

OMB Circular A-133
Reporting Package

Saginaw Valley State University

Year ended June 30, 2011

Saginaw Valley State University

OMB Circular A-133
Reporting Package

Year ended June 30, 2011

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Audited Financial Statements and
Other Supplementary Information

Saginaw Valley State University

*Years ended June 30, 2011 and 2010
with Report of Independent Auditors*

Saginaw Valley State University

Audited Financial Statements
and Other Supplementary Information

Years ended June 30, 2011 and 2010

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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 University's operating loss results from the classification of state appropriations and Pell grants 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 7.2% from June 30, 2010 to June 30, 2011, 11.9% from June 30, 2009 to June 30, 2010, and 0.8% from June 30, 2008 to June 30, 2009.
- Operating revenues increased in fiscal 2011, 2010 and 2009 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 2.0% from Fall 2009 to Fall 2010, 11.3% from Fall 2008 to Fall 2009, and 10.6% from Fall 2007 to Fall 2008.
- Headcount enrollment increased from 9,837 in Fall 2008 to 10,498 in Fall 2009 and to 10,656 in Fall 2010. Credit hours increased from 233,412 in 2008 to 240,842 in 2009, 258,524 in 2010 and 264,594 in 2011.

FINANCIAL STATEMENT SUMMARIES

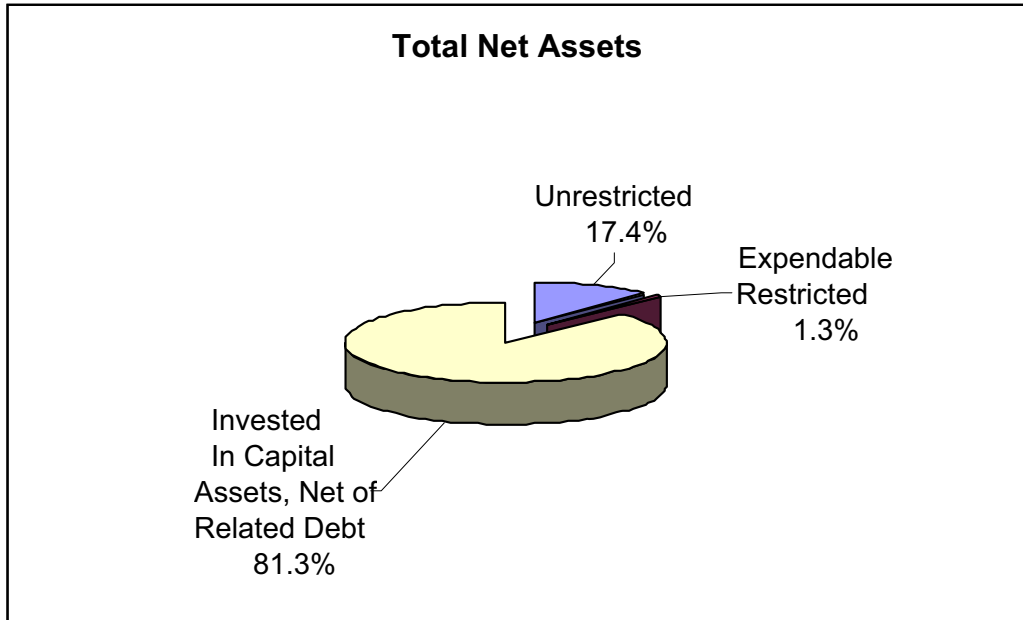
Net assets of the University are summarized in the table below.

Statements of Net Assets			
June 30,			
(in thousands of dollars)			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current Assets	\$ 58,374	\$ 80,903	\$ 54,913
Noncurrent Assets:			
Other	17,082	205	7,386
Capital	300,294	283,695	266,157
Total Assets	<u>375,750</u>	<u>364,803</u>	<u>328,456</u>
Liabilities			
Current Liabilities	32,027	31,813	23,905
Noncurrent Liabilities	127,389	131,232	124,305
Total Liabilities	<u>159,416</u>	<u>163,045</u>	<u>148,210</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	175,791	164,240	146,347
Restricted – Expendable	2,770	2,086	1,779
Unrestricted	37,773	35,432	32,120
Total Net Assets	<u>\$216,334</u>	<u>\$201,758</u>	<u>\$180,246</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, library acquisitions, and construction in progress. Capital assets represent 80% of the University's total assets. Notes and bonds payable totaled \$126.2 million at June 30, 2011. This represents 79% of the University's total liabilities.

A graphic illustration of the University's net assets at June 30, 2011 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 Nursing Faculty Loan and Perkins Loan programs.

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, 2011. The following summarizes the internal designations of the University unrestricted net assets:

	June 30,		
	2011	2010	2009
Capital Projects & Repairs Reserve	\$23,369,923	\$22,210,285	\$19,757,713
Auxiliary Enterprises	1,361,891	1,361,891	1,361,891
Designated for Departmental Use	11,136,706	9,970,727	9,145,068
Amount Obligated by Contractual Commitments	118,416	133,359	116,564
Undesignated	1,786,550	1,755,708	1,738,479
Total Unrestricted Net Assets	\$37,773,486	\$35,431,970	\$32,119,715

