

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**SAGINAW VALLEY STATE UNIVERSITY**

**UNIVERSITY CENTER, MICHIGAN**

**MEMBERS OF THE BOARD OF CONTROL  
AND BUSINESS AFFAIRS ADMINISTRATION**

**JUNE 30, 2015**

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# SAGINAW VALLEY STATE UNIVERSITY

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

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

### **USING THE ANNUAL REPORT**

The annual report consists of a series of financial statements, which have been prepared in accordance with the Governmental Accounting Standards Board (GASB) for the University and the Financial Accounting Standards Board (FASB) for the Saginaw Valley State University Foundation (Foundation). These financial statements focus on the financial condition and results of the financial position of the University and its component unit, Saginaw Valley State University 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 Position. This statement presents information on all University assets, deferred outflows, and liabilities. It is prepared on an accrual basis - revenues and expenses are recognized when earned or incurred, respectively.
- Statement of Revenues, Expenses, and Change in Net Position. 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 position 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 standards, 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 position increased by 5.5% from June 30, 2014 to June 30, 2015; 2.3% from June 30, 2013 to June 30, 2014; and 3.6% from June 30, 2012 to June 30, 2013.
- In fiscal 2015, there was an increase in operating revenues, which is primarily due to an increase in sales and services revenue. Operating revenues slightly decreased in fiscal 2014 as a result of decreased grants and contracts and operating revenue increased in fiscal 2013 do to an increase in tuition rates and housing occupancy.

Demand/economic factors underlying this level of performance were as follows:

- Applications increased by 1.9% from Fall 2013 to Fall 2014; decreased 5.6% from Fall 2012 to Fall 2013; and decreased 7.8% from Fall 2011 to Fall 2012.
- Headcount decreased in Fall 2014 to 9,829 from 10,245 in Fall 2013 and 10,552 in Fall 2012. Credit hours also decreased to 251,820 in 2015 from 259,728 in 2014 and 265,404 in 2013.

**FINANCIAL STATEMENT SUMMARIES**

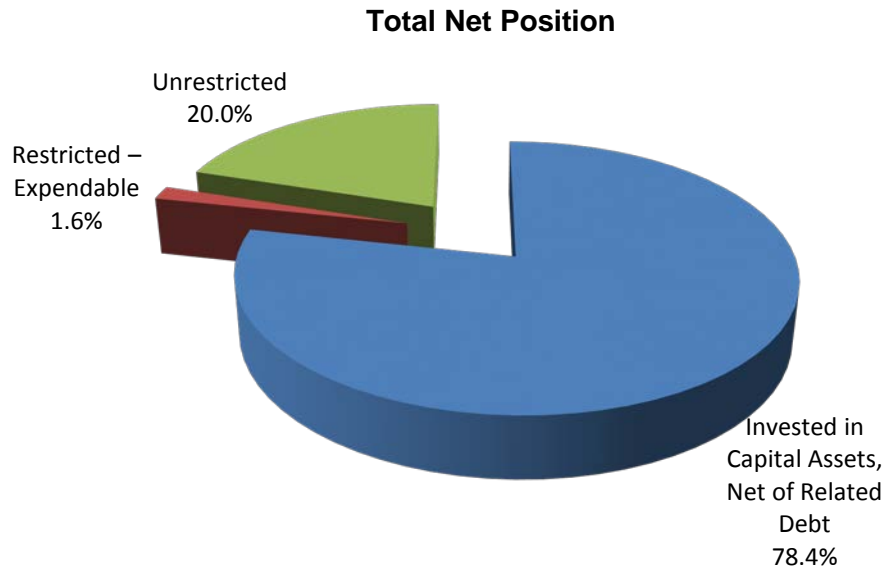
The net position of the University is summarized in the table below as of June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(in thousands of dollars)		
<b>Assets</b>			
Current Assets	\$ 66,598	\$ 70,017	\$ 74,195
Noncurrent Assets:			
Other	17,259	15,787	18,168
Capital	312,188	305,364	297,839
Total Assets	<u>396,045</u>	<u>391,168</u>	<u>390,202</u>
<b>Deferred Outflows</b>	<u>1,275</u>	<u>1,277</u>	<u>1,356</u>
<b>Liabilities</b>			
Current Liabilities	33,407	36,447	34,448
Noncurrent Liabilities	115,947	120,933	127,339
Total Liabilities	<u>149,354</u>	<u>157,380</u>	<u>161,787</u>
<b>Net Position</b>			
Net Investment in Capital Assets	194,259	181,042	179,232
Restricted	4,067	3,746	3,234
Unrestricted	49,640	50,277	47,305
Total Net Position	<u>\$ 247,966</u>	<u>\$ 235,065</u>	<u>\$ 229,771</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, construction in progress, and works of fine art. Capital assets represent 79% of the University’s total assets. Notes and bonds payable totaled \$115.4 million at June 30, 2015. This represents 77% of the University’s total liabilities.

A graphic illustration of the University’s net position at June 30, 2015 by classification and restriction is as follows:



The University’s net position consists of the net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents assets whose use is restricted by a party independent of the University. This includes restrictions related to gifts and grants.

Unrestricted net position represents net position of the University that has 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, 2015.

