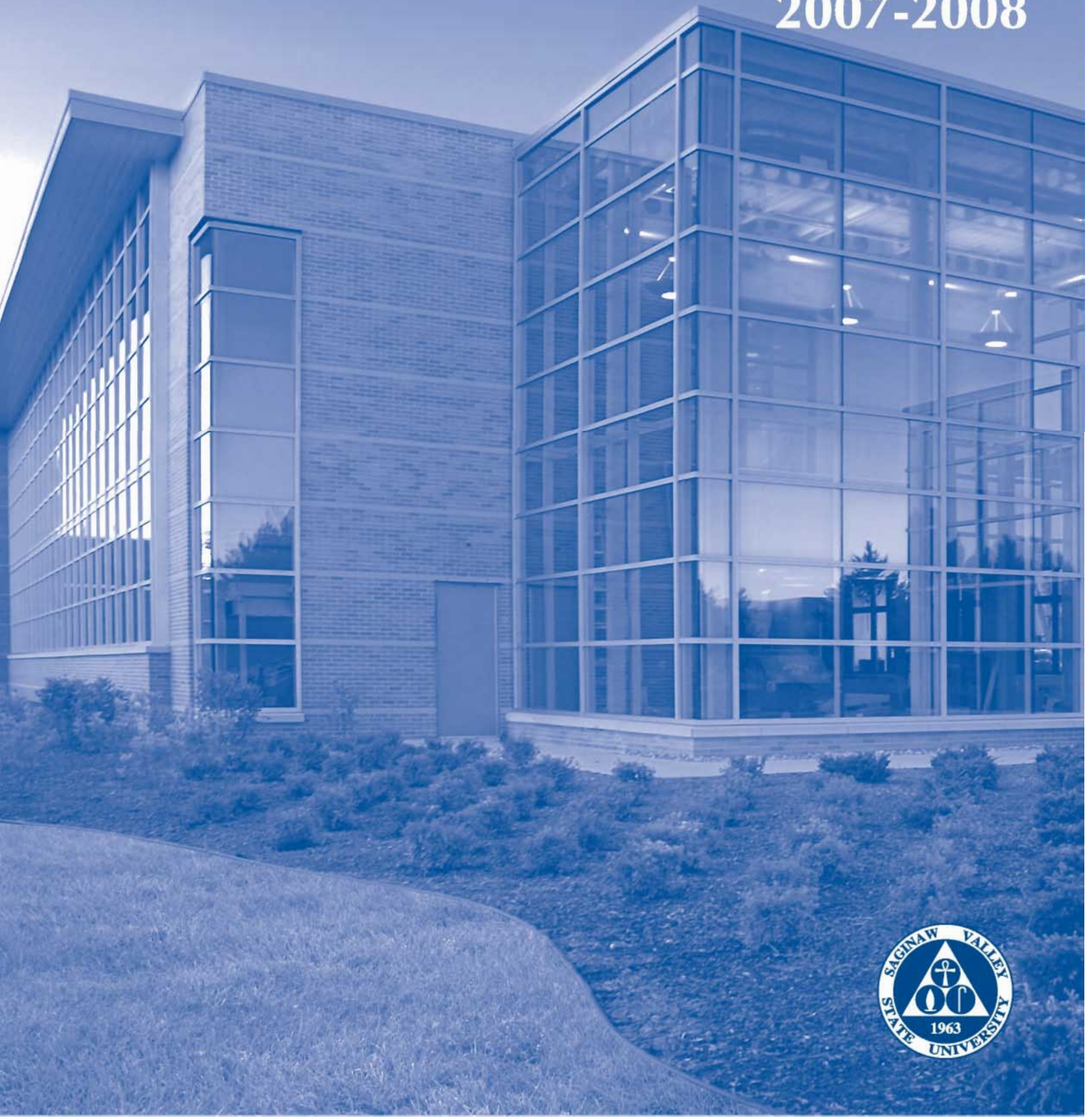


# FINANCIAL REPORT

2007-2008



SAGINAW VALLEY STATE UNIVERSITY

UNIVERSITY CENTER, MICHIGAN

MEMBERS OF THE BOARD OF CONTROL  
AND BUSINESS AFFAIRS ADMINISTRATION

JUNE 30, 2008

---

---

BOARD OF CONTROL

---

|                                 |                  |
|---------------------------------|------------------|
| DAVID R. GAMEZ                  | CHAIRPERSON      |
| KIZHAKEPAT P. KARUNAKARAN, M.D. | VICE CHAIRPERSON |
| LAWRENCE E. SEDROWSKI           | SECRETARY        |
| D. BRIAN LAW                    | TREASURER        |
| DAVID J. ABBS                   | BOARD MEMBER     |
| JEFFREY T. MARTIN               | BOARD MEMBER     |
| LEOLA WILSON                    | BOARD MEMBER     |
| JEROME L. YANTZ                 | BOARD MEMBER     |