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

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

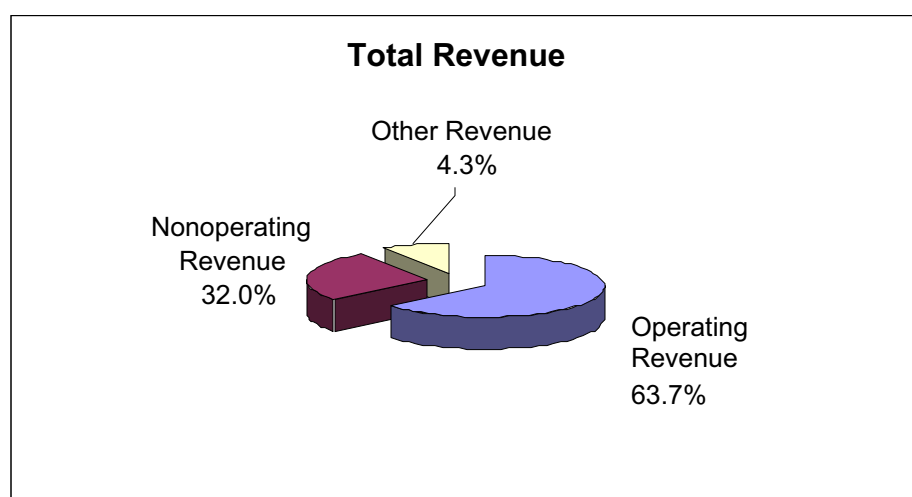
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(in thousands of dollars)		
Operating Revenues			
Student Tuition and Fees, net	\$ 61,535	\$ 57,833	\$ 52,865
Federal Grants and Contracts	4,289	6,251	5,314
State and Local Grants and Contracts	917	1,075	1,091
Sales & Services of Educational Departments	3,914	4,368	3,693
Auxiliary Enterprises, net	17,905	17,621	16,394
Other Operating Revenues	2,642	2,403	2,264
Total Operating Revenues	<u>91,202</u>	<u>89,551</u>	<u>81,621</u>
Operating Expenses	<u>122,842</u>	<u>121,028</u>	<u>113,641</u>
Operating Loss	(31,640)	(31,477)	(32,020)
Nonoperating Revenues (Expenses)			
State Appropriations	27,721	27,710	28,640
Federal Grant - State Fiscal Stabilization Funds		808	
Federal Pell Grant Program	15,493	12,935	7,788
Gifts	2,343	1,915	1,264
Investment Income, net	359	530	(428)
Interest on Capital Asset-Related Debt	(5,839)	(5,520)	(5,459)
Net Nonoperating Revenues	<u>40,077</u>	<u>38,378</u>	<u>31,805</u>
Income (Loss) Before Other Revenues	8,437	6,901	(215)
Capital Appropriations	5,902	14,532	267
Capital Grants and Gifts	237	79	101
Total Other Revenues	<u>6,139</u>	<u>14,611</u>	<u>368</u>
Increase in Net Assets	14,576	21,512	153
Net Assets at Beginning of Year	<u>201,758</u>	<u>180,246</u>	<u>180,093</u>
Net Assets at End of Year	<u>\$ 216,334</u>	<u>\$ 201,758</u>	<u>\$ 180,246</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. For fiscal 2010, the State appropriated \$807,600 to the University from their state fiscal stabilization fund. This represents Federal American Recovery and Reinvestment Act funds which are reported as nonoperating revenue.

Capital appropriations represent the State of Michigan's contribution to the Health & Human Services building for fiscal 2011 and 2010 and to Pioneer Hall for fiscal 2009. Capital grants and gifts in 2011 relate primarily to gifts received for the weight room and pool renovations. Capital grants and gifts in 2010 and 2009 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 University revenue source for the year ended June 30, 2011 follows:



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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(in thousands of dollars)		
Cash Provided (Used) By:			
Operating Activities	(\$17,116)	(\$17,905)	(\$20,898)
Noncapital Financing Activities	45,362	43,320	37,851
Capital Financing Activities	(20,604)	(25,918)	(19,796)
Investing Activities	(16,508)	7,710	(2,831)
Net Increase (Decrease)	<u>(8,866)</u>	<u>7,207</u>	<u>(5,674)</u>
Cash and Cash Equivalents at Beginning of Year	<u>41,906</u>	<u>34,699</u>	<u>40,373</u>
Cash and Cash Equivalents at End of Year	<u><u>\$33,040</u></u>	<u><u>\$41,906</u></u>	<u><u>\$34,699</u></u>

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

OPERATING EXPENSES

The University reports expenditures on a functional basis. Operating expenses were \$122,841,853 in fiscal 2011, an increase of 1.5% over the prior year. The following summarizes the University's operating expenses for the years ended June 30:

	2011	2010	2009
	(in thousands of dollars)		
Educational and General			
Instruction	\$ 40,540	\$ 38,853	\$ 37,333
Research	872	796	688
Public Service	1,710	2,626	2,408
Academic Support	12,767	14,920	14,042
Student Services	6,211	6,189	5,701
Institutional Support	13,364	12,464	11,879
Operations and Maintenance of Plant	11,248	11,250	11,574
Depreciation	12,705	11,759	11,323
Student Aid	9,896	9,011	6,346
Auxiliary Enterprises	13,529	13,160	12,347
 Total Operating Expenses	 \$ 122,842	 \$ 121,028	 \$ 113,641

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 2011 expenditures for capital projects approximated \$29.3 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 2010A, in the amount of \$29,590,000 in May 2010. Proceeds from the bonds were used to refund prior General Revenue bonds to reduce debt service and to finance various capital projects. Moody's Investors Services, Inc. and Standard & Poor's Ratings Services rated the bonds "A1" and "A", respectively.

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

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

The University has been notified that the State has further reduced appropriations by 15% for fiscal 2012.

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 \$902,000 of administrative support to the Foundation during fiscal 2011. 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 \$2,579,842 in fiscal 2011.

As of June 30, 2011 the market value of only one of the Foundation's endowments was below the gift value compared to 65% of endowments below gift value at June 30, 2010. The Foundation's spending policy is to distribute four percent annually, with distributions made quarterly. Distributions are based on the average market value of the endowment for the preceding twelve calendar quarters, with the calculation made September 30 of each year. The September 30 per unit market value is utilized for distributions for the four quarterly distributions of the next fiscal year. However, the policy does not allow distribution if the individual endowment value is below historical gift value at each quarter end. As a result, some of the endowments did not distribute for one or more of the quarters during fiscal 2011.

The net assets of the Foundation were as follows as of June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Nonexpendable Restricted	\$39,511,756	\$36,976,637	\$35,868,402
Expendable Restricted	5,008,512	403,158	723,590
Unrestricted	6,462,772	3,890,338	808,151
	<u>\$50,983,040</u>	<u>\$41,270,133</u>	<u>\$37,400,143</u>

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, 2011 and 2010 and Saginaw Valley State University Foundation, a discretely presented component unit of the University, as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the University's administration. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2011 and 2010, 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 September 12, 2011, 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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions 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 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 also not a required part of the financial statements. The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Andrews Hooper Paulik PLC

