001B, in the amount of \$24,400,000 on November 13, 2001 to finance various capital projects. The bonds were select auction variable rate securities (SAVRS); therefore, they paid interest at a rate, which is determined at auction every thirty-five days. In December 2003, the University entered into a rate swap in connection with these bonds which effectively changed the University's variable rate to a fixed rate of 3.635% plus a 0.25% broker fee through January 1, 2014. The University refunded the Series 2001B bonds during fiscal year 2008 and paid to terminate the swap agreement.

The University issued General Revenue Bonds, Series 2001A, in the amount of \$15,560,000 on January 15, 2001 to finance various capital projects.

The University issued General Revenue Bonds, Series 1999, in the amount of \$8,460,000 on September 14, 1999 to finance a student housing facility.

The University issued General Revenue Bonds, Series 1998, in the amount of \$24,985,000 on April 14, 1998 to finance three major capital projects. The projects included construction of a general-purpose classroom building, construction of a new on-campus student housing facility and renovation of existing student residence halls. The State of Michigan funded 75% of the cost of the general-purpose classroom building.

Bond proceeds were also used to discharge obligations under the Series 1995 Note and the Series 1997 Note. Also, a portion of the Series 1993 Bonds and Series 1996 Bonds were refunded and defeased from bond proceeds. The interest rates of the 1998 bonds range from 4.60% to 5.30% and mature at various dates through July 1, 2028. The bonds maturing on or after July 1, 2009, are subject to redemption in whole or in part on any date on or after July 1, 2008. The redemption price ranges from 100% to 102% of the principal to be redeemed.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE G - NOTES AND BONDS PAYABLE  
(continued)

Notes and bonds payable consist of the following:

	Interest Rates	Maturity	Outstanding Balance June 30,	
			2008	2007
General Revenue Refunding Bonds, series 2008	4.00%-5.00%	2016-2031	\$ 26,845,000	
General Revenue Bonds, series 2007	4.00%-5.00%	2010-2037	24,435,000	\$24,435,000
General Revenue Bonds, series 2005	3.25%-4.50%	2008-2035	27,310,000	27,605,000
General Revenue Bonds, series 2004B	3.50%-4.625%	2014-2034	2,950,000	3,025,000
General Revenue Bonds, series 2004A	3.50%-5.00%	2008-2034	10,770,000	11,125,000
General Revenue Bonds, series 2001B				24,400,000
General Revenue Bonds, series 2001A	4.50%-5.50%	2008-2030	8,790,000	9,125,000
General Revenue Bonds, series 1999	5.00%-5.63%	2008-2029	195,000	380,000
General Revenue Bonds, series 1998	4.70%-5.30%	2008-2028	13,240,000	14,145,000
<b>Total</b>			<u>\$114,535,000</u>	<u>\$114,240,000</u>

The principal and interest on the notes and bonds are payable only from certain general revenues. The following table summarizes debt service requirements:

Year Ended June 30	Principal	Interest	Total
2009	\$ 2,235,000	\$ 5,323,211	\$ 7,558,211
2010	2,490,000	5,228,274	7,718,274
2011	2,715,000	5,125,226	7,840,226
2012	2,830,000	5,016,216	7,846,216
2013	2,950,000	4,902,491	7,852,491
2014-2018	17,235,000	22,554,759	39,789,759
2019-2023	21,830,000	18,382,269	40,212,269
2024-2028	27,510,000	12,702,359	40,212,359
2029-2033	24,425,000	5,521,075	29,946,075
2034-2037	10,315,000	1,312,669	11,627,669
	<u>\$114,535,000</u>	<u>\$86,068,549</u>	<u>\$200,603,549</u>
Less: Deferred amount on refunding (net)	(1,236,672)		
<b>Total</b>	<u>\$113,298,328</u>		

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE G – NOTES AND BONDS PAYABLE  
(continued)

The University has a \$3,240,000 line of credit at 80% of the bank prime rate for interim financing of cash flow deficits. No amounts were outstanding at June 30, 2008 or 2007. The University has a \$260,000 letter of credit at a per annum fee of one percent. In addition, amounts drawn against the letter of credit include interest at the bank prime rate plus one half percent per annum. No amounts were drawn against the letter of credit at June 30, 2008. The line of credit and letter of credit are secured by general revenues.

