LAKE SUPERIOR STATE UNIVERSITY

ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED
JUNE 30, 2009 AND 2008

LAKE SUPERIOR STATE UNIVERSITY

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Lake Superior State University
Management's Discussion and Analysis
Fiscal Years Ended June 30, 2009 and 2008

This section of the Lake Superior State University ("University") annual financial report presents management's discussion and analysis of the financial condition of the University as of June 30, 2009 and 2008 and its financial performance during the fiscal years then ended. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of University management.

Reporting Entity

Lake Superior State University is an institution of higher education and is considered to be a component unit of the State of Michigan. The Governor of the State of Michigan appoints the University's Board of Trustees. The University is included in the State's financial statements as a discrete component unit. Transactions with the State of Michigan primarily relate to appropriations for operations, appropriations for Charter Schools, receipt of grants, payments to State retirement programs on behalf of certain University employees, and reimbursements for capital outlay projects.

The basic financial statements include not only the University itself, but also a legally separate entity, the Lake Superior State University Foundation, for which the University is financially accountable. Financial statement information for this *component unit* is reported separately from the financial information presented for the University.

Using the Annual Financial Report

This annual report includes financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The accompanying financial statements, which focus on the financial condition, results of operations and cash flows of the University as a whole, present financial information in a form similar to that used by commercial enterprises. The financial statements are prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statements of Net Assets include all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with operating measures such as enrollment levels and the physical condition of facilities.

The Statements of Revenues, Expenses and Changes in Net Assets present the revenues earned and expenses incurred during both years. Activities are reported as either operating or nonoperating. A public University's dependency on State aid and grants will result in operating deficits because the financial reporting model classifies State appropriations as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities, and help measure the University's ability to meet its financial obligations as they mature.

Summary of Selected Financial Data

Lake Superior State University
Condensed Statements of Net Assets

	June 30		
	2009	**2008**	**2007**
Assets:			
Current assets	$10,039,795	$ 9,429,056	$ 7,598,354
Capital assets	61,974,321	66,336,827	71,436,692
Other noncurrent assets	9,527,741	10,950,557	11,831,005
Total Assets	**$81,541,857**	**$86,716,440**	**$90,866,051**
Liabilities:			
Current liabilities	$ 5,256,292	$ 4,913,780	$ 4,769,068
Noncurrent liabilities	28,896,680	30,070,156	31,489,037
Total liabilities	34,152,972	34,983,936	36,258,105
Net Assets:			
Invested in capital assets, net of related debt	35,111,872	38,246,105	42,156,733
Restricted, nonexpendable	205,327	205,327	205,327
Restricted, expendable	10,169,842	11,215,596	12,019,596
Unrestricted	1,901,844	2,065,476	226,290
Total net assets	47,388,885	51,732,504	54,607,946
Total Liabilities and Net Assets	**$81,541,857**	**$86,716,440**	**$90,866,051**

Changes from 2008 to 2009:

Total current assets increased by $610,000. State appropriations receivable had almost no change from the prior year. Cash and cash equivalents increased by $425,000 and accounts receivable increased by $95,000. We attribute the increase in current assets to continuing stringent enforcement of tuition payment policies and controlled spending; the result was more cash on hand.

Capital assets decreased by $4.3 million as a result of the annual depreciation charge of $5.4 million and asset additions of $1.1 million.

Other noncurrent assets decreased by $1.4 million due to a decrease in the market value of endowment investments. Student loan receivables held steady at $2.8 million.

Total liabilities decreased by $830,000. Long term debt in the amount of $1.3 million was retired during the current year. Fluctuations of other liabilities include increases in accounts payable of $365,000 and the liability for employee benefits of $75,000 and a decrease of deferred revenues of $40,000.

Total net assets decreased by $4.3 million. The University's investment in capital assets decreased by $3.1 million. Restricted, expendable scholarship net assets decreased by $1.0 million. Unrestricted reserves decreased by $150,000. The June 30, 2009 unrestricted reserves of $1.9 million consist of reserves in designated funds, auxiliary funds, insurance and benefit reserves and a general fund deficit of $1.3 million.

Changes from 2007 to 2008:

Total current assets increased by $1.8 million. State appropriations receivable increased by $1.5 million as the June 30, 2008 receivable included the July 2008 and August 2008 monthly appropriation allocation. The June 30, 2007 receivable included only the July 2007 monthly appropriation due to the delay of the August 2007 appropriation payment. Cash and cash equivalents increased by $470,000 and accounts receivable decreased by $100,000. This shift in current assets can be attributed to a more stringent enforcement of tuition payment policies; the result was more cash on hand and fewer student accounts receivable.

Capital assets decreased by $5.1 million as a result of the annual depreciation charge of $5.4 million; asset additions were $600,000 and asset deletions were $300,000 for a net increase of $300,000.

Other noncurrent assets decreased by $880,000 due to a decrease in the market value of investments of $120,000 and a decrease in the market value of endowment investments of $910,000. Student loan receivables increased by $150,000 due to the continuing trend of fewer loan consolidations after students graduate.

Total liabilities decreased by $1.3 million. Long term debt in the amount of $1.2 million was retired during the current year. Fluctuations of other liabilities were relatively minor and included increases in accounts payable of $80,000 and deferred revenues of $80,000 and a decrease of the liability for employee benefits of $250,000.

Total net assets decreased by $2.9 million. The University's investment in capital assets decreased by $3.9 million. Restricted, expendable scholarship net assets decreased by $780,000. Unrestricted reserves increased by $1.8 million. The June 30, 2008 unrestricted reserves of $2.1 million consist of reserves in designated funds, auxiliary funds, insurance and benefit reserves and a general fund deficit of $1.1 million.