---

---

BUSINESS AFFAIRS ADMINISTRATION

---

|                      |   |
|----------------------|---|
| ERIC R. GILBERTSON   | PRESIDENT   |
| JAMES G. MULADORE    | VICE PRESIDENT FOR ADMINISTRATION AND<br>BUSINESS AFFAIRS |
| STEPHEN L. HOCQUARD  | ASSISTANT VICE PRESIDENT, CAMPUS FACILITIES               |
| RONALD E. PORTWINE   | ASSISTANT VICE PRESIDENT, BUSINESS SERVICES               |
| SUSAN L. CRANE       | UNIVERSITY CONTROLLER                                     |
| JACK VANHOORELBEKE   | DIRECTOR, HUMAN RESOURCES                                 |
| RONALD E. TREPkowski | CHIEF, UNIVERSITY POLICE                                  |
| SUSAN M. BRASSEUR    | DIRECTOR, CONFERENCE & EVENT CENTER                       |

SAGINAW VALLEY STATE UNIVERSITY

TABLE OF CONTENTS

|   | <u>PAGE NO</u> |
|---|----------------|
| MANAGEMENT'S DISCUSSION AND ANALYSIS                        | i              |
| REPORT OF INDEPENDENT AUDITORS                              | 1              |
| 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              |

## 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**

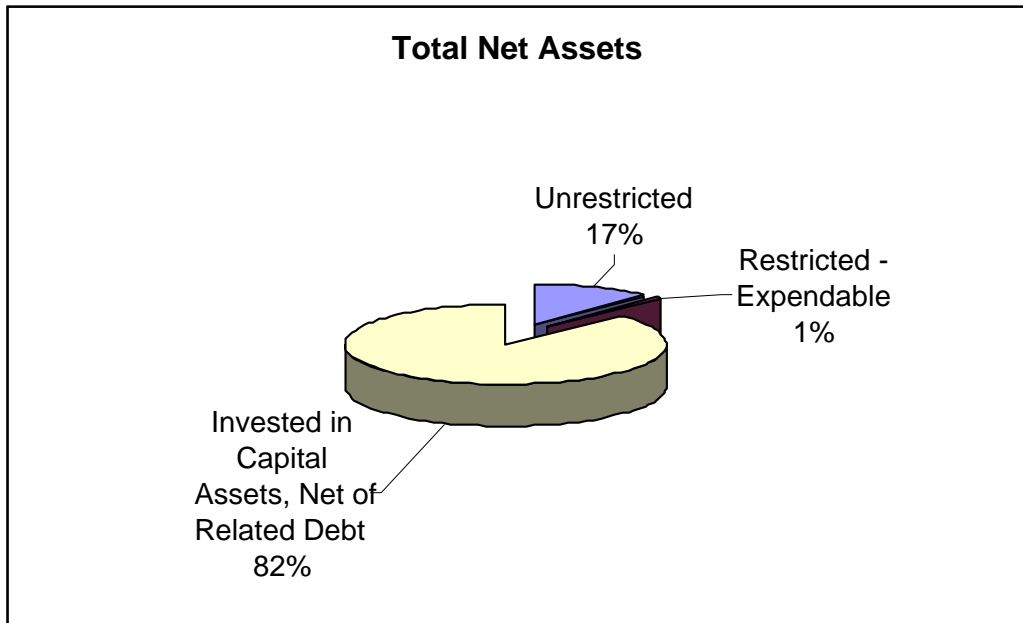
Net assets are summarized in the table below.

| <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<br>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><u>\$180,093</u></u> | <u><u>\$177,874</u></u> | <u><u>\$168,009</u></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<br/>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:

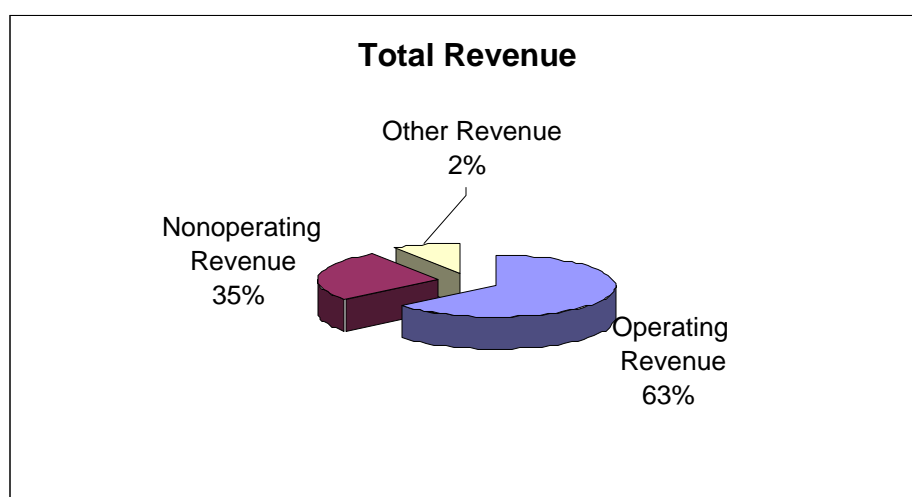
|   | <u>2008</u>               | <u>2007</u>       | <u>2006</u>       |
|---|---------------------------|-------------------|-------------------|
|   | (in thousands of dollars) |                   |                   |
| <b>Operating Revenues</b>                   |                           |                   |                   |
| 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> |

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

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

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:



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>\$40,373</u>           | <u>\$37,859</u> | <u>\$23,542</u> |

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

**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:

|                                     | <b>2008</b>                      | <b>2007</b>      | <b>2006</b>      |
|-------------------------------------|----------------------------------|------------------|------------------|
|                                     | <b>(in thousands of dollars)</b> |                  |                  |
| <b>Educational and General</b>      |                                  |                  |                  |
| 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               | 11,345                           | 10,141           | 9,393            |
| <b>Total Operating Expenses</b>     | <b>\$ 108,538</b>                | <b>\$ 98,084</b> | <b>\$ 92,427</b> |

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.

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

*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 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             | 4,489,964           |
|                          | <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 audit.

The Management's Discussion and Analysis (MD&A) on pages i to vii 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.

*Andrews Hooper & 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<br>SVSU Foundation | SVSU           | Component Unit<br>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         |                                   |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |
| Total current assets                              | 62,635,952     | 4,169,302                         | 65,995,686     | 6,596,310                         |
| <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    |                                   |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |
| Total noncurrent assets                           | 256,058,261    | 38,651,501                        | 249,928,166    | 37,709,447                        |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |
| <b>Total assets</b>                               | 318,694,213    | 42,820,803                        | 315,923,852    | 44,305,757                        |
| <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      |                                   |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |
| Total current liabilities                         | 24,613,858     | 480,977                           | 24,446,046     | 483,671                           |
| <b>Noncurrent Liabilities</b>                     |                |                                   |                |                                   |
| Long-term liabilities                             | 113,987,536    |                                   | 113,604,130    |                                   |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |
| Total noncurrent liabilities                      | 113,987,536    | -                                 | 113,604,130    | -                                 |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |
| <b>Total liabilities</b>                          | 138,601,394    | 480,977                           | 138,050,176    | 483,671                           |
| <b>NET ASSETS</b>                                 |                |                                   |                |                                   |
| Invested in capital assets, net of related debt   | 148,079,405    |                                   | 150,759,351    |                                   |
| Nonexpendable Restricted                          |                |                                   |                |                                   |
| Scholarships                                      |                | 11,827,292                        |                | 11,963,734                        |
| Endowed chairs                                    |                | 11,422,453                        |                | 11,693,750                        |
| Other   |                | 11,544,495                        |                | 10,176,324                        |
| Expendable Restricted                             |                |                                   |                |                                   |
| 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                         |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |
| <b>Total net assets</b>                           | \$ 180,092,819 | \$ 42,339,826                     | \$ 177,873,676 | \$ 43,822,086                     |
|   | <hr/>          | <hr/>                             | <hr/>          | <hr/>                             |