NOTE H – LONG-TERM LIABILITIES

The information listed below shows the components of the University's long-term liabilities:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Current Portion</u>
Notes and bonds payable:					
General revenue bonds	\$114,240,000	\$26,845,000	\$26,550,000	\$114,535,000	\$2,235,000
Deferred amount on refunding	(1,295,561)		(58,889)	(1,236,672)	(58,889)
Other long-term liabilities:					
Compensated absences	2,811,928	122,185		2,934,113	100,000
Student loans - federal	55,307	6,581	17,717	44,171	12,965
Total other liabilities	<u>2,867,235</u>	<u>128,766</u>	<u>17,717</u>	<u>2,978,284</u>	<u>112,965</u>
Total long-term liabilities	<u>\$115,811,674</u>	<u>\$26,973,766</u>	<u>\$26,508,828</u>	<u>\$116,276,612</u>	<u>\$2,289,076</u>

As of June 30, 2008 and 2007, employees had earned but not taken annual vacation leave of approximately \$2,336,000 and \$2,231,000, respectively. The University has a commitment for accumulated sick leave of approximately \$598,000 as of June 30, 2008 and \$581,000 as of June 30, 2007. These amounts are reflected above as liabilities for compensated absences.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE J - UNRESTRICTED NET ASSETS

The following summarizes the internal designations of the University's unrestricted net assets:

	June 30,	
	2008	2007
Capital projects and repair reserves	\$19,841,747	\$15,712,274
Auxiliary enterprises	1,361,891	1,377,650
Designated for departmental use	7,498,192	6,856,228
Amount obligated by contractual commitments	54,021	90,102
Undesignated	1,511,659	1,421,918
Total unrestricted net assets	\$30,267,510	\$25,458,172

NOTE J - COMMITMENTS AND CONTINGENCIES

The University issued General Revenue Bonds, Series 2008B, in the amount of \$12,555,000, in August 2008. Proceeds from the bonds will be used to finance construction of new student housing. The bonds bear interest at rates ranging from 3.50% to 5.00% and mature at various dates through July 1, 2038.

The amount of funding required to complete construction in progress will come from the General Revenue Bond proceeds, institutional resources, gifts and capital appropriations from the State of Michigan. The costs to complete construction in progress approximate \$17,556,000.

In the normal course of its activities, the University is party to various legal actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on the financial condition of the University.

The University has entered into lease agreements with the State Building Authority (SBA) and the State of Michigan during prior fiscal years for Science East and West Buildings, Zahn Library, West Complex, the Regional Education Center and Pioneer Hall renovations. The projects were financed with SBA Revenue Bonds and State appropriations. The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan pursuant to the lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to each of the facilities; the State of Michigan will make all annual lease payments to the SBA from general fund appropriations; and the University will pay all operating and maintenance costs of the facilities. At the expiration of each lease, the SBA has agreed to sell the facilities to the University for the sum of one dollar each. The cost and accumulated depreciation for these facilities is reflected in the accompanying Statements of Net Assets.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE K – SUPPORT ORGANIZATIONS

The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. The Internal Revenue Service has ruled that the Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code (Code) and is, therefore, not subject to tax under present federal income tax laws, and also is not a private foundation within the meaning of Section 509(a)(3) of the Code. Foundation Board of Director membership includes the following individuals: members of the Saginaw Valley State University Board of Control as appointed by the Board of Control, certain officers of the University as set forth in the Foundation bylaws, and other community representatives elected by the Foundation Board.