The following summarizes the internal designations of the University unrestricted net position:

	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(in thousands of dollars)		
Capital Projects and Repair Reserve	\$ 29,404	\$ 32,061	\$ 29,673
Auxiliary Enterprises	1,362	1,362	1,361
Designated for Departmental Use	16,757	14,786	14,301
Amount Obligated by Contractual Commitments	116	73	63
Undesignated	2,001	1,995	1,907
<b>Total Unrestricted Net Position</b>	<b>\$ 49,640</b>	<b>\$ 50,277</b>	<b>\$ 47,305</b>

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

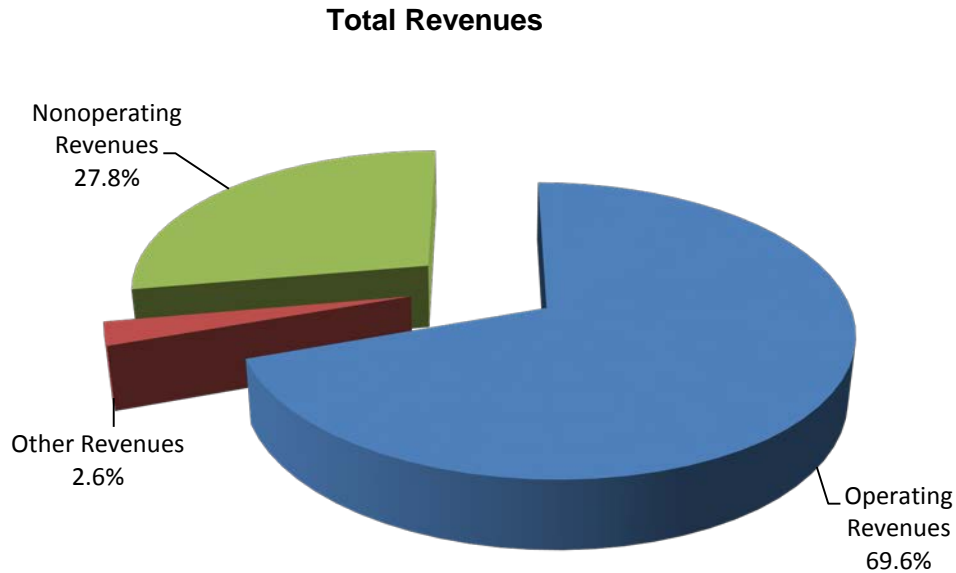
The following table summarizes the University's revenues, expenses, and change in net position for the years ended June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(in thousands of dollars)		
<b>Operating Revenues</b>			
Student Tuition and Fees, net	\$ 69,837	\$ 70,439	\$ 70,303
Federal Grants and Contracts	2,595	2,316	3,081
State and Local Grants and Contracts	1,372	837	587
Sales and Services of Educational Departments	5,400	5,172	5,007
Auxiliary Enterprises, net	19,853	20,096	19,929
Other Operating Revenues	<u>3,147</u>	<u>2,693</u>	<u>2,699</u>
Total Operating Revenues	102,204	101,553	101,606
<b>Operating Expenses</b>	<u>133,948</u>	<u>134,705</u>	<u>131,323</u>
<b>Operating Loss</b>	(31,744)	(33,152)	(29,717)
<b>Nonoperating Revenues (Expenses)</b>			
State Appropriations	27,619	25,991	25,657
Federal Pell Grant Program	14,328	14,651	14,677
Gifts	3,666	2,839	2,642
Investment Income, net	237	194	193
Interest on Capital Asset-Related Debt	<u>(5,058)</u>	<u>(5,478)</u>	<u>(5,800)</u>
Net Nonoperating Revenues	<u>40,792</u>	<u>38,197</u>	<u>37,369</u>
<b>Income Before Other Revenues</b>	9,048	5,045	7,652
<b>Other Revenues</b>			
Capital Appropriations	3,789		111
Capital Grants and Gifts	<u>64</u>	<u>249</u>	<u>125</u>
Total Other Revenues	<u>3,853</u>	<u>249</u>	<u>236</u>
Increase in Net Position	12,901	5,294	7,888
Net Position - Beginning of Year	<u>235,065</u>	<u>229,771</u>	<u>221,883</u>
Net Position - End of Year	<u>\$ 247,966</u>	<u>\$ 235,065</u>	<u>\$ 229,771</u>

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

Capital appropriations during the current year represent the State of Michigan contribution to the renovations of Wickes Hall, while the capital appropriations during fiscal 2013 represent their contribution to the Health & Human Services building. Capital grants and gifts relate primarily to gifts received for the weight room, MFSM gardens, greenhouse, and pool renovations in 2015, 2014, and 2013.

A graphic illustration of each University revenue source for the year ended June 30, 2015 follows:



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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(in thousands of dollars)		
<b>Cash Provided (Used) By:</b>			
Operating Activities	\$ (18,743)	\$ (17,793)	\$ (15,496)
Noncapital Financing Activities	44,990	43,258	42,536
Capital Financing Activities	(34,156)	(32,064)	(8,714)
Investing Activities	<u>(1,243)</u>	<u>2,577</u>	<u>32</u>
Net Increase (Decrease)	(9,152)	(4,022)	18,358
Cash and Cash Equivalents - Beginning of Year	<u>47,627</u>	<u>51,649</u>	<u>33,291</u>
Cash and Cash Equivalents - End of Year	<u>\$ 38,475</u>	<u>\$ 47,627</u>	<u>\$ 51,649</u>