Lake Superior State University
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30		
	2009	**2008**	**2007**
Total operating revenues	$28,576,793	$26,558,222	$24,804,443
Total operating expenses	46,631,819	44,040,907	42,924,040
Operating loss	(18,055,026)	(17,482,685)	(18,119,597)
Net nonoperating revenues	13,289,098	14,020,316	13,438,254
Loss before other revenues	(4,765,928)	(3,462,369)	(4,681,343)
Total other revenues	422,309	586,927	735,531
Decrease in net assets	**(4,343,619)**	**(2,875,442)**	**(3,945,812)**
Net assets, beginning of year	51,732,504	54,607,946	58,553,758
Net assets, end of year	**$47,388,885**	**$51,732,504**	**$54,607,946**

Changes from 2008 to 2009:

Operating revenues increased by $2.0 million. Tuition and fees, net of scholarship allowance, increased by $820,000 or 6% after a tuition rate increase of 9% and an increase in scholarship allowance of $660,000. Auxiliary revenues increased by $760,000 or 9.3% after a 5.5% room and board rate increase and increased housing occupancy.

Operating expenses increased by $2.6 million. Of this amount, salary and benefit costs increased by $1.7 million primarily due to new hires and increased benefit costs. Salary increases were limited to 1%-2% for varying employee groups. Operating supplies and utilities increased by less than 1%. University scholarships increased by $117,000 or 3.3%. There was no significant change in the annual depreciation charge or other operating expenses.

Net nonoperating revenues decreased by $731,000. The State appropriations decrease reflected on the financial statements is due to a delay of FY07 appropriations to FY08, otherwise appropriations were flat. Federal Pell grants increased by $680,000. Investment income decreased by $820,000 which reflected the decline of both stock and bond fund values throughout the year. There were insignificant gains or losses on assets sold or retired.

The net result of operations for the year was a decrease in net assets of $4.3 million.

Changes from 2007 to 2008:

Operating revenues increased by $1.8 million. Tuition and fees, net of scholarship allowance, increased by $1.1 million or 8.6% after a tuition rate increase of 9.3% and an increase in scholarship allowance of $612,000. Auxiliary revenues increased by $680,000 or 9.0% after a 4.5% room and board rate increase and increased housing occupancy.

Operating expenses increased by $1.1 million. Of this amount, salary and benefit costs increased by only $700,000 or 2.8%. Salary increases were limited to 1%-3% for varying employee groups and changes to health insurance programs, deductibles and employee premium contributions helped offset a significant portion of rising health care costs. Operating supplies increased by $850,000 primarily in institutional support and auxiliary activities. Utilities increased by $170,000 or 6.1%. University scholarships increased by $156,000 or 9.3%. The annual depreciation charge decreased by $160,000. Other operating expenses decreased by $600,000; resulting from plant fund expenditures not capitalized decreasing by $200,000 and an increase in insurance and benefits fund balances of $400,000.

Net nonoperating revenues increased by $580,000. State appropriations increased $2.7 million as the state did satisfy its promise to restore appropriations delayed in the prior fiscal year. Federal Pell grants increased by $260,000. Investment income decreased by $2.2 million which reflected the decline of both stock and bond fund values throughout the year. Loss on disposal of assets increased by $240,000 due to the sale of a property that had been gifted to the University.

The net result of operations for the year was a decrease in net assets of $2.9 million.

Lake Superior State University
Condensed Statements of Cash Flows

	Year Ended June 30		
	2009	**2008**	**2007**
Cash provided by (used in):			
Operating activities	$(12,441,057)	$(12,091,223)	$(12,613,655)
Noncapital financing activities	16,206,251	14,859,300	14,773,063
Capital and related financing activities	(3,348,308)	(2,732,260)	(4,687,508)
Investing activities	8,859	436,467	542,720
Net change in cash and cash equivalents	425,745	472,284	(1,985,380)
Cash and cash equivalents, beginning of year	5,500,039	5,027,755	7,013,135
Cash and cash equivalents, end of year	**$ 5,925,784**	**$ 5,500,039**	**$ 5,027,755**

Changes from 2008 to 2009:

Net cash used in operations increased by $350,000. Cash received from operations increased by $1.5 million; this includes sources of cash including tuition and fees, grants and contract awards and auxiliary activities. The most significant increases were cash received from tuition and fees of $600,000 and from auxiliary activities of $700,000. Cash used for operations increased by $1.9 million for the year; uses of cash include payments to employees, vendors and students.

Most significant increases were payments to employees for salaries with an increase of $1.7 million and payments for financial aid which increased by $300,000.

Cash provided by noncapital financing activities increased by $1.4 million. Cash received from State appropriations increased by $650,000 and cash received for Pell grants increased by $675,000. The cash increase from State appropriations is a reflection of the timing of receipts from the State rather than an increase in funding.

Net cash used in capital and related financing activities increased by $600,000. Cash received for capital grants and gifts increased by $180,000. Cash used for the purchase and construction of capital assets increased by $740,000 as there was a slight increase in capital project activity during the 2008-09 fiscal year.

Net cash provided by investing activities decreased by $425,000. Cash provided by sales of investments decreased by $135,000, cash provided from investment income decreased by $290,000.

Overall, cash and cash equivalents increased by $426,000 for the year ended June 30, 2009.

Changes from 2007 to 2008:

Net cash used in operations decreased by $500,000. Cash received from operations increased by $1.9 million; this includes sources of cash including tuition and fees, grants and contract awards and auxiliary activities. The most significant increases were cash received from tuition and fees of $1.5 million and from auxiliary activities of $700,000. Cash used for operations increased by $1.4 million for the year; uses of cash include payments to employees, vendors and students. Most significant increases were payments to employees for salaries with an increase of $1.0 million and payments to vendors which increased by $340,000.

Cash provided by noncapital financing activities increased by $86,000. Cash received from State appropriations decreased by $170,000 and cash received for Pell grants increased by $240,000.

