

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2011

SAGINAW VALLEY STATE UNIVERSITY

UNIVERSITY CENTER, MICHIGAN

MEMBERS OF THE BOARD OF CONTROL
AND BUSINESS AFFAIRS ADMINISTRATION

JUNE 30, 2011

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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 University's operating loss results from the classification of state appropriations and Pell grants as nonoperating revenue. Also, this statement reflects a change in the University's net assets based upon revenues in excess of expenses.
- Statement of Cash Flows. This statement classifies cash inflows and outflows into the following classifications: operating activities, noncapital financing activities, capital financing activities, and investing activities. This information is useful in assessing the University's ability to meet maturing financial obligations.

REPORTING ENTITY

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

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

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

FINANCIAL HIGHLIGHTS

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

- Net assets increased by 7.2% from June 30, 2010 to June 30, 2011, 11.9% from June 30, 2009 to June 30, 2010, and 0.8% from June 30, 2008 to June 30, 2009.
- Operating revenues increased in fiscal 2011, 2010 and 2009 as a result of increased enrollment, tuition rates, housing capacity, and grant activity.

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

- Applications increased 2.0% from Fall 2009 to Fall 2010, 11.3% from Fall 2008 to Fall 2009, and 10.6% from Fall 2007 to Fall 2008.
- Headcount enrollment increased from 9,837 in Fall 2008 to 10,498 in Fall 2009 and to 10,656 in Fall 2010. Credit hours increased from 233,412 in 2008 to 240,842 in 2009, 258,524 in 2010 and 264,594 in 2011.

FINANCIAL STATEMENT SUMMARIES

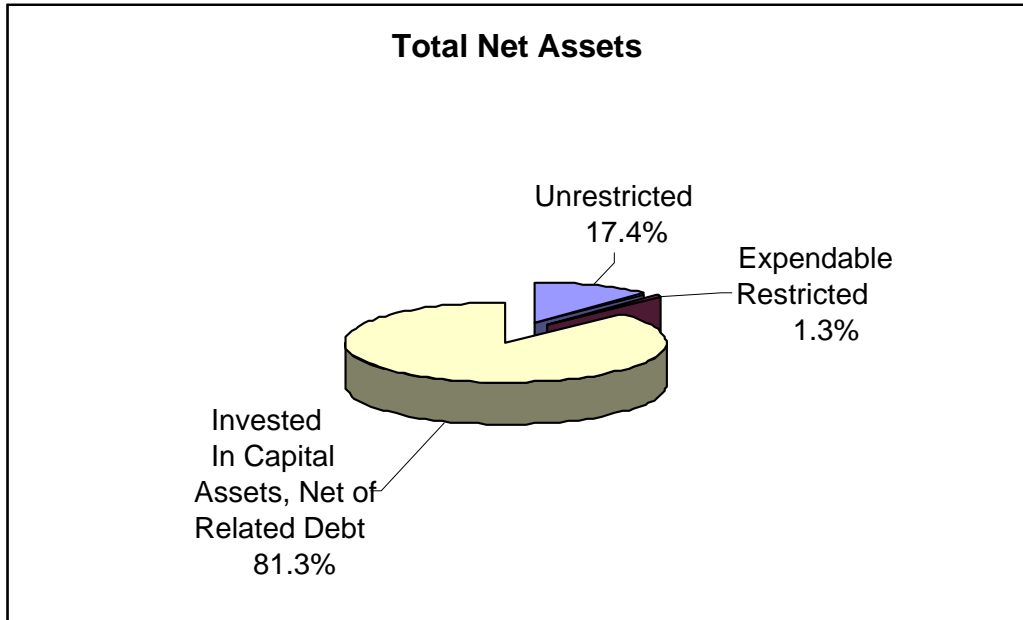
Net assets of the University are summarized in the table below.

Statements of Net Assets			
June 30,			
(in thousands of dollars)			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current Assets	\$ 58,374	\$ 80,903	\$ 54,913
Noncurrent Assets:			
Other	17,082	205	7,386
Capital	300,294	283,695	266,157
Total Assets	<u>375,750</u>	<u>364,803</u>	<u>328,456</u>
Liabilities			
Current Liabilities	32,027	31,813	23,905
Noncurrent Liabilities	127,389	131,232	124,305
Total Liabilities	<u>159,416</u>	<u>163,045</u>	<u>148,210</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	175,791	164,240	146,347
Restricted – Expendable	2,770	2,086	1,779
Unrestricted	37,773	35,432	32,120
Total Net Assets	<u>\$216,334</u>	<u>\$201,758</u>	<u>\$180,246</u>

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

The University's largest asset is its investment in capital assets, including land, land improvements and infrastructure, buildings, equipment, library acquisitions, and construction in progress. Capital assets represent 80% of the University's total assets. Notes and bonds payable totaled \$126.2 million at June 30, 2011. This represents 79% of the University's total liabilities.