Saginaw, Michigan
September 12, 2011

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF NET ASSETS

	June 30, 2011		June 30, 2010	
	SVSU	Component Unit SVSU Foundation	SVSU	Component Unit SVSU Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 33,040,080	\$ 1,359,044	\$ 41,905,892	\$ 2,154,582
Short-term investments		54,984		54,590
Accounts receivable, net	4,642,724	1,190,161	18,866,149	708,995
State appropriations receivable - operations	5,040,128		5,038,200	
State appropriations receivable - charter schools	11,775,726		11,452,370	
Inventories and prepaid expenses	3,875,681		3,633,998	
Notes receivable, net	119		6,171	
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	58,374,458	2,604,189	80,902,780	2,918,167
Noncurrent Assets				
Cash and cash equivalents, restricted		62,557		53,656
Notes receivable, net	21,500		12,342	
Accounts receivable, net		4,321,195		3,150,574
Endowment investments		44,504,808		35,399,197
Other long-term investments	17,059,787		192,879	
Capital assets, net	300,294,221		283,694,966	
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Total noncurrent assets	317,375,508	48,888,560	283,900,187	38,603,427
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	375,749,966	51,492,749	364,802,967	41,521,594
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	7,467,090	509,709	8,535,045	251,461
Deferred revenues	7,407,544		6,924,112	
Deposits	12,083,128		11,612,020	
Long-term liabilities - current portion	5,069,300		4,741,995	
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	32,027,062	509,709	31,813,172	251,461
Noncurrent Liabilities				
Deferred revenues	2,393,334		1,440,000	
Long-term liabilities, net of current portion	124,995,301		129,791,495	
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	127,388,635	-	131,231,495	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	159,415,697	509,709	163,044,667	251,461
NET ASSETS				
Invested in capital assets, net of related debt	175,790,521		164,240,442	
Nonexpendable Restricted				
Scholarships		12,741,094		13,418,816
Endowed chairs		12,708,240		11,423,099
Other		14,062,422		12,134,722
Expendable Restricted				
Capital		175,000		50,000
Endowed chairs		1,449,450		
Scholarships and fellowships	1,084,633	1,702,534	844,869	50,933
Research	168,906		65,888	
Instructional department use	410,667	144,233	309,663	
Loans	7,652		2,503	
Other	1,098,404	1,537,295	862,965	302,225
Unrestricted	37,773,486	6,462,772	35,431,970	3,890,338
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	\$ 216,334,269	\$ 50,983,040	\$ 201,758,300	\$ 41,270,133
	<hr/>	<hr/>	<hr/>	<hr/>

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS

	For the year ended June 30, 2011		For the year ended June 30, 2010	
	SVSU	Component Unit SVSU Foundation	SVSU	Component Unit SVSU Foundation
REVENUES				
Operating revenues				
Student tuition and fees	\$ 77,148,636		\$ 71,099,791	
Less: Scholarship allowances	(15,613,322)		(13,266,292)	
	61,535,314		57,833,499	
Federal grants and contracts	4,289,383		6,251,247	
State and local grants and contracts	917,225		1,074,776	
Gifts		\$ 3,210,161		\$ 1,861,574
Sales and services of educational departments	3,913,434		4,368,138	
Auxiliary enterprises	21,400,013		20,784,784	
Less: Scholarship allowances	(3,494,858)		(3,163,698)	
	17,905,155		17,621,086	
Other operating revenues	2,641,735		2,402,582	
Total operating revenues	91,202,246	3,210,161	89,551,328	1,861,574
EXPENSES				
Operating expenses				
Educational and general				
Instruction	40,540,418		38,864,357	
Research	872,177		796,612	
Public service	1,709,899		2,626,286	
Academic support	12,766,658		14,919,914	
Student services	6,211,169		6,188,969	
Institutional support	13,364,099	1,015,750	12,452,651	920,416
Operations and maintenance of plant	11,248,448		11,249,996	
Depreciation	12,704,582		11,758,730	
Student aid	9,895,680		9,011,043	
Auxiliary enterprises	13,528,723		13,159,672	
Total operating expenses	122,841,853	1,015,750	121,028,230	920,416
Operating income (loss)	(31,639,607)	2,194,411	(31,476,902)	941,158
NONOPERATING REVENUES (EXPENSES)				
State appropriations	27,720,700		27,710,100	
Federal grant - State fiscal stabilization fund			807,600	
Federal Pell Grant Program	15,493,182		12,935,067	
Gifts	2,343,068	(2,343,068)	1,915,456	(1,915,456)
Investment income, net	358,778	7,563,219	530,035	3,815,138
Interest on capital asset-related debt	(5,839,197)		(5,520,068)	
Net nonoperating revenues (expenses)	40,076,531	5,220,151	38,378,190	1,899,682
Income before other revenues (expenses)	8,436,924	7,414,562	6,901,288	2,840,840
Other Revenues (Expenses)				
Capital appropriations	5,902,271		14,532,464	
Additions to permanent endowments		2,535,119		1,108,235
Capital grants and gifts	236,774	(236,774)	79,085	(79,085)
Net other revenues (expenses)	6,139,045	2,298,345	14,611,549	1,029,150
Increase in net assets	14,575,969	9,712,907	21,512,837	3,869,990
Net assets - beginning of year	201,758,300	41,270,133	180,245,463	37,400,143
Net assets - end of year	\$ 216,334,269	\$ 50,983,040	\$ 201,758,300	\$ 41,270,133

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2011	2010
Cash Flows from Operating Activities		
Student tuition and fees	\$ 61,737,955	\$ 57,827,386
Grants and contracts	6,185,160	6,680,751
Payments to suppliers	(23,616,879)	(24,911,754)
Payments for utilities	(3,437,255)	(3,561,155)
Payments to employees	(55,619,729)	(53,160,201)
Payments for benefits	(18,163,266)	(16,947,047)
Payments for scholarships and fellowships	(9,604,499)	(9,377,500)
Federal share of Perkins loans	50,821	(10,804)
Loans advanced to students net of collection	(3,106)	1,266
Auxiliary enterprises charges	17,591,954	17,216,919
Sales and services	5,120,883	5,934,922
Other receipts	2,641,735	2,402,582
Net cash used by operating activities	(17,116,226)	(17,904,635)
Cash Flows from Noncapital Financing Activities		
State appropriations	27,718,772	27,879,136
Federal grant - State fiscal stabilization fund		807,600
Federal Pell Grant Program	15,555,859	12,815,291
Federal Direct Lending receipts	56,695,696	53,031,298
Federal Direct Lending disbursements	(56,695,696)	(53,031,298)
Gifts	2,088,212	1,817,436
Net cash provided by noncapital financing activities	45,362,843	43,319,463
Cash Flows from Capital Financing Activities		
Capital appropriations	19,918,012	48,269
Capital grants and gifts received	236,774	79,085
Principal paid on capital debt	(4,700,000)	(22,440,000)
Proceeds from capital debt		29,590,000
Proceeds from capital debt premium		1,471,071
Interest paid on capital debt and related costs	(6,097,208)	(6,282,515)
Purchase of capital assets	(29,961,877)	(28,384,010)
Net cash used by capital financing activities	(20,604,299)	(25,918,100)
Cash Flows from Investing Activities		
Interest on investments	372,508	4,436
Purchase of investments	(16,995,886)	
Proceeds from redemption of investments	115,248	7,705,383
Net cash provided (used) by investing activities	(16,508,130)	7,709,819
Net increase (decrease) in cash and cash equivalents	(8,865,812)	7,206,547
Cash and cash equivalents - beginning of year	41,905,892	34,699,345
Cash and cash equivalents - end of year	\$ 33,040,080	\$ 41,905,892