**SAGINAW VALLEY STATE UNIVERSITY**

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

|  | <b>For the year ended June 30, 2008</b> |   | <b>For the year ended June 30, 2007</b> |   |
|--|---|---|---|---|
|  | <b>SVSU</b>                             | <b>Component Unit<br/>SVSU Foundation</b> | <b>SVSU</b>                             | <b>Component Unit<br/>SVSU Foundation</b> |
| <b>REVENUES</b>                                |   |   |   |   |
| Operating revenues                             |   |   |   |   |
| Student tuition and fees                       | \$ 57,786,314                           |   | \$ 50,318,041                           |   |
| Less: Scholarship allowances                   | (8,770,575)                             |   | (7,574,540)                             |   |
|  | 49,015,739                              |   | 42,743,501                              |   |
| 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)                             |   |
|  | 14,684,438                              |   | 13,793,595                              |   |
| Other operating revenues                       | 2,090,758                               |   | 1,813,054                               |   |
| Total operating revenues                       | 74,195,904                              | 2,852,304                                 | 65,939,402                              | 2,132,757                                 |
| <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                          | 11,344,924                              |   | 10,141,560                              |   |
| Total operating expenses                       | 108,538,022                             | 751,805                                   | 98,084,485                              | 958,290                                   |
| 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)           | 34,618,669                              | (4,283,046)                               | 31,609,631                              | 2,723,557                                 |
| 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                       | 260,145                                 | (260,145)                                 | 349,758                                 | (349,758)                                 |
| Total other revenues (expenses)                | 1,942,592                               | 700,287                                   | 10,399,692                              | 2,845,230                                 |
| Increase (decrease) in net assets              | 2,219,143                               | (1,482,260)                               | 9,864,240                               | 6,743,254                                 |
| Net assets - beginning of year                 | 177,873,676                             | 43,822,086                                | 168,009,436                             | 37,078,832                                |
| Net assets - end of year                       | \$ 180,092,819                          | \$ 42,339,826                             | \$ 177,873,676                          | \$ 43,822,086                             |

**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)

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, however, were for the University's fiscal year ending June 30 and are generally paid in eleven monthly installments from October through August. The University's year-end 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 2008 and August 2008 payments were recorded as receivables.

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.

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<br>Standard & Poor's<br>AAAm       | \$ 1,503,328             | \$ 1,848,855         |
| Commonfund Short Term Fund  | Average Quality of<br>Fund Investments:<br>AAA | 39,736,359               | 37,683,963           |
| Investments:  |  |                          |                      |
| Mutual Funds – Commonfund<br>Absolute Return Fund   | N/A  | 4,969,368                | 5,065,328            |
|   |  | \$ 46,209,055            | \$ 44,598,146        |
| Less Investments Reported as<br>"Cash and Cash Equivalents"<br>on Statement of Net Assets |  | (41,239,687)             | (39,532,818)         |
| Total Investments   |  | <u>\$ 4,969,368</u>      | <u>\$ 5,065,328</u>  |
| <u>As reported on the Statement of Net Assets</u>   |  |                          |                      |
| Noncurrent Investments  |  | <u>\$ 4,969,368</u>      | <u>\$ 5,065,328</u>  |
| 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.

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, 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.

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;
- Ridgeworth SEIX Floating Rate High Income Fund – 4.3% BBB, 95.7% below investment grade.

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, 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).

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

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, 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            | \$2,639,927  | \$13,159,438 |

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.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE D - ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE  
(continued)

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

|   | June 30,    |             |
|---|-------------|-------------|
|   | 2008        | 2007        |
| 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     |
|   | 2,898,896   | 5,588,414   |
| Interest in trusts held by others                       | 3,401,284   | 3,536,693   |
| Accrued interest  | 2,405       | 1,617       |
| Total Foundation accounts receivable                    | \$6,302,585 | \$9,126,724 |
| Current   | \$2,383,245 | \$3,914,832 |
| Noncurrent  | 3,919,340   | 5,211,892   |
| Total Foundation accounts receivable                    | \$6,302,585 | \$9,126,724 |

NOTE E - CAPITAL ASSETS

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

| Asset Classification                 | Balance at<br>June 30,<br>2007 | Additions    | Retirements   | Balance at<br>June 30,<br>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            | \$244,833,068                  | \$6,231,831  | \$ 0          | \$251,064,899                  |

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,    |             |
|--|-------------|-------------|
|  | 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 | \$5,623,576 | \$6,847,919 |

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.

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 | 18,360,000   |
| Deferred amount on refunding     | \$ 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.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE G - NOTES AND BONDS PAYABLE  
(continued)

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.

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<br>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           |
| Total  |                |           | <u>\$114,535,000</u>            | <u>\$114,240,000</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<br>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<br>on refunding (net) | (1,236,672)          |                     |                      |
| Total                                       | <u>\$113,298,328</u> |                     |                      |

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.

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:

|                                 | <u>Balance at<br/>June 30, 2007</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Balance at<br/>June 30, 2008</u> | <u>Current<br/>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<br>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.

NOTE I - UNRESTRICTED NET ASSETS

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

|   | <u>June 30,</u>     |                     |
|---|---------------------|---------------------|
|   | <u>2008</u>         | <u>2007</u>         |
| 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               | <u>\$30,267,510</u> | <u>\$25,458,172</u> |

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

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, 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 \$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.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE K - SUPPORT ORGANIZATIONS  
(continued)

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.

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, 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> |

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> |