Net cash used in capital and related financing activities decreased by $1.9 million. Cash received for capital appropriations decreased by $200,000 and cash received for capital grants and gifts decreased by $270,000. Cash used for the purchase and construction of capital assets decreased by $2.4 million. The reason for decreases in these amounts is the lack of capital projects performed during the 2007-08 fiscal year.

Net cash provided by investing activities decreased by $100,000. Cash provided by sales of investments increased by $80,000, cash provided from investment income decreased by $180,000.

Overall, cash and cash equivalents increased by $472,000 for the year ended June 30, 2008.

A Year in Review…A Look Ahead

Fiscal year 2008-2009 will be remembered as a year of many accomplishments in spite of significant administrative turmoil. Near the end of the fiscal year, three top administrative offices were vacated; the President's office, the Provost's office and the office of the Vice President for Finance. Dr. Rodney Lowman's tenure as the sixth president of Lake Superior State University lasted less than two years. Dr. Scott Amos had already tendered his resignation after serving just over one year as Provost and Vice President for Academic Affairs when he was asked to fill a short stint as Acting President.

LSSU is not alone in facing financial difficulties and uncertainties with the State of Michigan being harder hit than most by the current economic crisis. A continuing challenge has been working with a budget which allows very little room in which to maneuver while staying focused upon providing quality education to the students who have chosen to pursue higher education at Lake Superior State University.

Appropriations were relatively flat during the 2008-2009 academic year. Enrollment showed a slight increase of on-campus students in the categories of first time college students, transfers and returning students. The year ended with an insignificant increase in the general fund deficit due to some unforeseen end of year expenses. Still, we must not lose sight of the University's achievements as we move forward with a more stable financial plan for the future.

There were many successes that should receive mention this year. To name a few:

LSSU's Prototype Development Center, the School of Business, Entrepreneurial and Legal Studies, and the City of Sault Ste. Marie have joined forces in establishing one of the newest designated SmartZones in Michigan. The SmartZone will provide a vital development link between the LSSU Prototype Development Center and start-up commercialization that is housed in the Sault Ste. Marie Industrial Incubator, one of the first incubators in the country.

The University has increased activity in grants and contracts and hired a dedicated new Sponsored Programs director. LSSU was notified that it will be awarded a prestigious National Science Foundation grant aimed at increasing the number of disadvantaged students seeking careers in Geology and the sciences.

Due to the Shared Governance Planning Committee, significant progress has been made in developing a structure and process for expanding Shared Governance at LSSU to make sure policies, planning and budgeting at the University benefit from the input of all major constituencies of the University.

With the support of our Barnes & Nobel partners, the University Bookstore was totally remodeled at almost no direct cost to the University. The Bookstore has increased sales in all areas, particularly its website sales since launching registration integration software, where students can reserve and order books online the very moment they register for school.

As the new fiscal year begins, there is much optimism. On June 16, 2009, Lake Superior State University's Board of Trustees appointed Tony McLain, Ph.D. as LSSU's seventh president. Dr. McLain retired as superintendent of Sault Area Public Schools in 2003 after eight years of service. Dr. McLain brings fresh perspective and commitment to working towards financial stability while a permanent presidential search is underway.

Dr. Anthony Blose was named Interim Provost and Vice President for Academic Affairs. Previously Dr. Blose was the Dean for the College of Science, Technology, Engineering, and Math. Immediately, Dr. Blose put a new academic structure into place, naming several Deans and Department Chairs. The restructure added no additional cost to the University budget. An interim Vice President for Finance was also hired.

Several new employees will be on staff for fall semester 2009 including seventeen new faculty members in several disciplines and a new Director of Education. Historic Brown Hall has been renovated and reopened after sitting empty for four years to house the Department of Education.

Several small projects have been accomplished over the summer. The campus and grounds are more welcoming as the students return for class. A four percent transfer from housing and food service to a reserve and replacement fund was reestablished this year to allow for continued maintenance and upgrades to auxiliary facilities.

Rehmann

107 S. Cass St., Suite A
Traverse City, MI 49684
Ph: 231.946.3230
Fx: 231.946.3955
www.rehmann.com

INDEPENDENT AUDITORS' REPORT

October 12, 2009

Board of Trustees
Lake Superior State University
Sault Ste. Marie, Michigan

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of ***Lake Superior State University ("the University"),*** a component unit of the State of Michigan, as of June 30, 2009 and 2008 and for the years then ended, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. 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 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 management, 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 respective financial position of the business-type activities and the discretely presented component unit of ***Lake Superior State University*** as of June 30, 2009 and 2008 and the respective changes in financial position and, where applicable, cash flows thereof, 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 under separate cover our report on our consideration of Lake Superior 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, which is included in the University's single audit report, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis (MD&A) presented on pages 2 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Rehmann Robson