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

**OPERATING EXPENSES**

The University reports expenses on a functional basis. Operating expenses were \$133,947,623 in fiscal 2015, a decrease of 0.6% over the prior year. The following summarizes the University's operating expenses for the years ended June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(in thousands of dollars)		
Educational and General:			
Instruction	\$ 42,963	\$ 42,546	\$ 41,962
Research	1,086	942	840
Public Service	3,771	4,370	3,392
Academic Support	14,471	14,157	14,453
Student Services	7,930	7,559	7,406
Institutional Support	13,035	13,428	12,685
Operations and Maintenance of Plant	12,744	13,774	13,482
Depreciation	14,286	13,969	13,944
Student Aid	8,349	8,383	8,549
Auxiliary Enterprises	<u>15,313</u>	<u>15,577</u>	<u>14,610</u>
 Total Operating Expenses	 <u>\$ 133,948</u>	 <u>\$ 134,705</u>	 <u>\$ 131,323</u>

**CAPITAL ASSETS/LONG-TERM DEBT**

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

The University engaged consultants to update the master plan which was finalized in fiscal 2013. The University also engaged consulting engineers to review the condition of the University's roofs, roads, and parking lots. The University then prepared a detailed deferred maintenance analysis of all infrastructure incorporating the results of the external reviews.

The University Board of Control has reviewed a long-term capital development and related financing plan. Fiscal 2015 expenditures for capital projects approximated \$22.3 million and were funded with University general revenue bonds, capital gifts, and other available University resources. Fiscal 2014 expenditures for capital projects approximated \$21.5 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.

***University Rating***

The University issued General Revenue & Refunding Bonds, Series 2015A, in the amount of \$18,525,000 in April 2015. Proceeds from the bonds were used to refund prior General Revenue bonds and to reduce debt service. 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
- Enrollment

State appropriations increased by approximately 6.3% in fiscal 2015. The State implemented performance funding for a portion of the State appropriations allocation beginning in fiscal 2013. The University received \$1,619,200 related to the performance funding criteria during fiscal 2015.

**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 \$971,000 of administrative support to the Foundation during fiscal 2015. This support is reflected as institutional support in the University's financial statements and as gift revenue and corresponding administrative expenses in the Foundation's financial statements. The University received endowment distributions and unrestricted and restricted gifts of \$3,974,531 in fiscal 2015 from the Foundation.

As of June 30, 2015, the market values of the Foundation's 317 endowments were all above the gift value compared to two of the 305 endowments below their gift value at June 30, 2014. The Foundation's spending policy is to distribute 4% 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 2015.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(in thousands of dollars)		
Unrestricted	\$ 9,796	\$ 9,901	\$ 7,425
Temporarily Restricted	13,957	14,860	7,764
Permanently Restricted	51,219	50,325	44,925
	<u>\$ 74,972</u>	<u>\$ 75,086</u>	<u>\$ 60,114</u>

## Report of Independent Auditors

Board of Control  
Saginaw Valley State University

### Report on the Financial Statements

We have audited the accompanying financial statements of Saginaw Valley State University (University), a component unit of the State of Michigan, and Saginaw Valley State University Foundation (Foundation), a discretely presented component unit of the University, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Saginaw Valley State University and its discretely presented component unit, Saginaw Valley State University Foundation, as of June 30, 2015 and 2014, and the respective changes in financial position and Saginaw Valley State University cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii be presented to supplement the 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 audits 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015 on our consideration of Saginaw Valley State University's internal control over financial reporting and on 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* in considering the University's internal control over financial reporting and compliance.

*Andrews Hooper Pavlik PLC*

Saginaw, Michigan  
August 28, 2015

**SAGINAW VALLEY STATE UNIVERSITY**

**STATEMENTS OF NET POSITION**

	<b>June 30,</b>	
	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 38,475,475	\$ 47,627,434
Accounts receivable, net	10,672,573	3,978,718
State appropriations receivable - operations	5,020,038	4,725,640
State appropriations receivable - charter schools	11,533,948	12,229,239
Inventories and prepaid expenses	895,741	1,456,324
Total current assets	66,597,775	70,017,355
<b>Noncurrent Assets</b>		
Notes receivable, net	10,155	18,555
Other long-term investments	17,248,691	15,768,599
Capital assets, net	312,188,060	305,363,733
Total noncurrent assets	329,446,906	321,150,887
Total assets	396,044,681	391,168,242
<b>DEFERRED OUTFLOWS</b>		
Refunding of Debt	1,274,746	1,276,699
Total deferred outflows	1,274,746	1,276,699
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	5,712,011	7,436,437
Unearned revenues	9,933,102	9,510,788
Deposits	12,926,598	13,074,973
Long-term liabilities - current portion	4,835,000	6,425,000
Total current liabilities	33,406,711	36,447,198
<b>Noncurrent Liabilities</b>		
Unearned revenues	1,190,002	1,490,835
Long-term liabilities, net of current portion	114,757,223	119,442,036
Total noncurrent liabilities	115,947,225	120,932,871
Total liabilities	149,353,936	157,380,069
<b>NET POSITION</b>		
Net investment in capital assets	194,259,231	181,041,489
Restricted for:		
Expendable Restricted		
Scholarships and fellowships	1,109,125	1,029,040
Research	264,780	236,120
Instructional department use	1,143,368	878,453
Loans	3,117	3,096
Other	1,546,236	1,599,622
Unrestricted	49,639,634	50,277,052
Total net position	\$ 247,965,491	\$ 235,064,872