SAGINAW VALLEY STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - CONTINUED

	For the years ended June 30,	
	2011	2010
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (31,639,607)	\$ (31,476,902)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	12,704,582	11,758,730
Changes in assets and liabilities:		
Accounts receivable, net	76,507	(3,993,248)
Inventories and prepaid expenses	(351,843)	184,906
Notes receivable, net	(3,106)	1,266
Accounts payable and accrued liabilities	(73,915)	858,097
Deferred revenues	1,527,826	1,711,903
Deposits	471,108	2,792,577
Compensated absences	121,401	268,840
Student loans - federal	50,821	(10,804)
Net cash used by operating activities	\$ (17,116,226)	\$ (17,904,635)

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 codification sections applicable on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB codification sections applicable after November 30, 1989.

The Foundation has applied the recognition principles of all applicable FASB codification sections. Certain disclosures conform more to the GASB presentation than what may be required by FASB.

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)

Revenue Recognition - Continued

Funds are appropriated to the University for operations by the State of Michigan covering the State's fiscal year, October 1 through September 30. The sums appropriated are for the University's fiscal year ending June 30 and are generally paid in eleven monthly installments from October through August. For fiscal 2010, the State appropriated \$807,600 to the University from their state fiscal stabilization fund. This represents Federal American Recovery and Reinvestment Act funds which are reported as nonoperating revenue.

The Foundation recognizes a gift when the donor makes a pledge that is, in substance, unconditional. The Foundation uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises.

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs and the allowance for doubtful accounts.

The University determines the allowance for doubtful accounts based on an evaluation of accounts receivable, past and recent experience, current economic conditions, and other pertinent factors. The allowance for doubtful accounts is increased by the provision charged to expense and reduced by charge-offs. The University considers receivables past due when they have not been paid within their contractual terms. The University charges off receivables when the receivable is deemed uncollectible.

Investments

Investments are reported at fair value. Investment income includes realized and unrealized gains and losses on investments, interest and dividends.

Inventories

Inventories are stated at lower of average cost or market.

Institutional Physical Properties

Physical properties are stated at cost or, when donated, at fair market value at date of gift. The University uses a \$5,000 threshold for capitalizing assets. 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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Institutional Physical Properties - Continued

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 2010 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, 2010. The University did not have funds in the long-term pool during the fiscal year or as of June 30, 2011 or 2010.

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:

Short-term Pool

1. All investments must be convertible into cash at anytime without any significant loss of principal.
2. Any instrument issued by, guaranteed by, or insured by the U.S. Government, agencies, or other full faith instruments of investment grade are permitted.
3. Commercial paper issued by domestic corporations rated both "P-1" and "A-1" by Moody's Investors Service, Inc. and by Standard & Poor's, respectively, may be included.
4. Also permitted are certificates of deposit, bankers acceptances, or other such irrevocable primary obligations from a list of approved banks.
5. Commingled funds and short-term cash reserve mutual funds may be used if they are in compliance with the above guidelines.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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

Credit Risk - Continued

Intermediate-term Pool

1. Fixed-income investments may include U.S. and Non-U.S. issues of Government and Agency obligations, marketable corporate bonds, mortgage or asset-backed bonds and preferred stocks with sinking funds as deemed prudent by the investment managers.
2. Fixed-income investments shall be made primarily in those rated "BAA" (investment grade) or better by Moody's and BBB (investment grade) or better by Standard & Poor's with emphasis toward "A" or better issues. However, up to 20% of the fixed income investments can be made in below investment grade debt (high yield).
3. Fixed income investments may include U.S. and Non-U.S. issues, including high yield, global fixed income and emerging market debt instruments.
4. No equity exposure is permitted within the intermediate term pool.

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 five years.

Concentration of Credit Risk

Cash and cash equivalents consist primarily of funds invested with either a bank short-term investment pool or Treasury Money Market Funds. The yield was 0.02% for 2011 and 2010. The Investment Policy requires that for the intermediate-term pool, diversification must be maintained and, with the exception of securities guaranteed by the U.S. Government, the securities of single issuer should not exceed 10% of the market value of the manager's portfolio responsibility. No more than 10% of the fixed income investments, at market, shall be invested in securities of any one issuer, except Government and Agency obligations.

Investments in the Intermediate-term pool have the following quality of investments:

- PIMCO Total Return Fd Instl – 30.0% AAA, 28.0% AA, 14.0% A, 17.0% BBB, 10.0% below investment grade, 1.0% no rating;
- SEIX Floating Rate High Income – 0.7% A, 7.0% BBB, 30.9% BB, 54.1% B, 5.0% below investment grade, 2.3% no rating;
- Vanguard Short-term Bond Index Signal – 75.8% AAA, 6.6% AA, 10.7% A, 6.9% BBB.
- Loomis Sayles Global Bond Instl – 40.5% AAA, 21.5% AA, 14.5% A, 15.0% BBB, 6.1% BB, 2.2% B, 0.2% no rating;

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, 2011 and 2010:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
Short-term Pool:			
<u>Deposits:</u>			
Bank of America	AAA	\$16,099,071	\$ 13,289,438
Chemical Bank		2,015,346	2,008,567
Columbia Treasury Reserves	AAA		13,013,537
Fidelity Institutional Treasury	AAA	43	13,546,697
Fidelity Institutional Money	AAA	14,876,662	
<u>Investments:</u>			
U. S. Treasury Strips		1,753,012	
Mutual Funds – Commonfund Absolute Return Fund	N/A		192,879
Intermediate-term Pool:			
PIMCO Total Return Fd Instl		7,609,696	
SEIX Floating Rate High Income		2,276,076	
Vanguard Short-term Bond Index Sig.		756,716	
Loomis Sayles Global Bond Instl		4,664,287	
		\$ 50,050,909	\$ 42,051,118
Less Investments Reported as "Cash and Cash Equivalents" on Statement of Net Assets		(32,991,122)	(41,858,239)
Total Investments		\$ 17,059,787	\$ 192,879
<u>As reported on the Statement of Net Assets</u>			
Noncurrent Investments		\$ 17,059,787	\$ 192,879
Total Investments		\$ 17,059,787	\$ 192,879
Investments Reported as Cash and Cash Equivalents		\$ 32,991,122	\$ 41,858,239
Cash		48,958	47,653
Total Cash and Cash Equivalents		\$ 33,040,080	\$ 41,905,892

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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

Foreign Currency Risk

The University did not have holdings in foreign investments as of June 30, 2011 or 2010.