The University provided approximately \$683,000 of administrative support to the Foundation during fiscal 2008 and \$958,000 of support during fiscal 2007. These amounts were recorded as gifts and expenses in the statements of revenues, expenses, and changes in net assets. The Foundation transferred \$2,563,807 to the University during fiscal 2008 and \$2,387,590 during fiscal 2007. These amounts include endowment distributions and restricted and unrestricted gifts. According to the law of the State of Michigan, the Foundation Board may appropriate for expenditure for the uses and purposes for which an endowment is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision. Under the spending policy established by the Board, 4.00% of the moving average market value of endowment investments for the twelve quarters through September prior to the beginning of the fiscal year has been authorized for expenditure.

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, the Foundation is included in the financial statements of the University as a discretely presented component unit.

The Saginaw Valley Research and Development Corporation (SVRDC), a not-for-profit taxable entity, exists to foster economic development. The operations and net assets of SVRDC are not significant and are not included in these financial statements as a component unit of the University.

NOTE L – RETIREMENT PLAN

The University has a defined contribution retirement program for all qualified employees. Qualified employees include nearly all full-time employees. University contributions are made to the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and are based on a percentage of qualified employee payroll. Employees maintain individual annuity contracts with TIAA-CREF and are fully vested. University contributions for the years ended June 30, 2008 and 2007 approximated \$4,996,000 and \$4,691,000, respectively, with annual covered payroll for participants of the plan approximating \$41,638,000 in 2008 and \$39,096,000 in 2007. The University has no liability for past service or post-employment benefit costs.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE M – LIABILITY AND PROPERTY INSURANCE

The University participates with ten other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC). This corporation's purpose is to provide insurance coverage for errors and omissions liability, comprehensive general liability, and property loss. The University has a retention amount from which it would pay losses related to errors and omissions, comprehensive general liability claims, and property claims. The second layer of coverage for losses exceeding the retention level is the responsibility of MUSIC. MUSIC has purchased excess insurance coverage for comprehensive general liability and property loss claims that exceed its level of responsibility. The payments made to MUSIC and premiums to excess carriers reflect the claims experience of each university.

NOTE N – EXPENDITURES BY NATURAL CLASSIFICATION

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2008:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$25,233,132	\$ 7,136,398	\$ 194,055		\$ 2,272,187		\$ 34,835,772
Research	316,994	82,128		\$ 2,193	169,270		570,585
Public service	807,812	218,362	3,390		1,505,592		2,535,156
Academic support	6,437,857	1,974,530	164,235		4,287,033		12,863,655
Student services	3,001,685	934,988			1,348,943		5,285,616
Institutional support	5,378,958	1,869,994	3,586		4,644,575		11,897,113
Operations and maintenance of plant	3,785,811	1,562,465		2,588,335	4,329,558		12,266,169
Depreciation						\$11,548,142	11,548,142
Student aid	392,946		4,942,535		55,409		5,390,890
Auxiliary enterprises	3,384,006	981,918	241,191	893,047	5,844,762		11,344,924
<b>Total</b>	<b>\$48,739,201</b>	<b>\$14,760,783</b>	<b>\$5,548,992</b>	<b>\$3,483,575</b>	<b>\$24,457,329</b>	<b>\$11,548,142</b>	<b>\$108,538,022</b>

SAGINAW VALLEY STATE UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 (continued)

NOTE N - EXPENDITURES BY NATURAL CLASSIFICATION  
 (continued)

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2007:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$23,631,466	\$ 7,140,796	\$ 201,258		\$ 2,027,665		\$33,001,185
Research	318,811	73,467		\$ 546	119,200		512,024
Public service	617,161	166,031	4,750		1,228,080		2,016,022
Academic support	6,360,193	1,905,032	365,408		2,799,943		11,430,576
Student services	2,686,876	836,310			1,225,503		4,748,689
Institutional support	5,368,222	1,785,430	74,528		3,632,876		10,861,056
Operations and maintenance of plant	3,589,091	1,398,624		2,263,275	1,768,995		9,019,985
Depreciation						\$11,221,633	11,221,633
Student aid	381,128		4,743,912		6,715		5,131,755
Auxiliary enterprises	3,061,220	923,395	227,391	827,638	5,101,916		10,141,560
<b>Total</b>	<b>\$46,014,168</b>	<b>\$14,229,085</b>	<b>\$5,617,247</b>	<b>\$3,091,459</b>	<b>\$17,910,893</b>	<b>\$11,221,633</b>	<b>\$98,084,485</b>