**SAGINAW VALLEY STATE UNIVERSITY FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,230,902	\$ 2,971,655
Accounts receivable, net	12,834	22,621
Contributions receivable, net	3,000,649	5,781,316
Investments	61,129,862	62,153,721
Cash value of life insurance	109,083	92,134
Beneficial interest trusts	5,166,560	5,132,887
<b>Total assets</b>	<b>\$ 76,649,890</b>	<b>\$ 76,154,334</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,389,224	\$ 749,123
Charitable gift annuities payable	288,639	319,535
Total liabilities	1,677,863	1,068,658
<b>Net assets</b>		
Unrestricted	9,796,523	9,900,352
Temporarily restricted	13,956,901	14,860,040
Permanently restricted	51,218,603	50,325,284
Total net assets	74,972,027	75,085,676
<b>Total liabilities and net assets</b>	<b>\$ 76,649,890</b>	<b>\$ 76,154,334</b>

**SAGINAW VALLEY STATE UNIVERSITY**

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

<b>REVENUES</b>	<b>For the year ended June 30,</b>	
	2015	2014
Operating revenues		
Student tuition and fees	\$ 89,239,236	\$ 88,831,155
Less: Scholarship allowances	(19,402,250)	(18,392,118)
	69,836,986	70,439,037
Federal grants and contracts	2,594,644	2,315,812
State and local grants and contracts	1,372,402	836,564
Sales and services of educational departments	5,399,773	5,172,193
Auxiliary enterprises	24,236,470	24,117,031
Less: Scholarship allowances	(4,382,898)	(4,020,778)
	19,853,572	20,096,253
Other operating revenues	3,146,747	2,693,374
Total operating revenues	102,204,124	101,553,233
 <b>EXPENSES</b>		
Operating expenses		
Educational and general		
Instruction	42,963,484	42,546,057
Research	1,085,606	942,276
Public service	3,771,305	4,369,631
Academic support	14,470,964	14,157,088
Student services	7,929,621	7,559,087
Institutional support	13,034,882	13,428,214
Operations and maintenance of plant	12,744,375	13,773,442
Depreciation	14,285,407	13,968,594
Student aid	8,349,072	8,383,331
Auxiliary enterprises	15,312,907	15,577,480
Total operating expenses	133,947,623	134,705,200
Operating loss	(31,743,499)	(33,151,967)
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	27,618,698	25,991,000
Federal Pell Grant Program	14,327,887	14,650,634
Gifts	3,666,554	2,838,659
Investment income, net	237,120	193,587
Interest on capital asset-related debt	(5,058,492)	(5,477,573)
Net nonoperating revenues	40,791,767	38,196,307
Income before other revenues	9,048,268	5,044,340
 Other Revenues		
Capital appropriations	3,788,940	
Capital grants and gifts	63,411	249,166
Net other revenues	3,852,351	249,166
Increase in net position	12,900,619	5,293,506
Net position - beginning of year	235,064,872	229,771,366
Net position - end of year	\$ 247,965,491	\$ 235,064,872

**SAGINAW VALLEY STATE UNIVERSITY FOUNDATION**  
**STATEMENTS OF ACTIVITES AND CHANGE IN NET ASSETS**

	For the year ended June 30, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Gifts and contributions	\$ 1,327,329	\$ 1,310,160	\$ 1,421,184	\$ 4,058,673
Change in beneficial interest trusts			33,673	33,673
Change in cash value of life insurance		16,949		16,949
Income (loss) from investments	266,939	2,106,568	(561,538)	1,811,969
Net realized and unrealized loss on investments	(32,130)	(170,644)		(202,774)
Net assets released from restrictions	4,166,172	(4,166,172)		-
Total revenue, gains and other support	5,728,310	(903,139)	893,319	5,718,490
<b>EXPENSES</b>				
Disbursements to Saginaw Valley State University	3,974,531			3,974,531
Scholarships	59,424			59,424
Investment expenses	797,368			797,368
Charitable gift annuity payments	30,169			30,169
Administrative expenses	970,647			970,647
Total expenses	5,832,139	-	-	5,832,139
Increase (decrease) in net assets	(103,829)	(903,139)	893,319	(113,649)
Net assets - beginning of year	9,900,352	14,860,040	50,325,284	75,085,676
Net assets - end of year	\$ 9,796,523	\$ 13,956,901	\$ 51,218,603	\$ 74,972,027

	For the year ended June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Gifts and contributions	\$ 2,208,104	\$ 2,276,455	\$ 4,930,671	\$ 9,415,230
Change in beneficial interest trusts			496,575	496,575
Change in cash value of life insurance		28,469		28,469
Income from investments	225,338	1,309,116	(27,219)	1,507,235
Net realized and unrealized loss on investments	1,173,494	6,619,846		7,793,340
Net assets released from restrictions	3,138,397	(3,138,397)		-
Total revenue, gains and other support	6,745,333	7,095,489	5,400,027	19,240,849
<b>EXPENSES</b>				
Disbursements to Saginaw Valley State University	3,087,825			3,087,825
Scholarships	62,792			62,792
Investment expenses	136,082			136,082
Charitable gift annuity payments	105,488			105,488
Administrative expenses	877,458			877,458
Total expenses	4,269,645	-	-	4,269,645
Increase in net assets	2,475,688	7,095,489	5,400,027	14,971,204
Net assets - beginning of year	7,424,664	7,764,551	44,925,257	60,114,472
Net assets - end of year	\$ 9,900,352	\$ 14,860,040	\$ 50,325,284	\$ 75,085,676