A graphic illustration of the University's net assets at June 30, 2011 by classification and restriction is as follows:



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

Unrestricted net assets represent net assets of the University that have not been restricted by parties independent of the University. This includes funds that the Board of Control and management have designated for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received as of June 30, 2011. The following summarizes the internal designations of the University unrestricted net assets:

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

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

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

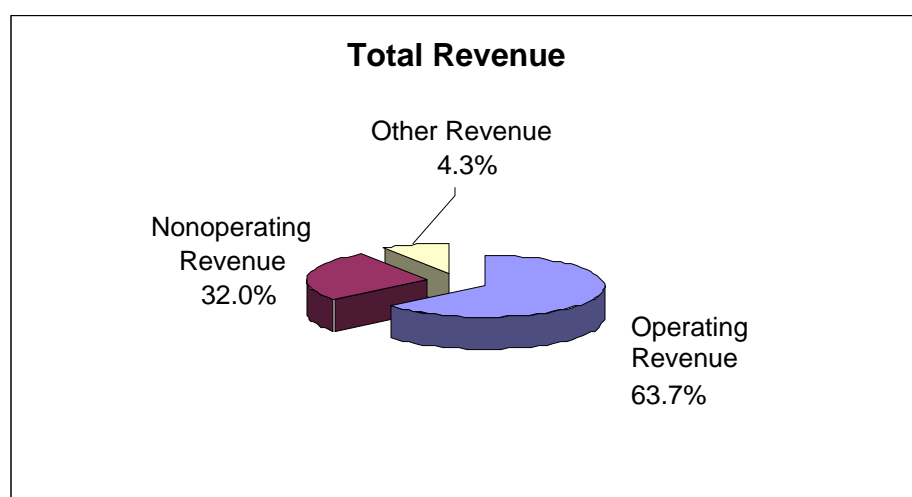
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(in thousands of dollars)		
Operating Revenues			
Student Tuition and Fees, net	\$ 61,535	\$ 57,833	\$ 52,865
Federal Grants and Contracts	4,289	6,251	5,314
State and Local Grants and Contracts	917	1,075	1,091
Sales & Services of Educational Departments	3,914	4,368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

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

Since 2001, SVSU as well as its sister institutions in Michigan have experienced the impact of a poor economy and deficit-ridden state budget. For fiscal 2010, the State appropriated \$807,600 to the University from their state fiscal stabilization fund. This represents Federal American Recovery and Reinvestment Act funds which are reported as nonoperating revenue.

Capital appropriations represent the State of Michigan's contribution to the Health & Human Services building for fiscal 2011 and 2010 and to Pioneer Hall for fiscal 2009. Capital grants and gifts in 2011 relate primarily to gifts received for the weight room and pool renovations. Capital grants and gifts in 2010 and 2009 relate primarily to gifts received from the Creating the Future Campaign for the Regional Education Center, Student Center and Fitness Center.

A graphic illustration of each University revenue source for the year ended June 30, 2011 follows:



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

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

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

OPERATING EXPENSES

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

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

CAPITAL ASSETS/LONG-TERM DEBT

Capital Plan and Related Debt Financing

The University Board of Control has approved a long-term capital development and related financing plan. Fiscal 2011 expenditures for capital projects approximated \$29.3 million. These capital projects were funded by a combination of bonds issued by the Michigan State Building Authority (SBA), University general revenue bonds, capital gifts, and other available University resources.

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

University Rating

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

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

FACTORS OR CONDITIONS IMPACTING FUTURE PERIODS

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

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

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

SAGINAW VALLEY STATE UNIVERSITY FOUNDATION

The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. The University provided approximately \$902,000 of administrative support to the Foundation during fiscal 2011. This support is reflected as institutional support in the University's financial statements and as gift revenue and corresponding operating expenses in the Foundation's financial statements. The Foundation transferred endowment distributions and unrestricted and restricted gifts to the University totaling \$2,579,842 in fiscal 2011.

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

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

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

Report of Independent Auditors

Board of Control
Saginaw Valley State University

We have audited the accompanying financial statements of Saginaw Valley State University, a component unit of the State of Michigan, as of and for the years ended June 30, 2011 and 2010 and Saginaw Valley State University Foundation, a discretely presented component unit of the University, as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the University's administration. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saginaw Valley State University and its discretely presented component unit, Saginaw Valley State University Foundation, as of June 30, 2011 and 2010, and the changes in their financial position and Saginaw Valley State University's cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2011, on our consideration of Saginaw Valley State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Andrews Hooper Paulik PLC

Saginaw, Michigan
September 12, 2011

(continued)

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF NET ASSETS

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS

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

SAGINAW VALLEY STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

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

SAGINAW VALLEY STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - CONTINUED

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Reporting Entity

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

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

Basis of Accounting

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

In accordance with GASB Statement No. 20, the University is required to follow all applicable GASB pronouncements. In addition, the University applies all applicable FASB codification sections applicable on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB codification sections applicable after November 30, 1989.