**Saginaw Valley State University  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008**

Federal / Pass Through Grantor Program Title	Federal CFDA Number	Agency Or Pass Through Grant Number	Federal Expenditures
<b><u>U.S. Department of Education</u></b>			
Title IV Student Financial Assistance (Notes 1 and 5):			
Federal Supplemental Educational Opportunity Grant Program	84.007	E-P007A022069	\$ 158,401
Federal Work-Study Program	84.033	E-P033A022069	289,736
Federal Pell Grant Program (Note 3)	84.063	E-P063P020238	6,796,426
Federal Academic Competitiveness Grant	84.375	P375A060238	186,311
Federal SMART Grant	84.376	P376S060238	71,172
Loans and Loan Guarantees-Federal Direct Loan Program (Note 2)	84.268		32,801,014
Total Student Financial Assistance			<u>40,303,060</u>
Direct Programs:			
Career Ladder	84.195E	T195E010004	6
Global Business Initiative	84.153A	P153A050075	4,640
Global Business Initiative	84.153A	P153A050075	51,745
Transition to Teaching	84.350A	S350A020089-06	102,294
Total Direct Programs			<u>158,685</u>
Passed Through National Council On Economic Education:			
Economic And Financial Literacy Research	84.215B	GR-700640	15,800
Total Passed Through National Council on Economic Education			<u>15,800</u>
Passed through Michigan Department of Education:			
Improving Teacher Quality - Principal & Teacher Leaders	84.367	070290-142	98,890
Improving English Teacher Quality	84.367	060290-659	19,602
Improving Math Teacher Quality	84.367	060290-428	(3,125)
Improving Science Teacher Quality	84.367	060290-421	(4,087)
Improving Math Teacher Quality	84.367	070290-025	97,306
Mathematics & Science Partnership	84.366	062410-MSPF 2005	207,238
Math & Science Partnership 2005-2008 (2)	84.366B	072410-MSPF2005	3,000
Mathematics & Science Partnership	84.366B	072410-MSPF2006	1,103,383
Math/Science Center MSP Subaward	84.366B	072410-MSPF2006	74,384
MSP Teacher Leadership Collaborative - Yr. 2	84.366B	082410-MSPF2006	150,079
Middle School Mathematics Partnership for Algebra	84.367B	80290-015	43,499
Preparing Teachers for the Michigan Merit Social Studies Curriculum	84.367B	80290-019	74,577
Michigan Gear Up/College Day Program 06/07	84.334S	06-00-010	1,217
Michigan Gear Up/College Day Program 07/08	84.334S	07-00-010	19,317
SVSU Special Education Preservice Reform & Induction	84.325T	H325T070007	32,590
Total Passed Through Michigan Department of Education			<u>1,917,870</u>
Passed Through University of California:			
Saginaw Valley National Writing Project	84.928A	94-MI05	4,841
Saginaw Bay Writing Project	84.928A	94-MI05	41,260
Saginaw Bay Writing Project - Yr. 2	84.928A	94-MI05	1,663
Total Passed Through University of California			<u>47,764</u>
<b><u>U.S. Department of Commerce</u></b>			
Passed Through Industrial Technology Institute:			
SVMA/MMTC (Note 4)	11.611	70NANB5H1147	158,750
Total Passed Through Industrial Technology Institute			<u>158,750</u>
<b><u>U.S. Department of Labor</u></b>			
Passed Through the County of Saginaw:			
Workshops for International Trade	17.258, 17.259, 17.260	66744-96773-07	43,767
Total Passed Through County of Saginaw			<u>43,767</u>