**SAGINAW VALLEY STATE UNIVERSITY**

**STATEMENTS OF CASH FLOWS**

	<b>For the years ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 67,981,076	\$ 70,319,696
Grants and contracts	4,415,960	4,188,308
Payments to suppliers	(26,703,463)	(29,190,970)
Payments for utilities	(3,434,551)	(3,680,011)
Payments to employees	(59,986,463)	(59,727,043)
Payments for benefits	(20,852,077)	(20,113,410)
Payments for scholarships and fellowships	(8,078,572)	(8,130,642)
Collection of loans to students, net	8,400	
Federal share of Perkins and Nurse Faculty loans	192	(693)
Loans advanced to students, net of collection		50
Auxiliary enterprises charges	20,202,193	20,613,767
Sales and services	4,557,411	5,235,057
Other receipts	3,146,747	2,693,374
<b>Net cash used in operating activities</b>	<b>(18,743,147)</b>	<b>(17,792,517)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	27,324,300	25,930,216
Federal Pell Grant Program	14,070,497	14,615,547
Federal Direct Lending receipts	53,392,750	55,267,822
Federal Direct Lending disbursements	(53,392,750)	(55,267,822)
Gifts	3,594,892	2,711,971
<b>Net cash provided by noncapital financing activities</b>	<b>44,989,689</b>	<b>43,257,734</b>
<b>Cash Flows from Capital Financing Activities</b>		
Capital grants and gifts received	63,411	249,166
Proceeds from capital debt	18,525,000	
Payments on capital debt premium		(300,835)
Principal paid on capital debt	(24,720,000)	(5,485,000)
Interest paid on capital debt and related costs	(5,713,604)	(5,948,046)
Purchase of capital assets	(22,310,336)	(20,579,310)
<b>Net cash used in capital financing activities</b>	<b>(34,155,529)</b>	<b>(32,064,025)</b>
<b>Cash Flows from Investing Activities</b>		
Investment income, net	237,120	227,635
Purchase of investments	(1,480,092)	(15,032,802)
Proceeds from redemption of investments		17,382,473
<b>Net cash provided by (used in) investing activities</b>	<b>(1,242,972)</b>	<b>2,577,306</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(9,151,959)</b>	<b>(4,021,502)</b>
Cash and cash equivalents - beginning of year	47,627,434	51,648,936
Cash and cash equivalents - end of year	<b>\$ 38,475,475</b>	<b>\$ 47,627,434</b>

**SAGINAW VALLEY STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS - CONTINUED**

	<b>For the years ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Reconciliation of operating loss to net cash used by operating activities</b>		
<b>Operating loss</b>	\$ (31,743,499)	\$ (33,151,967)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>		
Depreciation	14,285,407	13,968,594
Changes in assets and liabilities:		
Accounts receivable, net	(1,880,572)	655,378
Inventories and prepaid expenses	560,583	(278,620)
Notes receivable, net	8,400	(693)
Accounts payable and accrued liabilities	126,512	(46,119)
Unearned revenues	331,546	823,927
Deposits	(351,711)	17,664
Compensated absences	(80,005)	219,269
Student loans - federal	192	50
	<b>\$ (18,743,147)</b>	<b>\$ (17,792,517)</b>
<b>Net cash used by operating activities</b>	<b>\$ (18,743,147)</b>	<b>\$ (17,792,517)</b>

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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. 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 Foundation, a component unit of the University, is a not-for-profit corporation, which provides support predominately 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.

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, Federal PELL Grant Program, gifts, investment income, capital appropriations and capital grants and gifts. 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.

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 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 the receipt of payment for items previously included in the allowance and delinquent receivables that have been charged off. The University considers receivables past due when they have not been paid within their contractual terms.

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. 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 and infrastructure	15 years
Buildings	20 - 50 years
Equipment	4 - 15 years
Library acquisitions	7 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

The fiscal 2014 contractual commitment was adjusted to \$72,935 from \$124,331, as reported. The prior year amount included all commitments and should have only included those relating to expense items. As a result of this reclassification, the balance of undesignated unrestricted net position was adjusted from \$1,943,886 to \$1,995,282. The total unrestricted net position for FY 2014 remained unchanged at \$50,277,052.

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 long-term pool during the fiscal years ended June 30, 2015 or 2014.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

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

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, guaranteed, 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.

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. Diversification must be maintained and, with the exception of securities guaranteed by the U.S. Government, the securities of a single issuer should not exceed 10% of the market value of the manager's portfolio responsibility.
5. No equity exposure is permitted within the intermediate term pool.
6. The Investment Committee may also implement a ladder bond portfolio that is diversified by holdings and maturities that emphasizes higher quality. The intent of this structure would be to alleviate duration risk as the bonds would be held to maturity and then reinvested. If the Investment Committee implements this structure, the duration guideline above would not apply.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

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

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 0.01% for 2015 and 2014. 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 a 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.

The chart below lists the percentage of the investments by credit rating:

<u>Rating</u>	<u>% of Pool</u>
AAA	59 %
AA+	9
A+	8
A	11
A-	3
BBB+	3
NR (Certificate of Deposit)	6
NR (Cash)	1

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:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Market Value</u>	
		<u>2015</u>	<u>2014</u>
<b>Short-term Pool:</b>			
<u>Deposits:</u>			
Bank of America	N/A	\$ 21,326,730	\$ 29,212,242
Chemical Bank	N/A	2,023,878	2,022,840
Fidelity Institutional Money Market	AAA	14,885,919	14,884,430
<u>Investments:</u>			
U. S. Treasury Strips		2,084,596	2,028,188
<b>Intermediate-term Pool:</b>			
Chemical Bank Intermediate Fund		15,335,820	15,201,333
		55,656,943	63,349,033
Less Investments Reported as "Cash and Cash Equivalents" on Statements of Net Position		(38,408,252)	(47,580,434)
Total Investments		<u>\$ 17,248,691</u>	<u>\$ 15,768,599</u>
<b><u>As reported on the Statements of Net Position</u></b>			
Noncurrent Investments		<u>\$ 17,248,691</u>	<u>\$ 15,768,599</u>
Total Investments		<u>\$ 17,248,691</u>	<u>\$ 15,768,599</u>
Investments Reported as Cash and Cash Equivalents		\$ 38,408,252	\$ 47,580,434
Cash		67,223	47,000
Total Cash and Cash Equivalents		<u>\$ 38,475,475</u>	<u>\$ 47,627,434</u>

At June 30, 2014, Cash and Cash Equivalents included \$9,699 of unexpended Series 2013A General Revenue and Refunding Bond proceeds.



SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

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

Foreign Currency Risk

As of June 30, 2015 and 2014, the University had approximately \$507,000 and \$509,000, respectively, in foreign investments included in its Chemical Bank Intermediate Fund mutual funds.

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, 2015, were \$38,346,342. Of that balance, \$37,838,954 was uninsured and uncollateralized. Cash and cash equivalents as reflected in the accounts of the investment institutions at June 30, 2014, were \$46,943,008. Of that balance, \$46,438,360 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 and Chemical Bank included in the short-term pool. 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, 2015 or 2014.

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.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE C - INVESTMENTS-FOUNDATION  
(continued)

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.

The following table summarizes the components of the Foundation's investments at June 30:

<u>Investment Type</u>	<u>Fair Market Value</u>	
	<u>2015</u>	<u>2014</u>
Equities	\$ 14,767	\$ 19,503
Mutual Fund - Equities	27,712,490	29,086,349
Mutual Fund - International Equities	12,896,307	12,826,937
Mutual Fund - Debt	13,023,102	14,124,080
Alternative Investments	7,483,196	6,096,852
Cash and Cash Equivalents	3,513,731	55,423
	<u>64,643,593</u>	<u>62,209,144</u>
Less Investments Reported as "Cash and Cash Equivalents" on Statements of Financial Position	<u>(3,513,731)</u>	<u>(55,423)</u>
Total Investments	<u>\$ 61,129,862</u>	<u>\$ 62,153,721</u>

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE C - INVESTMENTS-FOUNDATION  
(continued)

Investments in the mutual fund – debt have the following quality of investments at June 30, 2015:

- Dodge & Cox Income Fund – 49.15% AAA, 0.66% AA, 8.28% A, 31.21% BBB, 7.45% BB, 2.88% B, 0.37% below investment grade;
- Loomis Sayles Global Bond Instl – 25.31% AAA, 14.81% AA, 29.72% A, 21.32% BBB, 6.50% BB, 0.57% B, 0.03% below investment grade, 1.74% no rating;
- RidgeWorth SEIX Floating Rate High Income – 3.58% AAA, 4.11% BBB, 37.61% BB, 43.52% B, 9.18% below investment grade, 2.00% no rating;
- Vanguard Short-term Bond Index Signal – 71.87% AAA, 4.17% AA, 13.43% A, 10.53% BBB.

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>
Domestic Equities	30%	50%
International Equities	15%	25%
Fixed Income	20%	40%
Alternative Investments	N/A	20%
Cash/Short-term Investments	N/A	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 5% of the market value of the investment manager's portfolio.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE C - INVESTMENTS-FOUNDATION  
(continued)

At June 30, 2015, the Foundation's investments that exceeded 5% of the investment portfolio included the Dodge & Cox Income Fund (\$6,710,787), Vanguard 500 Index Fund (\$10,824,442), DFA US Large Cap Value Portfolio (\$3,671,924), Weatherlow Offshore Fund (\$3,248,233), Harbor International Fund (\$5,581,307), William Blair Funds International Growth Fund Class I (\$5,083,698), Wells Fargo Fds Tr Advantage Absolute Return Fund (\$4,034,180), and Harbor Capital Appreciation Fund (\$3,785,215).

Foreign Currency Risk

The Foundation investment policy states that foreign denominated investments should not exceed 25% 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 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.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE D - ACCOUNTS 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, 2015 and 2014 are listed below in the table:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Tuition and fees	\$ 5,691,885	\$ 3,659,595
Auxiliary enterprises	1,520,827	1,550,331
Contracts and grants	2,016,847	1,374,216
Sales and services	4,847,914	489,799
Agency accounts	1,047,353	915,371
Allowance for uncollectible accounts	<u>(4,452,253)</u>	<u>(4,010,594)</u>
Total accounts receivable	<u>\$ 10,672,573</u>	<u>\$ 3,978,718</u>

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 \$5,020,038 at June 30, 2015 and \$4,725,640 at June 30, 2014. Charter schools appropriations receivable were recorded at June 30, 2015 of \$11,533,948 and at June 30, 2014 of \$12,229,239. The University has recorded a corresponding amount due to the charter schools which is recorded in deposits. The University received direct State appropriations and other funds in the amount of \$64,100,893 to be forwarded to 19 charter schools for fiscal 2015 and \$70,526,224 for fiscal 2014.