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF NET ASSETS

	June 30	
Assets	**2009**	**2008**
Current assets		
Cash and cash equivalents	$ 5,925,784	$ 5,500,039
Accounts receivable, net	1,113,136	1,019,588
State appropriations receivable	2,383,942	2,360,344
Inventories	284,465	252,938
Other	332,468	296,147
Total current assets	**10,039,795**	**9,429,056**
Noncurrent assets		
Student loans receivable, net	2,812,157	2,816,886
Investments	873,928	908,304
Endowment investments	5,841,656	7,225,367
Land and art collection	2,549,203	2,550,703
Depreciable capital assets, net	59,425,118	63,786,124
Total noncurrent assets	**71,502,062**	**77,287,384**
Total assets	**$ 81,541,857**	**$ 86,716,440**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 2,594,511	$ 2,230,663
Unearned revenue	1,009,617	1,050,742
Deposits	163,576	161,768
Current portion of long-term debt	1,279,939	1,222,991
Current portion of employee benefit programs	208,649	247,616
Total current liabilities	**5,256,292**	**4,913,780**
Interest rate swap liability	839,000	839,000
Long-term debt, net of current portion	26,655,155	27,940,375
Employee benefit programs, net of current portion	1,402,525	1,290,781
Total liabilities	**34,152,972**	**34,983,936**
Net assets		
Invested in capital assets, net of related debt	35,111,872	38,246,105
Restricted		
Nonexpendable		
Scholarships and research	205,327	205,327
Expendable		
Scholarships and research	6,564,594	7,856,868
Loans	3,168,294	3,103,211
Capital projects and debt service	436,954	255,517
Unrestricted	1,901,844	2,065,476
Total net assets	**47,388,885**	**51,732,504**
Total liabilities and net assets	**$ 81,541,857**	**$ 86,716,440**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2009	**2008**
Operating revenues		
Tuition and fees (net of scholarship allowances of $5,812,986 and $5,153,957 in 2009 and 2008, respectively)	$ 14,600,870	$ 13,779,844
Federal grants and contracts	1,331,647	1,290,546
State grants and contracts	501,362	309,193
Nongovernmental grants and contracts	2,366,166	2,252,862
Auxiliary activities	8,936,201	8,175,905
Other	840,547	749,872
Total operating revenues	**28,576,793**	**26,558,222**
Operating expenses		
Instruction	13,330,739	12,383,489
Research	334,860	285,190
Public service	861,322	804,089
Academic support	2,755,065	2,865,634
Student services	2,579,010	2,486,188
Student aid	2,107,541	1,819,177
Institutional support	6,073,429	5,181,963
Operation and maintenance of plant	4,857,051	4,740,844
Auxiliary activities	8,190,745	7,884,720
Depreciation	5,373,016	5,386,085
Other	169,041	203,528
Total operating expenses	**46,631,819**	**44,040,907**
Operating loss	**(18,055,026)**	**(17,482,685)**
Nonoperating revenues (expenses)		
State appropriations	13,175,727	13,993,077
Federal Pell grants	2,995,386	2,315,937
Interest on capital debt and leases	(1,542,887)	(1,526,058)
Investment loss, net of investment expenses	(1,409,228)	(589,659)
Gifts for expendable endowments	61,300	57,117
Gain (loss) on assets sold or retired	8,800	(230,098)
Net nonoperating revenues	**13,289,098**	**14,020,316**
Loss before other revenues	**(4,765,928)**	**(3,462,369)**
Other revenues		
Capital grants and gifts	**422,309**	**586,927**
Decrease in net assets	**(4,343,619)**	**(2,875,442)**
Net assets, beginning of year	51,732,504	54,607,946
Net assets, end of year	**$ 47,388,885**	**$ 51,732,504**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2009	**2008**
Cash flows from operating activities		
Tuition and fees	$ 14,576,475	$ 14,000,999
Grants and contracts	4,140,170	3,805,804
Payments to employees	(27,675,411)	(25,951,973)
Payments to vendors	(11,101,477)	(11,015,488)
Payments for financial aid	(2,107,541)	(1,819,177)
Loans issued to students	(429,527)	(636,469)
Collections of interest and principal on loans to students	434,256	490,791
Auxiliary activities	8,916,768	8,214,921
Other receipts	805,230	819,369
Net cash used in operating activities	**(12,441,057)**	**(12,091,223)**
Cash flows from noncapital financing activities		
State appropriations	13,152,129	12,483,601
Federal Pell grants	2,992,822	2,318,582
Gifts for expendable endowments	61,300	57,117
Federal Direct Lending receipts	12,312,716	9,219,457
Federal Direct Lending disbursements	(12,312,716)	(9,219,457)
Net cash provided by noncapital financing activities	**16,206,251**	**14,859,300**
Cash flows from capital and related financing activities		
Capital grants and gifts received	398,965	221,786
Purchases and construction of capital assets	(980,817)	(241,177)
Proceeds from disposal of capital assets	10,300	-
Principal paid on debt and capital leases	(1,228,272)	(1,189,237)
Interest paid on debt and capital leases	(1,548,484)	(1,523,632)
Net cash used in capital and related financing activities	**(3,348,308)**	**(2,732,260)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	225,000	279,566
Purchases of investments	(293,729)	(210,280)
Investment income	77,588	367,181
Net cash provided by investing activities	**8,859**	**436,467**
Net increase in cash and cash equivalents	425,745	472,284
Cash and cash equivalents, beginning of year	5,500,039	5,027,755
Cash and cash equivalents, end of year	**$ 5,925,784**	**$ 5,500,039**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY

STATEMENTS OF CASH FLOWS
(Continued)

	Year Ended June 30	
	2009	**2008**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (18,055,026)	$ (17,482,685)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	5,373,016	5,386,085
Provision for uncollectible accounts and student loans receivables	122,721	86,166
Change in assets and liabilities:		
Accounts receivable	(183,628)	161,812
Student loans receivable	(33,197)	(193,132)
Inventories	(31,527)	61,373
Other	(36,321)	(23,484)
Accounts payable and accrued expenses	369,445	80,251
Unearned revenue	(41,125)	76,706
Deposits	1,808	5,641
Employee benefit programs	72,777	(249,956)
Net cash used in operating activities	**$ (12,441,057)**	**$ (12,091,223)**
Supplemental disclosures of non-cash financing and investing activities		
Gifts in-kind received and recorded as capital assets	$ 31,194	$ 365,141

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF NET ASSETS

	June 30			
	2009		2008	
Assets				
Current assets				
Cash and cash equivalents	$	1,627,060	$	1,190,429
Other current assets		28,597		17,389
Current portion of unconditional promises to give, net		11,055		13,735
Total current assets		**1,666,712**		**1,221,553**
Noncurrent assets				
Investments		3,693,453		4,337,367
Unconditional promises to give, net of current portion		103,130		127,573
Beneficial interest in charitable remainder trust		304,811		321,405
Total noncurrent assets		**4,101,394**		**4,786,345**
Total assets	**$**	**5,768,106**	**$**	**6,007,898**
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$	28,855	$	29,798
Employee benefit programs		11,294		9,925
Total current liabilities		**40,149**		**39,723**
Annuity obligations		61,766		63,279
Total liabilities		**101,915**		**103,002**
Net assets				
Restricted				
Nonexpendable		3,909,555		3,685,844
Expendable		1,611,198		2,157,117
Unrestricted		145,438		61,935
Total net assets		**5,666,191**		**5,904,896**
Total liabilities and net assets	**$**	**5,768,106**	**$**	**6,007,898**

The accompanying notes are an integral part of these financial statements.