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

Revenue Recognition

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue Recognition - Continued

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

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

Accounts Receivable

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

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

Investments

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

Inventories

Inventories are stated at lower of average cost or market.

Institutional Physical Properties

Physical properties are stated at cost or, when donated, at fair market value at date of gift. The University uses a \$5,000 threshold for capitalizing assets. Depreciation is computed using the straight-line method over the useful life of the property as follows:

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
(continued)

Institutional Physical Properties - Continued

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

Reclassifications

Certain fiscal year 2010 balances have been reclassified to conform to the current year presentation.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS-UNIVERSITY

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and cash equivalents in order to maximize investment return. The investment policy for pooled cash, approved by the Board of Control, divides cash for purposes of investment into three asset groups: short-term pool, intermediate-term pool and long-term pool. The University did not have funds in the intermediate-term pool as of June 30, 2010. The University did not have funds in the long-term pool during the fiscal year or as of June 30, 2011 or 2010.

Credit Risk

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

Short-term Pool

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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

Credit Risk - Continued

Intermediate-term Pool

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

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the University's investment policy limits the average weighted maturity for a short-term portfolio to between one day and one year and the average weighted maturity for the intermediate-term portfolio to between one year and five years.

Concentration of Credit Risk

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

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

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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

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

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

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

Foreign Currency Risk

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

Custodial Credit Risk

Deposits: Custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent in the University's name. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2011 were \$33,498,893. Of that balance \$32,992,846 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2010 were \$42,140,740. Of that balance \$41,639,304 was uninsured and uncollateralized.

Investments: The University has engaged Comerica Bank to serve as custodian for the short-term and intermediate-term pools other than the accounts with Bank of America. The custodian maintains physical possession of securities owned by the University, collects dividend and interest payments, redeems maturing securities, and affects receipt and delivery following purchases and sales. The custodian also performs regular accounting of all assets owned, purchased or sold.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University has no custodial credit risk in its investments as of June 30, 2011 or 2010.

NOTE C - INVESTMENTS-FOUNDATION

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

Credit Risk

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

Interest Rate Risk

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

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

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

Mutual Fund – debt have the following quality of investment:

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

Concentration of Credit Risk

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

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

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

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

At June 30, 2011, the Foundation's investments that exceeded five percent of the investment portfolio included the Vanguard 500 Index Fund (\$3,785,879), DFA US Large Cap Value Portfolio (\$3,061,618), Vanguard Mid Cap Index Fund (\$2,734,150), Harbor International Fund (\$4,231,266), William Blair Funds International Growth Fund Class I (\$3,888,032), T Rowe Price Instl US Structured Research (\$3,617,048), Neuberger Berman Large Cap Growth (\$2,945,824), and Harbor Bond Fund (\$5,477,517).

Foreign Currency Risk

The Foundation investment policy states that foreign denominated investments should not exceed 20% of the portfolio. The Foundation's holdings in foreign investments were made in mutual funds as noted above.

Custodial Credit Risk

The Foundation has engaged Comerica Bank to serve as custodian of the endowment investments. The custodian maintains physical possession of securities owned by the Foundation, collects dividend and interest payments, redeems maturing securities, and affects receipt and delivery following purchases and sales. The custodian also performs regular accounting of all assets owned, purchased or sold. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE C - INVESTMENTS-FOUNDATION
(continued)

Custodial Credit Risk - Continued

possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

NOTE D - ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

The University's accounts receivable relate to several transactions including State appropriations, student tuition and fee billings and auxiliary enterprise sales, such as food service and residence halls. In addition, receivables arise from grant awards, financial aid, and billings related to capital assets. The details of accounts receivable, excluding State appropriations, as of June 30, 2011 and 2010 are listed below in the table:

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

Notes receivable totaling \$119 represents the final loan issued to students under the Federal Perkins Loan Program. As of July 1, 1996, Saginaw Valley State University terminated participation in the Federal Perkins Loan Program. The University assigned the majority of the remaining loans to the Department of Education during fiscal year 2011 with the final loan transferring in early July 2011. The University must return to the United States Department of Education annually the Federal share of any cash-on-hand as of June 30. Federal cash-on-hand as of June 30, 2011, adjusted for July activity, was returned in July, 2011. This was the final payment.