The detail of the Foundation's contributions and accounts receivable for June 30, 2015 and 2014 are listed below in the table:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Contributions receivable	\$ 3,291,137	\$ 6,139,297
Less: allowance for uncollectible pledges	179,584	72,649
Less: discount to reflect promise to give at fair value	<u>110,904</u>	<u>285,332</u>
	3,000,649	5,781,316
Other	<u>12,834</u>	<u>22,621</u>
Total receivables	<u>\$ 3,013,483</u>	<u>\$ 5,803,937</u>

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE E - CAPITAL ASSETS

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

<u>Asset Classification</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Land	\$ 1,898,683			\$ 1,898,683
Land improvements and infrastructure	34,385,781	\$ 4,549,339		38,935,120
Buildings	367,928,278	22,847,268	\$ (4,432,753)	386,342,793
Equipment	33,924,053	2,199,018	(2,837,412)	33,285,659
Library acquisitions	11,244,291	451,963	(649,165)	11,047,089
Construction in progress	20,727,190	(8,937,854)		11,789,336
Works of fine art	607,085			607,085
Accumulated depreciation:				
Land improvements and infrastructure	(19,672,513)	(1,990,732)		(21,663,245)
Buildings	(114,355,013)	(9,060,454)	4,432,753	(118,982,714)
Equipment	(23,459,369)	(2,526,488)	2,837,412	(23,148,445)
Library acquisitions	(7,864,733)	(707,733)	649,165	(7,923,301)
Total capital assets, net	<u>\$ 305,363,733</u>	<u>\$ 6,824,327</u>	<u>\$ -</u>	<u>\$ 312,188,060</u>

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Compensation	\$ 2,632,532	\$ 2,427,692
Supplies and construction related expenditures	3,079,479	5,008,745
Total accounts payable and accrued liabilities	<u>\$ 5,712,011</u>	<u>\$ 7,436,437</u>

NOTE G - NOTES AND BONDS PAYABLE

The University issued general revenue and refunding bond, Series 2015A, in the amount of \$18,525,000, in April 2015. The proceeds were used to retire the general revenue and refunding 2005 bonds. Since the 2005 bonds refunded a previous bond, the deferred amount on refunding from the 2005 bonds was carried forward to the new bonds. The deferred amount on

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE G – NOTES AND BONDS PAYABLE  
(continued)

refunding is being amortized over the remaining life of the old bonds and is reported as a deferred outflow.

The University issued General Revenue and Refunding Bonds, Series 2013A, in the amount of \$19,250,000, in June 2013. A portion of the proceeds from the bonds were used to establish an irrevocable escrow fund that refunded a portion of the remaining Series 2004 Bonds and the Series 2004B Bonds. The refunded bonds were called for redemption on July 1, 2014. The bonds were refunded in order to reduce the University's debt service. The refunding resulted in a deferred amount on refunding of \$434,768. The deferred amount on refunding is being amortized over the remaining life of the old bonds and is reported as a deferred outflow. The remaining proceeds from the Series 2013A bonds were used, together with other available resources, to renovate and expand the Ryder Center. The bonds were issued at a premium of \$2,618,113.

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 and Refunding 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. The 2005 bonds were refunded with the 2015A bonds previously discussed.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE G - NOTES AND BONDS PAYABLE  
(continued)

The University issued General Revenue and Refunding 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 outstanding as of June 30 consist of the following:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>2015</u>	<u>2014</u>
General Revenue & Refunding Bonds, Series 2015A	2.79%	2016-2035	\$ 18,525,000	
General Revenue & Refunding Bonds, Series 2013A	3.125% to 5.00%	2016-2034	18,585,000	\$ 19,250,000
General Revenue Bonds, Series 2010A	3.00% to 5.00%	2016-2030	18,890,000	21,265,000
General Revenue Bonds, Series 2008B	3.50% to 4.50%	2016-2038	11,105,000	11,370,000
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%	2016-2037	21,490,000	22,070,000
General Revenue & Refunding Bonds, Series 2005	4.00% to 4.50%	2016-2035		20,140,000
General Revenue & Refunding Bonds, Series 2004A	4.00% to 5.00%	2016-2034		695,000
Total			<u>\$ 115,440,000</u>	<u>\$ 121,635,000</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:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,735,000	\$ 5,089,161	\$ 9,824,161
2017	4,935,000	4,923,654	9,858,654
2018	5,120,000	4,739,324	9,859,324
2019	5,315,000	4,545,772	9,860,772
2020	5,515,000	4,344,233	9,859,233
2021-2025	31,480,000	17,839,540	49,319,540
2026-2030	32,055,000	10,712,122	42,767,122
2031-2035	18,645,000	4,088,314	22,733,314
2036-2038	7,640,000	635,750	8,275,750
	<u>\$ 115,440,000</u>	<u>\$ 56,917,870</u>	<u>\$ 172,357,870</u>

The net deferred amount on refunding from the Series 2015A and Series 2013A bonds is reported on the Statements of Net Position as a deferred outflow. The deferred outflow was \$1,274,746 at June 30, 2015 and \$1,276,699 at June 30, 2014.

The University has a \$260,000 letter of credit for the Wolverine Power Marketing Cooperative electricity contract at a per annum fee of 1.5%. 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, 2015 or 2014. The letter of credit is secured by general revenues.