LAKE SUPERIOR STATE UNIVERSITY FOUNDATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2009	**2008**
Operating revenues		
Contributions	$ 1,227,966	$ 1,503,867
Change in value of split interest agreements	(24,193)	31,610
Total operating revenues	**1,203,773**	**1,535,477**
Operating expenses	333,384	407,134
Operating income	**870,389**	**1,128,343**
Nonoperating revenues (expenses)		
Investment income	211,249	321,029
Net unrealized losses on investments	(838,692)	(628,441)
Distributions to Lake Superior State University	(481,651)	(995,252)
Net nonoperating expenses	**(1,109,094)**	**(1,302,664)**
Decrease in net assets	**(238,705)**	**(174,321)**
Net assets, beginning of year	5,904,896	6,079,217
Net assets, end of year	**$ 5,666,191**	**$ 5,904,896**

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lake Superior State University ("the University") is an institution of higher education and is considered a discrete component unit of the State of Michigan because its Board of Trustees is appointed by the Governor. Accordingly, the University's financial statements are included in those of the State. Transactions with the State of Michigan relate primarily to appropriations for operations, appropriations for charter schools, grants from various State agencies, State Building Authority (SBA) revenues and payments to the State retirement program on behalf of certain University employees.

As required by Governmental Accounting Standards Board Statement No. 39, the University's basic financial statements include the financial statements of both the University and its component unit, the Lake Superior State University Foundation (the "Foundation") which is a legally separate tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization established to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors includes members of the University's Board of Trustees, certain officers of the University and other community representatives appointed by the Foundation Board. Although the University does not necessarily control the timing or amount of receipts from the Foundation, the majority of its resources or income earned thereon are restricted by the donors to the activities of the University. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the University, the Foundation is considered a component unit of the University. The Foundation financial statements are reported on separate pages to emphasize that a) it is legally separate from the University and b) its assets are not necessarily available to satisfy all liabilities of the University. However, the Foundation's financial position and activities are summarized with those of the University in the notes to the financial statements.

Contributions to the University by the Foundation (reported primarily as other revenues-capital gifts and grants) have been made in the amount of $481,651 for fiscal 2009 and $995,252 for fiscal 2008. Support from the University provided to the Foundation amounted to $334,400 and $297,200 during fiscal 2009 and 2008, respectively.

Basis of Presentation - University

The accompanying University financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting with the exception that certain investment income and interest earned on the Federal Perkins student loan program are recorded only when received.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting,* the University follows all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November

30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

In applying these accounting pronouncements, the University follows the guidance for special purpose governments engaged only in "business type" activities rather than issuing financial statements that focus on accountability of individual funds.

Basis of Presentation - Foundation

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Cash and Cash Equivalents

Cash and cash equivalents at the University and the Foundation consist of highly liquid investments, excluding noncurrent investments, with an original maturity when purchased of three months or less.

University Investments and Endowment Investments

University endowment investments and other investments consist primarily of long-term mutual funds and are stated at fair value.

Foundation Investments

Foundation investments consist primarily of long-term mutual funds and are stated at fair value.

Inventories

Inventories, consisting primarily of supplies and petroleum products, are valued at cost (using the specific identification method) not in excess of market.

Capital Assets

Capital assets, consisting of institutional physical properties used in University operations, are stated at cost when purchased and at estimated fair value at date of receipt for other acquisitions. Building additions and improvements with a cost in excess of $10,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of $2,500 with a useful life of 3 or more years is capitalized.

Depreciation is provided on a straight-line basis over the estimated useful life of the related capital assets as follows:

Classification	Life
Buildings and building improvements	40 years
Land improvements	20 years
Infrastructure	20 years
Equipment	7 years
Personal computers	3 years
Library books	7 years
Vehicles	7 years

Revenue Recognition

Revenues are recognized when earned and expenses are recognized when the service is provided or when materials are received. Restricted grant revenue is recognized only to the extent expended. Operating revenues of the University consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, State appropriations and Federal Pell grant revenue are components of nonoperating revenue. Restricted and unrestricted resources are allocated to the appropriate departments within the University which are responsible for adhering to any donor restrictions.

State appropriation revenue is recognized in the period for which it is appropriated.

During fiscal 2009 and 2008 the University received $24,576,992 and $23,128,616 (net of a 3% administrative fee retained by the University), respectively, of State appropriations which were forwarded to seven charter schools. The University also received $100,000 in State appropriations for Bay Mills Community College during fiscal 2009 which were forwarded to Bay Mills Community College immediately upon receipt. Appropriations received and related disbursements passed on to the charter schools and Bay Mills Community College are considered agency transactions and, accordingly, are not reported in the accompanying financial statements.

Contributions, including unconditional promises to give, are recognized by the Foundation as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation records donations of non-cash assets at their appraised or fair value at the date of the gift.

Unearned Revenue

Unearned revenue consists primarily of advance payment for sports camps, room and board, sales for athletic events and summer school tuition not earned during the current year.

Income Taxes

The University is classified as a State instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code section 501 (c) (1), and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. No such taxes were incurred for either fiscal year 2009 or 2008.