Custodial Credit Risk

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, 2011 were \$33,498,893. Of that balance \$32,992,846 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2010 were \$42,140,740. Of that balance \$41,639,304 was uninsured and uncollateralized.

Investments: The University has engaged Comerica Bank to serve as custodian for the short-term and intermediate-term pools other than the accounts with Bank of America. The custodian maintains physical possession of securities owned by the University, 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 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, 2011 or 2010.

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.

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

The following table summarizes the components of the Foundation's investments at June 30, 2011 and 2010:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Market Value</u>	
		<u>2011</u>	<u>2010</u>
Commonfund Intermediate Term Fund	Average Quality of Investments: AA		\$ 13,676
Equities	N/A	\$ 14,268	4,935
Mutual Fund – Equities	N/A	18,965,170	15,502,848
Mutual Fund - International Equities	N/A	9,547,375	5,843,329
Mutual Fund – Debt	N/A	11,872,269	10,372,786
Alternative Investments	N/A	4,160,710	3,716,213
Cash and Cash Equivalents	N/A	62,557	53,656
		44,622,349	35,507,443
Less Investments Reported as "Cash and Cash Equivalents, Restricted" on Statement of Net Assets		(62,557)	(53,656)
Total Investments		\$44,559,792	\$35,453,787
<u>As reported on the Statement of Net Assets</u>			
Short-term Investments		\$ 54,984	\$ 54,590
Endowment Investments		44,504,808	35,399,197
		\$44,559,792	\$35,453,787

Mutual Fund – debt have the following quality of investment:

- Harbor Bond Fund – 30.0% AAA, 28.0% AA, 14.0% A, 17.0% BBB, 10.0% below investment grade, 1.0% no rating;
- Loomis Sayles Global Bond Instl – 40.5% AAA, 21.5% AA, 14.5% A, 15.0% BBB, 6.1% BB, 2.2% B, 0.2% no rating;
- Ridgeworth SEIX Floating Rate High Income Fund – 0.7% A, 7.0% BBB, 30.9% BB, 54.1% B, 5.0% below investment grade, 2.3% no rating;
- Vanguard Short-term Bond Index Signal – 75.8% AAA, 6.6% AA, 10.7% A, 6.9% BBB.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

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, 2011, the Foundation's investments that exceeded five percent of the investment portfolio included the Vanguard 500 Index Fund (\$3,785,879), DFA US Large Cap Value Portfolio (\$3,061,618), Vanguard Mid Cap Index Fund (\$2,734,150), Harbor International Fund (\$4,231,266), William Blair Funds International Growth Fund Class I (\$3,888,032), T Rowe Price Instl US Structured Research (\$3,617,048), Neuberger Berman Large Cap Growth (\$2,945,824), and Harbor Bond Fund (\$5,477,517).

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.

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

Custodial Credit Risk - Continued

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, 2011 and 2010 are listed below in the table:

	June 30,	
	2011	2010
Tuition and fees	\$ 2,294,895	\$ 2,143,356
Auxiliary enterprises	1,103,993	1,115,093
Contracts and grants	1,117,355	1,816,257
Sales and services	399,233	385,449
State Building Authority	514,055	14,529,796
Agency accounts	1,437,119	933,698
Allowance for uncollectible accounts	(2,223,926)	(2,057,500)
Total accounts receivable	\$ 4,642,724	\$18,866,149

Notes receivable totaling \$119 represents the final loan issued to students under the Federal Perkins Loan Program. As of July 1, 1996, Saginaw Valley State University terminated participation in the Federal Perkins Loan Program. The University assigned the majority of the remaining loans to the Department of Education during fiscal year 2011 with the final loan transferring in early July 2011. 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, 2011, adjusted for July activity, was returned in July, 2011. This was the final payment.

The University began participation in the Nursing Faculty Loan program during fiscal 2011. Loans totaling \$21,500 had been awarded as of June 30, 2011.

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 \$5,040,128 at June 30, 2011 and \$5,038,200 at June 30, 2010. Charter schools appropriations receivable were recorded at June 30, 2011 of \$11,775,726 and at June 30, 2010 of \$11,452,370. The University has

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE D - ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE
(continued)

recorded a corresponding amount due to the charter schools. The University received \$68,885,851 of State appropriations to be forwarded to eighteen (18) charter schools for fiscal 2011 and \$64,131,828 for fiscal 2010.

The detail of the Foundation's accounts receivable for June 30, 2011 and 2010 are listed below in the table:

	June 30,	
	2011	2010
Pledges receivable	\$3,404,857	\$1,047,016
Less: allowance for uncollectible pledges	199,410	69,467
Less: discount to reflect promise to give at fair value	316,970	54,899
	2,888,477	922,650
Interest in trusts held by others	2,544,364	2,931,593
Other	78,515	5,326
Total Foundation accounts receivable	\$5,511,356	\$3,859,569
Current	\$1,190,161	\$ 708,995
Noncurrent	4,321,195	3,150,574
Total Foundation accounts receivable	\$5,511,356	\$3,859,569

NOTE E - CAPITAL ASSETS

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

Asset Classification	Balance at June 30, 2010	Additions	Retirements	Balance at June 30, 2011
Land	\$ 1,882,803	\$ 15,880		\$ 1,898,683
Land improvements and infrastructure	24,949,419	2,310,343		27,259,762
Buildings	308,303,268	36,193,296		344,496,564
Equipment	39,162,358	3,239,375	\$(2,851,268)	39,550,465
Library acquisitions	10,915,065	801,958	(534,160)	11,182,863
Construction in progress	25,507,781	(13,257,015)		12,250,766
Works of fine art	607,085			607,085
Accumulated depreciation:				
Land improvements and infrastructure	(13,638,469)	(1,286,609)		(14,925,078)
Buildings	(82,028,070)	(7,671,173)		(89,699,243)
Equipment	(24,678,742)	(3,066,855)	2,851,268	(24,894,329)
Library acquisitions	(7,287,532)	(679,945)	534,160	(7,433,317)
Total capital assets, net	\$ 283,694,966	\$ 16,599,255	\$ 0	\$ 300,294,221

SAGINAW VALLEY STATE UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 (continued)

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,	
	2011	2010
Compensation	\$1,886,636	\$1,653,971
Supplies and construction related expenditures	5,580,454	6,881,074
Total accounts payable and accrued liabilities	\$7,467,090	\$8,535,045

NOTE G - NOTES AND BONDS PAYABLE

The University issued General Revenue Bonds, Series 2010A, in the amount of \$29,590,000, in May 2010. Proceeds from the bonds were used to refund all of the remaining Series 1998 and 2001A Bonds and to fund various capital projects. The refunded bonds were called for redemption on their respective first call date: July 1, 2010 for both refunded bond series. The bonds were refunded in order to reduce the University's debt service. The Series 2010A bonds were issued at a premium of \$1,471,071.