During July 2009, the University entered into a \$10.0 million line of credit with Chemical Bank. The University can select the interest rate to be either prime minus one-half percent (however, the rate payable shall never be less than 2.75% per annum) or the London Interbank Offer Rate (LIBOR) plus 225 basis points. The line's revolving loan agreement requires the University and Foundation to maintain aggregate deposits with the lender of not less than \$2,500,000. 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:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>	<u>Current Portion</u>
Notes and bonds payable:					
General revenue bonds	\$ 121,635,000	\$ 18,525,000	\$ 24,720,000	\$ 115,440,000	\$ 4,735,000
Other long-term liabilities:					
Compensated absences	4,203,546		80,005	4,123,541	100,000
Student loans - federal	28,490	192		28,682	
Total other liabilities	<u>4,232,036</u>	<u>192</u>	<u>80,005</u>	<u>4,152,223</u>	<u>100,000</u>
Total long-term liabilities	<u>\$ 125,867,036</u>	<u>\$ 18,525,192</u>	<u>\$ 24,800,005</u>	<u>\$ 119,592,223</u>	<u>\$ 4,835,000</u>

As of June 30, 2015 and 2014, employees had earned but not taken annual vacation leave of approximately \$3,111,000, and \$3,140,000, respectively. The University had a commitment for accumulated sick leave of approximately \$1,013,000 as of June 30, 2015 and \$1,064,000 as of June 30, 2014. These amounts are reflected above as liabilities for compensated absences.

NOTE I - UNRESTRICTED NET POSITION

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

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Capital projects and repair reserves	\$ 29,403,849	\$ 32,060,893
Auxiliary enterprises	1,361,891	1,361,891
Designated for departmental use	16,756,849	14,786,051
Amount obligated by contractual commitments	116,958	72,935
Undesignated	<u>2,000,087</u>	<u>1,995,282</u>
Total unrestricted net position	<u>\$ 49,639,634</u>	<u>\$ 50,277,052</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, and gifts. The costs to complete significant construction in progress at June 30, 2015 approximate \$3,630,000.

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 the Science East and West Buildings, Zahnnow Library, West Complex, the Regional Education Center, Pioneer Hall renovations, and the Health and Human Services building. The projects were financed with SBA Revenue Bonds, State appropriations and University resources. The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan pursuant to 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 Position.

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 \$971,000 of administrative support to the Foundation during fiscal 2015 and \$877,000 of support during fiscal 2014. The Foundation recorded these amounts as gifts and expenses in the Statements of Activities and Change in Net Assets. The University received \$3,974,531 during fiscal 2015 and \$3,087,825 during fiscal 2014 from the Foundation. These amounts include endowment distributions and restricted and unrestricted gifts. Under the spending policy established by the Board, 4.0% 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

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE K - SUPPORT ORGANIZATIONS  
(continued)

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 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, 2015, the Foundation's 317 endowments were all above the gift value compared to two of the 305 endowments below their gift value at June 30, 2014. There were however endowments that did not distribute for one or more of the quarters during fiscal 2015 and 2014 as the market values were below gift values.

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

In accordance with GASB standards, 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. TIAA-CREF is a defined contribution plan whereby the University generally contributes 12% of the employees' pay to the plan with no liability beyond that contribution. University contributions for the years ended June 30, 2015 and 2014 approximated \$6,156,000 and \$6,095,000, respectively, with annual covered payroll for participants of the plan approximating \$51,303,000 in 2015 and \$50,794,000 in 2014. The University has no liability for past service or post-employment benefit costs.

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE M - LIABILITY AND PROPERTY INSURANCE

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

NOTE N - EXPENDITURES BY NATURAL CLASSIFICATION

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2015:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 30,337,164	\$ 9,917,186			\$ 2,709,134		\$ 42,963,484
Research	523,598	122,655		\$ 254	439,099		1,085,606
Public service	1,327,250	431,652			2,012,403		3,771,305
Academic support	7,830,392	2,331,964			4,308,608		14,470,964
Student services	3,753,058	1,485,826		14,191	2,676,546		7,929,621
Institutional support	6,954,178	2,804,509			3,276,195		13,034,882
Operations and maintenance of plant	4,489,987	2,167,217		2,257,654	3,829,517		12,744,375
Depreciation						\$ 14,285,407	14,285,407
Student aid	231,930		\$ 8,078,572		38,570		8,349,072
Auxiliary enterprises	4,703,494	1,551,315		1,162,452	7,895,646		15,312,907
<b>Total</b>	<b>\$ 60,151,051</b>	<b>\$ 20,812,324</b>	<b>\$ 8,078,572</b>	<b>\$ 3,434,551</b>	<b>\$ 27,185,718</b>	<b>\$ 14,285,407</b>	<b>\$ 133,947,623</b>

SAGINAW VALLEY STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE N - EXPENDITURES BY NATURAL CLASSIFICATION  
(continued)

The table below lists expenditures by natural classification by function for the fiscal year ending June 30, 2014:

Function	Salary & Wages	Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Instruction	\$ 29,938,645	\$ 9,624,318			\$ 2,983,094		\$ 42,546,057
Research	435,935	101,636		\$ 3,993	400,712		942,276
Public service	1,184,201	385,227			2,800,203		4,369,631
Academic support	7,716,336	2,392,410			4,048,342		14,157,088
Student services	3,898,611	1,492,629		14,187	2,153,660		7,559,087
Institutional support	6,989,627	2,656,041			3,782,546		13,428,214
Operations and maintenance of plant	4,686,785	2,164,887		2,483,804	4,437,966		13,773,442
Depreciation						\$ 13,968,594	13,968,594
Student aid	231,067		\$ 8,130,642		21,622		8,383,331
Auxiliary enterprises	4,771,945	1,546,371		1,178,027	8,081,137		15,577,480
<b>Total</b>	<b>\$ 59,853,152</b>	<b>\$ 20,363,519</b>	<b>\$ 8,130,642</b>	<b>\$ 3,680,011</b>	<b>\$ 28,709,282</b>	<b>\$ 13,968,594</b>	<b>\$ 134,705,200</b>