The Foundation is also exempt from federal income taxes under Section 501(c) (3) and qualifies as a nonprofit foundation under Section 509 (a) (1) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Split-Interest Agreements

Beneficial Interest in Charitable Remainder Trust

The Foundation is a beneficiary of certain irrevocable charitable remainder trusts. Contribution revenue was recognized at the date the trust was established based on the expected present value of the Foundation's interest in the trust assets. Changes in the value of the assets and other changes in the estimates of future receipts are reported in the statements of revenues, expenses and changes in net assets of the Foundation.

Annuity Obligations

The Foundation's annuity and life income agreements require payments during the life of the annuitant at various rates up to 7% of the principal amounts. Annuity obligations are reported at the present value of the future payments based on life expectancy tables and an implied rate of discount of 5.8%. Changes in the value of annuity obligations payable are reported in the statements of revenues, expenses and changes in net assets of the Foundation.

New Accounting Pronouncements

Effective July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. The Foundation elected to delay the application of SFAS 157 to nonfinancial assets and nonfinancial liabilities, as allowed by FASB Staff Position (FSP) SFAS 157-2. SFAS 157, as amended, applies whenever other financial reporting standards require (or permit) assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. SFAS 157, as amended, clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. The initial adoption of SFAS 157 did not have any impact on the Foundation's financial position or results of operations. For a further discussion of SFAS 157, refer to Note 4.

In August 2008, FASB Staff Position (FSP) FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Donor-Restricted Endowment Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures", was issued. FAS 117-1 changed the accounting and disclosure requirements associated with the Foundation's endowment funds. The Foundation adopted the disclosure requirements of FAS 117-1 in fiscal 2009 (refer to Note 13). The provisions of FAS 117-1 related to net asset classification for donor-restricted endowment funds will apply to the Foundation in fiscal 2010, the year in which the State of Michigan adopted the model act (became law effective September 10, 2009). Net asset reclassifications, if any, from the initial application of FAS 117-1 are to be accounted for as a cumulative change adjustment in the year in which the law is effective. Foundation management has not yet determined the impact that the implementation of the net asset provisions of FAS 117-1 will have on the Foundation's fiscal 2010 financial statements.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS - UNIVERSITY

Cash and short-term investments - The University utilizes the "pooled cash" method of accounting for substantially all of its cash and short-term investments. Investment policies for cash and short-term investments, as set forth by the Board of Trustees, authorize the University to invest, with limitations, in commercial paper of companies with a rating within the two highest classifications of prime as established by at least one of the standard rating services. Investments may also be made in securities of the U.S. Treasury and federal agencies and in time savings accounts. Short-term investments are stated at fair value.

Investments - The Board of Trustees has authorized management to invest in short, intermediate and long-term pools of investments, depending on the nature and need of funds. An established Board policy is followed for the investment of University funds. The primary investment objective for the investment pools is as follows:

- *Short-term investment pool* - to provide for the preservation of capital. Funds needed for expenditures in less than one year will be considered short-term.

- *Intermediate investment pool* - to provide for preservation of capital and maximization of income without undue exposure to risk. Funds needed for expenditures within one to five years will be considered intermediate term.

- *Long-term investment pool* - to provide for long-term growth of principal and income without undo exposure to risk. Funds not needed for expenditures within five years will be considered long-term. The University's general policy toward the long-term investment pool shall be to diversify investments within both equity and fixed income securities so as to provide a balance that will enhance total return. The University invests with selected money managers as part of an institutional mutual fund or in segregated accounts.

Performance objectives for each pool of investments have been established to measure the total return of a manager against a comparable index, as well as the amount of risk the manager is taking. The University uses the service of outside investment counsel in providing performance measurements and asset allocation recommendations.

Reports are submitted to the Board of Trustees on an annual basis to ensure compliance with the prescribed policy.

Investment income and realized gains or losses are distributed using an average balance method on accounts designated to receive investment earnings. Unrealized gains or losses are distributed based on investment balances on June 30.

University cash and cash equivalents consist of the following amounts at June 30:

	2009	2008
Disbursement accounts (deposits)	$ 3,975,279	$ 3,398,684
Government money market funds	1,950,505	2,101,355
Total cash and cash equivalents	**$ 5,925,784**	**$ 5,500,039**

At June 30, 2009 and 2008, $3,949,505 and $994,114, respectively, held by the University in disbursement accounts were held at Central Savings Bank (“CSB”), whose Chief Executive officer is the chair of the University’s Board of Trustees.

The University utilizes the "pooled" method of accounting for substantially all investments, which consisted of the following amounts at June 30:

	2009	2008
University endowment investments		
Mutual funds		
Equity funds	$ 4,431,158	$ 5,381,780
Bond/fixed income funds	1,410,498	1,843,587
Total University endowment investments	5,841,656	7,225,367
University investments		
Mutual funds		
Government money market funds	$ 655	$ 1,543
Equity funds	581,705	622,471
Bond/fixed income funds	291,568	284,290
Total University investments	873,928	908,304
Total investments	**$ 6,715,584**	**$ 8,133,671**

Interest Rate Risk – The University's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment type (including investment types classified as cash and cash equivalents) susceptible to interest rate risk are identified below for investments held at year end.

As of June 30, 2009, the University had the following debt investments with related maturities:

		Maturities (in Years)		
	Fair Value	Less Than 1	1-5	6-10
Government money market funds	$ 1,951,160	$ 1,951,160	$ -	$ -
Bond/fixed income funds	1,702,066	-	-	1,702,066
Total debt investments	**$ 3,653,226**	**$ 1,951,160**	**$ -**	**$1,702,066**

As of June 30, 2008, the University had the following debt investments with related maturities:

		Maturities (in Years)		
	Fair Value	Less Than 1	1-5	6-10
Government money market funds	$ 2,102,898	$ 2,102,898	$ -	$ -
Bond/fixed income funds	2,127,877	-	-	2,127,877
Total debt investments	**$ 4,230,775**	**$ 2,102,898**	**$ -**	**$2,127,877**

Credit Risk - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased and qualified mutual funds. The University's investment policy does not have specific limits in excess of state law on investment credit risk.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned. State law does not require a policy for deposit custodial credit risk. The University believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, management evaluates each financial institution it deposits University funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of year-end $5,922,724 of the University's bank balance of $6,172,724 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments - 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. State law does not require the University to have a policy for investment custodial credit risk. Custodial credit risk for the University's mutual fund investments cannot be determined as these investments are not evidenced by specifically identifiable securities.