The University issued General Revenue Bonds, Series 2008B, in the amount of \$12,555,000, in August 2008. Proceeds from the bonds were used to finance construction of new student housing.

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 University issued General Revenue Bonds, Series 2007, in the amount of \$24,435,000 in March 2007 to fund various capital projects.

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 were called for redemption on their respective first call date (done on July 1, 2008 for the 1998 bonds; on 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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

The refunding resulted in a deferred amount on refunding of \$1,472,228. 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 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.

Notes and bonds payable consist of the following:

	Interest Rates	Maturity	Outstanding Balance	
			June 30, 2011	2010
General Revenue Bonds, series 2010A	3.00% to 5.00%	2011-2030	\$ 27,745,000	\$ 29,590,000
General Revenue Bonds, series 2008B	3.50% to 5.00%	2010-2038	12,105,000	12,335,000
General Revenue Refunding Bonds, series 2008	4.00% to 5.00%	2016-2031	26,845,000	26,845,000
General Revenue Bonds, series 2007	4.00% to 5.00%	2010-2037	23,770,000	24,280,000
General Revenue Bonds, series 2005	4.00% to 4.50%	2010-2035	24,995,000	26,495,000
General Revenue Bonds, series 2004B	3.50% to 4.625%	2014-2034	2,715,000	2,795,000
General Revenue Bonds, series 2004A	4.00% to 5.00%	2010-2034	9,130,000	9,665,000
Total			<u>\$127,305,000</u>	<u>\$132,005,000</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

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
2012	\$ 5,025,000	\$ 5,911,650	\$ 10,936,650
2013	5,255,000	5,690,525	10,945,525
2014	5,485,000	5,459,400	10,944,400
2015	5,680,000	5,218,439	10,898,439
2016	3,805,000	4,961,232	8,766,232
2017-2021	21,580,000	22,227,233	43,807,233
2022-2026	26,945,000	16,871,027	43,816,027
2027-2031	34,000,000	9,916,274	43,916,274
2032-2036	15,235,000	3,404,488	18,639,488
2037-2038	4,295,000	253,750	4,548,750
	<u>\$127,305,000</u>	<u>\$79,914,018</u>	<u>\$207,219,018</u>
Less: Deferred amount on refunding (net)	(1,060,005)		
Total	<u>\$126,244,995</u>		

The University has a \$260,000 letter of credit at a per annum fee of 1.5 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, 2011 or 2010. The letter of credit is secured by general revenues.

On July 15, 2009 the University entered into a \$10 million line of credit at prime as established by The Wall Street Journal, however the rate payable shall never be less that 3.25% per annum. No amounts have been drawn against this line of credit.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE H - LONG-TERM LIABILITIES

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

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Current Portion
Notes and bonds payable:					
General revenue bonds	\$132,005,000		\$ 4,700,000	\$127,305,000	\$5,025,000
Deferred amount on refunding	(1,118,894)		(58,889)	(1,060,005)	(58,889)
Other long-term liabilities:					
Compensated absences	3,630,360	\$ 121,401		3,751,761	100,000
Student loans - federal	17,024	65,840	15,019	67,845	3,189
Total other liabilities	3,647,384	187,241	15,019	3,819,606	103,189
Total long-term liabilities	<u>\$134,533,490</u>	<u>\$ 187,241</u>	<u>\$ 4,656,130</u>	<u>\$130,064,601</u>	<u>\$5,069,300</u>

As of June 30, 2011 and 2010, employees had earned but not taken annual vacation leave of approximately \$2,807,000 and \$2,729,000, respectively. The University has a commitment for accumulated sick leave of approximately \$945,000 as of June 30, 2011 and \$901,000 as of June 30, 2010. These amounts are reflected above as liabilities for compensated absences.

NOTE I - UNRESTRICTED NET ASSETS

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

	June 30,	
	2011	2010
Capital projects and repair reserves	\$23,369,923	\$22,210,285
Auxiliary enterprises	1,361,891	1,361,891
Designated for departmental use	11,136,706	9,970,727
Amount obligated by contractual commitments	118,416	133,359
Undesignated	1,786,550	1,755,708
Total unrestricted net assets	<u>\$37,773,486</u>	<u>\$35,431,970</u>

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE J - COMMITMENTS AND CONTINGENCIES

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 \$4,047,000.

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, Zahnnow 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.

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 \$902,000 of administrative support to the Foundation during fiscal 2011 and \$797,000 of support during fiscal 2010. These amounts were recorded as gifts and expenses in the statements of revenues, expenses, and changes in net assets. The Foundation transferred \$2,579,842 to the University during fiscal 2011 and \$1,994,541 during fiscal 2010. These amounts include endowment distributions and restricted and unrestricted gifts. 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. During 2009, the State of Michigan adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). According to UPMIFA, the Foundation may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes and duration for which the particular endowment fund was established, subject to the evaluation of several specific

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE K - SUPPORT ORGANIZATIONS
(continued)

factors including general economic conditions and the fund's purpose. Although UPMIFA allows spending of the original gift, the Foundation's board policy does not allow for distribution if the individual endowment fund value is below historical gift value at the end of a quarter.

As of June 30, 2011 the market value of only one of the Foundation's endowments was below the gift value compared to 65% of endowments below gift value at June 30, 2010. Therefore, many of the endowments did not distribute for one or more of the quarters during fiscal 2010 and into fiscal year 2011.

The Foundation classifies the original value of any gifts donated to a permanent endowment as nonexpendable restricted net assets and any subsequent investment returns, realized or unrealized, as expendable restricted or unrestricted net assets.

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, 2011 and 2010 approximated \$5,701,000 and \$5,442,000, respectively, with annual covered payroll for participants of the plan approximating \$47,511,000 in 2011 and \$45,349,000 in 2010. The University has no liability for past service or post-employment benefit costs.

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.