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

Based on Senate Bill 905, PA 273 of 1998, State appropriations are recorded principally on the accrual basis, when earned. As a result, the University recorded State appropriations receivable of \$5,040,128 at June 30, 2011 and \$5,038,200 at June 30, 2010. Charter schools appropriations receivable were recorded at June 30, 2011 of \$11,775,726 and at June 30, 2010 of \$11,452,370. The University has

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE D - ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE
(continued)

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

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

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

NOTE E - CAPITAL ASSETS

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

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

SAGINAW VALLEY STATE UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 (continued)

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	June 30,	
	2011	2010
Compensation	\$1,886,636	\$1,653,971
Supplies and construction related expenditures	5,580,454	6,881,074
Total accounts payable and accrued liabilities	\$7,467,090	\$8,535,045

NOTE G - NOTES AND BONDS PAYABLE

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

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

The University issued General Revenue Refunding Bonds, Series 2008, in the amount of \$26,845,000 in March 2008 to refund all of the Series 2001B General Revenue Bonds and to pay the related 2001B Bonds swap termination fee of \$1,486,000.

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

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

The refunding resulted in a deferred amount on refunding of \$1,472,228. The deferred amount on refunding is being amortized over the remaining life of the old bonds and represents a reduction to long-term debt.

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

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

Notes and bonds payable consist of the following:

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE G - NOTES AND BONDS PAYABLE
(continued)

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

Year Ended June 30	Principal	Interest	Total
2012	\$ 5,025,000	\$ 5,911,650	\$ 10,936,650
2013	5,255,000	5,690,525	10,945,525
2014	5,485,000	5,459,400	10,944,400
2015	5,680,000	5,218,439	10,898,439
2016	3,805,000	4,961,232	8,766,232
2017-2021	21,580,000	22,227,233	43,807,233
2022-2026	26,945,000	16,871,027	43,816,027
2027-2031	34,000,000	9,916,274	43,916,274
2032-2036	15,235,000	3,404,488	18,639,488
2037-2038	4,295,000	253,750	4,548,750
	<u>\$127,305,000</u>	<u>\$79,914,018</u>	<u>\$207,219,018</u>
Less: Deferred amount on refunding (net)	(1,060,005)		
Total	<u>\$126,244,995</u>		

The University has a \$260,000 letter of credit at a per annum fee of 1.5 percent. In addition, amounts drawn against the letter of credit include interest at the bank prime rate plus one half percent per annum. No amounts were drawn against the letter of credit at June 30, 2011 or 2010. The letter of credit is secured by general revenues.

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE H - LONG-TERM LIABILITIES

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

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

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

NOTE I - UNRESTRICTED NET ASSETS

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

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE J - COMMITMENTS AND CONTINGENCIES

The amount of funding required to complete construction in progress will come from the General Revenue Bond proceeds, institutional resources, gifts and capital appropriations from the State of Michigan. The costs to complete construction in progress approximate \$4,047,000.

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

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

NOTE K - SUPPORT ORGANIZATIONS

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

The University provided approximately \$902,000 of administrative support to the Foundation during fiscal 2011 and \$797,000 of support during fiscal 2010. These amounts were recorded as gifts and expenses in the statements of revenues, expenses, and changes in net assets. The Foundation transferred \$2,579,842 to the University during fiscal 2011 and \$1,994,541 during fiscal 2010. These amounts include endowment distributions and restricted and unrestricted gifts. Under the spending policy established by the Board, 4.00% of the moving average market value of endowment investments for the twelve quarters through September prior to the beginning of the fiscal year has been authorized for expenditure. During 2009, the State of Michigan adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). According to UPMIFA, the Foundation may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes and duration for which the particular endowment fund was established, subject to the evaluation of several specific

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE K - SUPPORT ORGANIZATIONS
(continued)

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

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

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

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

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

NOTE L - RETIREMENT PLAN

The University has a defined contribution retirement program for all qualified employees. Qualified employees include nearly all full-time employees. University contributions are made to the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and are based on a percentage of qualified employee payroll. Employees maintain individual annuity contracts with TIAA-CREF and are fully vested. University contributions for the years ended June 30, 2011 and 2010 approximated \$5,701,000 and \$5,442,000, respectively, with annual covered payroll for participants of the plan approximating \$47,511,000 in 2011 and \$45,349,000 in 2010. The University has no liability for past service or post-employment benefit costs.

NOTE M - LIABILITY AND PROPERTY INSURANCE

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

SAGINAW VALLEY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
(continued)

NOTE N - EXPENDITURES BY NATURAL CLASSIFICATION

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

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

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

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