Concentration of Credit Risk - State law limits allowable investments but does not limit concentration of credit risk. The University's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Foreign Currency Risk – The University's exposure to foreign currency risk is derived from its positions in international investments consisting solely of foreign currency denominated mutual fund equity investments. The University's investment policy permits it to invest in these asset types. At June 30, 2009 and 2008, the University held 31,518 and 29,355 units, respectively, of the EuroPacific Growth Fund Class F (Security identifier: AEGFX) with a fair value of $989,369 and $1,336,548, respectively. The University holds no other assets which may be subject to the risks of foreign currency.

No foreign currency risk exists with respect to any holdings under the caption "cash and cash equivalents" in the accompanying statements of net assets and all international investments are equity investments held through mutual funds.

Policies regarding marketable securities in the University endowment investments, as set forth by the Board of Trustees, authorize the investment manager to invest in high-grade equities, bonds or other marketable securities. The University endowment income spending policy is 4.5% of the 20-quarter rolling average of the market value of the endowment pool. The annual spending income allocation cannot reduce the original gift principal. The spending policy is reviewed periodically by the finance committee, which recommends changes to the Board of Trustees. The net (depreciation) appreciation on investments of donor-restricted endowments approximated ($778,000) and $685,000 at June 30, 2009 and 2008, respectively. Net (depreciation) appreciation is a component of restricted, expendable net assets.

The yields of the University endowment investments were as follows for the years ended June 30:

	2009	2008
Interest and dividends	2.6%	2.4%
Net realized and unrealized losses	(20.5)	(11.7)
Total investment loss	**(17.9)%**	**(9.3)%**

According to the law of the State of Michigan, the Board of Trustees may appropriate for expenditure for the uses and purposes for which an endowment is established an allocation of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

3. INVESTMENTS - FOUNDATION

The Foundation also utilizes the "pooled" method of accounting for substantially all investments, which consisted of the following amounts at June 30:

	2009	2008
Mutual funds		
Equity funds	$ 2,582,833	$ 2,959,912
Bond/fixed income funds	1,101,652	1,363,062
Subtotal	3,684,485	4,322,974
Marketable securities	8,968	14,393
Total Foundation investments	**$ 3,693,453**	**$ 4,337,367**

4. FAIR VALUE

The Foundation utilizes fair value measurements to record fair value adjustments to investments and the beneficial interest in charitable remainder trust and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy - Under SFAS 157, the Foundation groups its assets at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Level 3 bond/fixed income fund is based on a value provided by a third party investment manager. The fund is quoted on a private market that is not active. Fair value measurement for the beneficial interest in charitable remainder trust is based upon an estimated rate of return, anticipated future payments to be made to living beneficiaries, living beneficiaries' life expectancies and an assumed discount rate as discussed further in Note 7.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Equity funds	$ 2,582,833	$ --	$ --	$2,582,833
Bond/fixed income fund	895,180	--	206,415	1,101,652
Marketable securities	8,968	--	--	8,968
Total investments at fair value	**$ 3,487,038**	**$ --**	**$ 206,415**	**$ 3,693,453**
Beneficial Interest in Charitable Remainder Trust	**$ --**	**$ --**	**$ 304,811**	**$ 304,811**

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2009:

	Bond/Fixed Income Fund	Beneficial Interest in Charitable Remainder Trust	Total Level 3 Assets
Balance at beginning of year	$ 184,544	$ 321,405	$ 505,949
Unrealized losses relating to investments still held at the reporting date	(5,629)	--	(5,629)
Purchases, sales, issuances, and settlements (net)	27,500	--	27,500
Change in value	--	(16,594)	(16,594)
Balance, end of year	**$ 206,415**	**$ 304,811**	**$ 511,226**

5. ACCOUNTS AND STUDENT LOAN RECEIVABLES

Accounts receivable result primarily from student tuition and fee billings and auxiliary enterprise sales, such as food service and student residence. In addition, receivables arise from grant awards and financial aid. These receivables are reported net of an allowance for collection losses in the amount of $274,196 and $315,849 at June 30, 2009 and 2008, respectively.

University accounts receivable consist of the following net amounts at June 30:

	2009	2008
Tuition and fees	$ 382,739	$ 424,886
Auxiliary activities	176,171	171,969
Governmental grants and contracts	371,444	256,710
Private grants and contracts	29,705	30,363
Other	153,077	135,660
Accounts receivable, net	**$ 1,113,136**	**$ 1,019,588**

In addition, the University has student loans receivable, in the amount of $2,812,157 and $2,816,886, which are recorded net of an allowance for uncollectible loans of $428,766 and $394,825 as of June 30, 2009 and 2008, respectively. Approximately 80% of student loans receivable are expected to be collected in periods beyond one year.

6. PROMISES RECEIVABLE

The following is a summary of promises receivable for the Foundation as of June 30:

	2009	2008
Total promises receivable	$ 219,679	$ 255,011
Less discounts to net present value at 8%	102,712	110,269
Present value of promises receivable	116,967	144,742
Less allowance for uncollectible amounts	2,782	3,434
Net promises receivable	**114,185**	**141,308**
Less current portion	11,055	13,735
Promises receivable, net of current portion	**$ 103,130**	**$ 127,573**

7. CHARITABLE REMAINDER TRUST

A donor having a charitable remainder unitrust managed by a third party named the Foundation as the remainder beneficiary. Under the terms of the split-interest agreement, the third party trustee must pay to the donor in each taxable year of the trust during the donor’s life the lesser of the trust income for the taxable year or five percent (5%) of the net fair market value of the assets of the trust valued as of the first day of each taxable year of the trust. At the time of the donor’s death, the trust is to terminate, and the remaining trust assets are to be distributed to the Foundation.