See Notes to Schedule of Expenditures of Federal Awards

**Saginaw Valley State University**  
**Schedule of Expenditures of Federal Awards (continued)**

Federal / Pass Through Grantor Program Title	Federal CFDA Number	Agency Or Pass Through Grant Number	Federal Expenditures
<u>U.S. Department of Labor (continued)</u>			
Passed Through Michigan Works:			
Michigan Works - H.B. Carbide	17.260	*	\$ 4,560
Total Passed Through Michigan Works			<u>4,560</u>
Passed Through Michigan State University:			
WIRED - Workforce Innovation Regional Economic Development	17.261	61-7295-308	843,715
Total Passed Through Michigan State University			<u>843,715</u>
W.I.R.E.D Yrs. 1 & 2			
W.I.R.E.D - Year 3			
CBED Fellowship - Hardcore Racing, Inc.			
CBED Fellowship - Gantec, Inc.			
Gantec (2)			
CBED Fellowship: Global Business Regional Capacity Initiative			
<u>National Aeronautics and Space Administration</u>			
Passed Through University of Michigan:			
Michigan Space Grant	43.002	NGT-40007	4,004
Probability Function Detecting Cracks in Aircraft	43.UNKOWN	NNG05GH68H	500
Modeling Secure Communication Networks	43.UNKOWN	NNG05GH68H	833
Math & Science for Minorities Program	43.UNKOWN	NNG05GH68H	506
Efficiency of Applications on the Field Programmable Gate Array	43.UNKOWN	NNG05GH68H	2,500
Total Passed Through University of Michigan			<u>8,343</u>
<u>National Endowment for the Humanities</u>			
Passed Through Michigan Humanities Council:			
Celebrating the Great American Read	45.129	Q022-08R	500
Total Passed Through Michigan Humanities Council			<u>500</u>
<u>National Science Foundation</u>			
Direct Programs:			
MRI: Acquisition of a Transmission Electron Microscope	47.041	619270	64,443
Total Direct Programs			<u>64,443</u>
<u>U.S. Department of Energy</u>			
Passed through Michigan Department of Labor & Economic Growth:			
Green Buildings - 2007 Community Energy Project Grant	81.041	PLA-07-33	2,625
Total Passed Through Michigan Department of Labor & Economic Growth			<u>2,625</u>
<u>U.S. Department of Health and Human Services - HRSA</u>			
Direct Programs:			
Advanced Education Nursing Traineeship 2008	93.358	A10HP05111-03-00	32,190
Total Direct Programs			<u>32,190</u>
<u>Corporation For National and Community Service</u>			
Passed through Michigan Campus Compact:			
Saginaw County Youth Leaders	94.005	06LHHMI001	1,657
Total Passed Through Michigan Campus Compact			<u>1,657</u>
Total Expenditures of Federal Awards			<u>\$43,603,729</u>

\* The agency or pass through grant number is not available.