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE N - EXPENDITURES BY NATURAL CLASSIFICATION

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2011:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$28,905,505	\$ 8,951,622			\$ 2,683,291		\$ 40,540,418
Research	470,829	103,876		\$ 3,912	293,560		872,177
Public service	559,866	188,441			961,592		1,709,899
Academic support	7,394,772	2,225,151			3,146,735		12,766,658
Student services	3,196,527	1,160,109		10,183	1,844,350		6,211,169
Institutional support	6,504,051	2,497,255			4,362,793		13,364,099
Operations and maintenance of plant	4,289,131	1,806,373		2,343,243	2,809,701		11,248,448
Depreciation						\$12,704,582	12,704,582
Student aid	263,034	130	\$9,604,499		28,017		9,895,680
Auxiliary enterprises	4,222,960	1,397,429		1,079,917	6,828,417		13,528,723
Total	\$55,806,675	\$18,330,386	\$9,604,499	\$3,437,255	\$22,958,456	\$12,704,582	\$122,841,853

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2010:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$27,565,052	\$ 8,461,079	\$ 189,508		\$ 2,648,718		\$ 38,864,357
Research	453,563	118,713		\$ 2,683	221,653		796,612
Public service	733,521	221,637	10,357		1,660,771		2,626,286
Academic support	6,919,432	2,206,592	138,272		5,655,618		14,919,914
Student services	3,239,296	1,136,243	7,872	9,858	1,795,700		6,188,969
Institutional support	5,978,298	2,152,816			4,321,537		12,452,651
Operations and maintenance of plant	4,065,018	1,699,738	11,000	2,546,197	2,928,043		11,249,996
Depreciation						\$11,758,730	11,758,730
Student aid	384,273		8,726,240		(99,470)		9,011,043
Auxiliary enterprises	4,011,644	1,265,509	294,251	1,002,417	6,585,851		13,159,672
Total	\$53,350,097	\$17,262,327	\$9,377,500	\$3,561,155	\$25,718,421	\$11,758,730	\$121,028,230

Saginaw Valley State University
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal / Pass Through Grantor Program Title	Federal CFDA Number	Agency Or Pass Through Grant Number	Federal Expenditures
<u>Student Financial Assistance Cluster (Notes 1 and 4)</u>			
U.S. Department of Education			
Title IV Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grants	84.007	E-P007A102069	\$ 158,551
Federal Work-Study Program	84.033	E-P033A102069	277,925
Federal Pell Grant Program (Note 3)	84.063	E-P063P100238	15,493,182
Federal Academic Competitiveness Grant	84.375	P375A100238	420,520
Federal SMART Grants	84.376	P376S100238	273,055
TEACH Grants	84.379	P379T100238	437,942
Loans and Loan Guarantees-Federal Direct Student Loans (Note 2)	84.268		56,695,696
U.S. Department of Health and Human Services			
Scholarships for Disadvantaged Students (ARRA)	93.407	T0AHP18312	40,784
Nurse Faculty Loan Program (ARRA) (Note 4)	93.408	E0AHP18906	21,500
Scholarships for Disadvantaged Students	93.925	T08HP18581	62,182
Total Student Financial Assistance Cluster			73,881,337
<u>U.S. Department of Education</u>			
Direct Programs:			
SVSU's Strengthening Institutions Project Year 2	84.031A	P031A080261-10	386,784
SVSU Special Education Preservice Reform & Induction	84.325T	H325T070007	111,287
SVSU BIE Project 2010	84.153A	P153A100070	54,091
SVSU Off-Campus Community Services Program	84.116H	P116H100035	23,694
Total Direct Programs			575,856
Passed Through Michigan Department of Energy, Labor & Economic Growth:			
Michigan Gear Up/College Day Program 09/10	84.334S	08-00-010	1,810
Michigan Gear Up/College Day Program 10/11	84.334S	08-00-010	19,320
Gear Up Scholarship	84.334S	P334S010013	18,045
Total Passed Through MI Department of Energy, Labor & Economic Growth			39,175
Passed Through Michigan Department of Education:			
Middle and High School Partnership for Earth Science	84.367B	100290-9617	149,725
Algebraic Thinking Across Grades 3 - 8	84.367B	100290-9616	135,372
Improving Teacher Quality, Title II Part A(3) 2008-2009	84.367B	090290-2595	67,333
Writing Strategies for Middle and High School Teachers	84.367B	100290-9615	127,515
Urban Literacy Cadre	84.367B	090290-8650	48,110
Total Passed Through Michigan Department of Education			528,055
Passed Through Oakland University:			
Oakland Literacy Program	84.367B	SVSU/32888	11,340
Total Passed Through Oakland University			11,340
Passed Through University of California (National Writing Project):			
Saginaw Bay Writing Project - FY10-11	84.928A	94-MI05	37,335
Saginaw Bay Writing Project - FY10-11 (Mini Grant)	84.928A	94-MI05	4,681
Total Passed Through University of California			42,016

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 Commerce</u>			
Passed Through National Institute of Standards and Technology: 2011 NIST Summer Undergraduate Research Fellowship	11.609	70NANB11H043	\$ 5,396
Total Passed Through National Institute of Standards and Technology			<u>5,396</u>
Passed Through Industrial Technology Institute: CMI/MMTC Admin	11.611	70NANB10H145	158,750
Total Passed Through Industrial Technology Institute			<u>158,750</u>
<u>U.S. Department of Defense</u>			
Passed Through American Foundry Society: Machinability of FeMnAl	12.UNKNOWN	AFS-ALCS2010-04	16,416
Total Passed Through American Foundry Society			<u>16,416</u>
Passed Through Office of Naval Research: Solidification Based Grain Refinement in Steels	12.300	N00014-08-1-1052	80,808
Total Passed Through Office of Naval Research			<u>80,808</u>
<u>U.S. Department of Labor</u>			
Passed Through Michigan Works: Michigan Works - H.B. Carbide	17.260	N/A	3,120
Total Passed Through Michigan Works			<u>3,120</u>
<u>National Aeronautics and Space Administration</u>			
Passed Through University of Michigan: Michigan Space Grant	43.002	NGT-40007	540
Total Passed Through University of Michigan			<u>540</u>
Passed Through Michigan Space Grant Consortium:			
Field Programmable Gate Arrays	43.UNKNOWN		2,500
Planet Jupiter	43.UNKNOWN		2,500
Differential Equations	43.UNKNOWN		2,500
Growth & Characterization of Single Crystal Compounds	43.UNKNOWN		4,918
Science for First Generation in College Program, 2009	43.UNKNOWN		1,094
Total Passed Through Michigan Space Grant Consortium			<u>13,512</u>
<u>National Endowment for the Arts</u>			
Passed Through Michigan Council for Arts and Cultural Affairs: Regional Biennial Juried Sculpture Exhibition	45.025	10OP0138PS	1,921
Marshall M Fredericks Sculpture Museum Operational Support	45.025	11OP0102OS	2,150
Total Passed Through Michigan Council for Arts and Cultural Affairs			<u>4,071</u>
<u>National Endowment for the Humanities</u>			
Direct Programs:			
Enduring Questions: Evil and Evil People	45.163	AQ-50242-10	25,000
Total Direct Programs			<u>25,000</u>
Passed Through Michigan Humanities Council: Artist and Architects Collaboration Exhibition	45.129	2789H10	13,228
Total Passed Through Michigan Humanities Council			<u>13,228</u>

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>Institute of Museum and Library Services</u>			
Passed Through MFA:			
Museums for America	45.301	MA-05-09-0244-09	\$ 6,512
Total Passed Through MFA			<u>6,512</u>
<u>National Science Foundation</u>			
Direct Programs:			
MRI-R2: Acquisition of Equipment (ARRA)	47.082	CHE-0959888	308,954
Total Direct Programs			<u>308,954</u>
Passed Through Michigan Tech:			
Michigan Tech Robert Noyce Scholarship Program (ARRA)	47.082	090343Z2	2,615
Total Passed Through Michigan Tech			<u>2,615</u>
<u>U.S. Department of Energy</u>			
Direct Programs:			
Development of High Strength... Wind Blade Spars	81.049	DE-SC0004227	14,402
Total Direct Programs			<u>14,402</u>
Passed Through Battelle Memorial Institute:			
Viscoelastic Model for Lung Parenchyma	81.UNKNOWN	DE-AC05-76RL01830	41,259
Total Passed Through Battelle Memorial Institute			<u>41,259</u>
Passed Through Kettering University:			
21st Century Renewable Fuels, Energy, & Materials	81.087	530189-B	44,089
Total Passed Through Kettering University			<u>44,089</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Health Resources and Services Administration (HRSA):			
Nursing Workforce Diversity (NWD) Program 09-2012	93.178	D19HP14622AO	294,137
Graduate Nursing Program Traineeship 2010	93.358	A10HP12800	33,553
Health Care and Other Facilities	93.887	C76HF09179	331,692
Total Passed Through Health Resources and Services Administration (HRSA)			<u>659,382</u>
<u>Corporation for National and Community Service</u>			
Passed Through University of Wisconsin:			
Greenhouse Service Learning Project	94.005	285K482	8,462
Total Passed Through University of Wisconsin			<u>8,462</u>
Passed Through Harrisburg University:			
GLISTEN Collaborative Cluster Planning Grant	94.005	09LHAPA002	3,759
Total Passed Through Harrisburg University			<u>3,759</u>
Total Expenditures of Federal Awards			<u>\$ 76,488,054</u>

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, 2011

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. Also, the entire Cluster was excluded when determining the dollar threshold for major program determination.

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, 2011, Direct Student Loans totaled \$56,695,696 (\$24,855,254 subsidized, \$26,733,624 unsubsidized, \$5,042,720 PLUS, and \$64,098 direct graduate).

Note 3: The Pell grant expenditures are the actual amounts incurred through June 30, 2011. The University will process amendments subsequent to year end to finalize the 2010-2011 award year. Amounts reported do not include an administrative cost allowance of \$19,970.

Note 4: As of July 1, 1996, Saginaw Valley State University terminated participation in the Federal Perkins Loan Program (CFDA Number 84.038). The University originally elected to retain and administer the loan portfolio. During fiscal 2011, the University elected to assign the remaining loans to the Department of Education. The final loan was accepted by the Department of Education on June 1, 2011 and was recorded with the National Student Loan Data System on July 1, 2011. Therefore, there was only one loan outstanding as of June 30, 2011. 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, 2011 was returned in July 2011.

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.

The University began participation in the Nurse Faculty Loan Program in fiscal 2011. The University received \$27,820 from the ARRA Nurse Faculty Loan Program (CFDA Number 93.408) and \$36,823 from the Nurse Faculty Loan Program (CFDA Number 93.264). The federal cash received along with the required University match were placed in separate loan funds. During fiscal 2011 the University awarded \$21,500 from the ARRA Nurse Faculty Loan Program funds. No loans were made from the Nurse Faculty Loan Program funds.

Note 5: 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.

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, 2011, and have issued our report thereon dated September 12, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated September 12, 2011.

This report is intended solely for the information and use of the Board of Control, management of the University, 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 PLC

Saginaw, Michigan
September 12, 2011

**Independent Auditors' Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

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 *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, 2011. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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' 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

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 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, on a timely basis.

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

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 Hopper Pavlik PLC

Saginaw, Michigan
September 12, 2011

Saginaw Valley State University

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:
 Material weakness identified? _____ Yes X No
 Significant deficiencies identified not considered to be material weakness? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness identified? _____ Yes X No
 Significant deficiencies identified not considered to be material weakness? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Cluster and Federal Programs</u>
	Student Financial Assistance:
84.007	Federal Supplemental Educational Opportunity Grants
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 Grants
84.268	Federal Direct Student Loans
84.379	TEACH Grants
93.925	Scholarships for Disadvantaged Students
93.407	Scholarships for Disadvantaged Students (ARRA)
93.408	Nurse Faculty Loan Program (ARRA)
47.082	MRI-R2: Acquisition of Equipment (ARRA)
47.082	Michigan Tech Robert Noyce Scholarship Program (ARRA)

Saginaw Valley State University

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results (continued)

Federal Awards (continued)

Identification of major programs (continued):

<u>CFDA Number</u>	<u>Name of Cluster and Federal Programs</u>
93.887	Passed Through Health Resources and Services Administration: Health Care and Other Facilities
84.367B	Passed Through Michigan Department of Education: Middle and High School Partnership for Earth Science
84.367B	Algebraic Thinking Across Grades 3-8
84.367B	Improving Teacher Quality, Title II Part A(3) 2008-2009
84.367B	Writing Strategies for Middle and High School Teachers
84.367B	Urban Literacy Cadre
84.367B	Passed Through Oakland University: Oakland Literacy Program

Dollar threshold used to distinguish
between Type A and Type B
programs:

\$300,000

Auditee qualified as low-risk auditee? X Yes No

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, 2011

No matters were reported.