See Notes to Schedule of Expenditures of Federal Awards

## Saginaw Valley State University

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

- Note 1:** As defined in OMB Circular A-133, Student Financial Assistance programs are considered to be clusters of programs and, accordingly, have been classified as one program for testing purposes. Student Financial Assistance is defined as a major program.
- Note 2:** Under the William D. Ford Federal Direct Loan Program, students and parents borrow funds directly from the federal government; the University is responsible for verifying student eligibility, electronically transmitting the loan records to the federal processor and distributing the loan funds directly to the student account or parent borrower. For the year ended June 30, 2008, Direct Student Loans totaled \$32,801,014 (\$17,063,940 subsidized, \$14,064,683 unsubsidized, and \$1,672,391 PLUS). These amounts were excluded from total federal expenditures when determining the dollar threshold for major programs.
- Note 3:** The Pell grant expenditures are the actual amounts incurred through June 30, 2008. The University will process amendments subsequent to year end to finalize the 2007-2008 award year. Amounts reported do not include an administrative cost allowance of \$12,780.
- Note 4:** The grant expenditures disclosed include both the federal portion (60%) and State of Michigan portion (40%) of the grant.
- Note 5:** As of July 1, 1996, Saginaw Valley State University terminated participation in the Federal Perkins Loan Program (CFDA Number 84.038). The University will retain and administer the loan portfolio until all outstanding loans are liquidated. There was \$43,812 in loans outstanding as of June 30, 2008. Additionally, the University must return to the United States Department of Education annually the Federal share of cash-on-hand as of June 30. Federal cash-on-hand as of June 30, 2008 was returned in July 2008.
- The University utilizes the services of Campus Partners to administer the repayment of Perkins loans and perform certain due diligence procedures. The most recent available report on Campus Partners' compliance and internal controls was received and reviewed. No significant items of noncompliance or control weaknesses were noted.
- Note 6:** The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis with the exception of grants, which are generally recorded when received or when billable.



**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

Independent Auditors' 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*

Board of Control  
Saginaw Valley State University

We have audited the financial statements of Saginaw Valley State University (University) and its discretely presented component unit, Saginaw Valley State University Foundation, as of and for the year ended June 30, 2008, and have issued our report thereon dated August 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Control, management of the University, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Andrews Hooper & Pavlik P.L.C.*

Saginaw, Michigan  
August 22, 2008



**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133

Board of Control  
Saginaw Valley State University

Compliance

We have audited the compliance of Saginaw Valley State University (University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

The University's financial statements include the operations of its discretely presented component unit, Saginaw Valley State University Foundation, which received \$-0- in federal awards. An OMB Circular A-133 audit was not required for Saginaw Valley State University Foundation.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

We did not audit the University's compliance with the requirements governing billing, recordkeeping, payment processing, reporting and due diligence functions for the University's Federal Perkins Loan Program. Those requirements govern functions performed by Campus Partners. Campus Partners's compliance with the requirements governing the functions it performs for the University was audited by another auditor, whose report was furnished to us. Based on our review of the other auditor's report, we have determined that all of the compliance requirements that are applicable to the University's Federal Perkins Loan Program are addressed either in our report or the report of the other auditor. Based on our review of the other auditor's report, we have determined that it does not contain any reportable findings of noncompliance pertaining to the services that Campus Partners performs for the University.

## Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

The internal control policies and procedures relating to billing, recordkeeping, payment processing, reporting and due diligence functions for the University's Federal Perkins Loan Program are performed at Campus Partners. For these control categories, other auditors obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation and assessed control risk. The other auditor's report has been furnished to us; however, the scope of our work did not extend to these internal control policies and procedures established and maintained at Campus Partners.

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

This report is intended solely for the information and use of the Board of Control and management of Saginaw Valley State University and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Andrews Hooper & Pavlik P.L.C.*

Saginaw, Michigan  
August 22, 2008

Saginaw Valley State University

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Section I – Summary of Auditor’s Results

**Financial Statements**

Type of auditor’s report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness identified?	<u>          </u> Yes	<u>  X  </u> No	
Significant deficiencies identified not considered to be material weakness?	<u>          </u> Yes	<u>  X  </u> None reported	
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>  X  </u> No	

**Federal Awards**

Internal control over major programs:			
Material weakness identified?	<u>          </u> Yes	<u>  X  </u> No	
Significant deficiencies identified not considered to be material weakness?	<u>          </u> Yes	<u>  X  </u> None reported	
Type of auditor’s report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>          </u> Yes	<u>  X  </u> No	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Cluster and Federal Programs</u>
84.007	Student Financial Assistance: Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.375	Federal Academic Competitiveness Grant
84.376	Federal SMART Grant
84.268	Federal Direct Loan Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>		
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	<u>          </u> No	

Saginaw Valley State University

Schedule of Findings and Questioned Costs (continued)

Section II – Financial Statements Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Saginaw Valley State University  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2008

No matters were reported.