At June 30, 2009 and 2008 based on the donor's life expectancy and an assumed 5.8% discount rate, the present value of the future benefits expected to be received by the Foundation were estimated to be $304,811 and $321,405, respectively.

8. CAPITAL ASSETS

Changes in the components of capital assets are as follows for the years ended June 30:

	2009			
	Balance July 1, 2008	**Additions**	**Reductions**	**Balance June 30, 2009**
Capital assets not being depreciated				
Land - restricted	$ 838,684	$ --	$ --	$ 838,684
Land	1,130,344	--	1,500	1,128,844
Art collection	581,675	--	--	581,675
Total capital assets not being depreciated	2,550,703	--	1,500	2,549,203
Capital assets being depreciated				
Land improvements	5,395,733	--	--	5,395,733
Infrastructure	3,244,705	--	--	3,244,705
Building and building improvements	114,483,028	357,837	--	114,840,865
Equipment and other	17,385,057	654,173	4,835	18,034,395
Total capital assets being depreciated	140,508,523	1,012,010	4,835	141,515,698
Less accumulated depreciation	(76,722,399)	(5,373,016)	(4,835)	(82,090,580)
Total capital assets being depreciated, net	63,786,124	(4,361,006)	--	59,425,118
Total capital assets, net	**$ 66,336,827**	**$ (4,361,006)**	**$ 1,500**	**$ 61,974,321**

	2008			
	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Capital assets not being depreciated				
Land - restricted	$ 838,684	$ --	$ --	$ 838,684
Land	1,135,344	25,000	(30,000)	1,130,344
Art collection	581,675	--	--	581,675
Total capital assets not being depreciated	2,555,703	25,000	(30,000)	2,550,703
Capital assets being depreciated				
Land improvements	5,424,733	5,000	(34,000)	5,395,733
Infrastructure	3,244,705	--	--	3,244,705
Building and building improvements	114,720,736	69,252	(306,960)	114,483,028
Equipment and other	16,940,806	507,066	(62,815)	17,385,057
Total capital assets being depreciated	140,330,980	581,318	(403,775)	140,508,523
Less accumulated depreciation	(71,449,991)	(5,386,085)	113,677	(76,722,399)
Total capital assets being depreciated, net	68,880,989	(4,804,767)	(290,098)	63,786,124
Total capital assets, net	**$ 71,436,692**	**$ (4,779,767)**	**$ (320,098)**	**$ 66,336,827**

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

University accounts payable and accrued expenses consisted of the following liabilities at June 30:

	2009	2008
Accounts payable to vendors	$ 788,827	$ 596,003
Payroll and payroll taxes	1,383,454	1,281,833
Interest	171,230	176,827
Workers' compensation claims	251,000	176,000
Total accounts payable and accrued expenses	**$ 2,594,511**	**$ 2,230,663**

Worker's Compensation

The University is self-insured for workers' compensation claims up to $500,000 per claim. The accrued workers' compensation obligation represents claims made prior to June 30, 2009 and 2008, which remain unpaid at those dates. The University's third party administrator bases these amounts upon an analysis of workers' compensation claims, which includes historical incident rates and other related factors.

Changes in the workers' compensation claims liability are summarized as follows for the years ended June 30:

	2009	2008
Claims liability at beginning of year	$ 176,000	$ 215,000
Claims and damages incurred	161,513	138,171
Claims payments	(86,513)	(177,171)
Claims liability at end of year	**$ 251,000**	**$ 176,000**

10. LONG-TERM DEBT

Changes in the components of long term debt are as follows for the years ended June 30:

2009

	Interest Rate	Maturity	Outstanding Principal July 1 2008	Additions	Reductions	June 30 2009	Current Portion
Bonds payable							
General Revenue Bonds, Series 2001							
Series bonds	4.2%-5.0%	2009-2016	$ 3,590,000	$ --	$ 330,000	$ 3,260,000	$ 345,000
Term bonds	5.125%-5.5%	2018-2031	16,525,000	--	--	16,525,000	--
General Revenue Bonds, Series 1997							
Series bonds	4.8%	2008-2009	625,000	--	625,000	--	--
Term bonds	5.0%-5.125%	2012-2019	6,805,000	--	--	6,805,000	660,000
Total –bonds payable			**27,545,000**	**--**	**955,000**	**26,590,000**	**1,005,000**
Capital leases	up to 7.0%		1,618,366	--	273,272	1,345,094	274,939
Total – long-term debt			**$ 29,163,366**	**$ --**	**$ 1,228,272**	**27,935,094**	**$ 1,279,939**
Less current portion						1,279,939	
Long-term debt, net of current portion						**$ 26,655,155**	

			2008				
			Outstanding Principal				
	Interest Rate	Maturity	July 1 2007	Additions	Reductions	June 30 2008	Current Portion
Bonds payable							
General Revenue Bonds, Series 2001							
Series bonds	4.1%-5.0%	2008-2016	$ 3,910,000	$ --	$ 320,000	$ 3,590,000	$ 330,000
Term bonds	5.125%-5.5%	2018-2031	16,525,000	--	--	16,525,000	--
General Revenue Bonds, Series 1997							
Series bonds	4.8%-5.0%	2008-2009	1,220,000	--	595,000	625,000	625,000
Term bonds	5.0%-5.125%	2012-2019	6,805,000	--	--	6,805,000	--
Total –bonds payable			**28,460,000**	**--**	**915,000**	**27,545,000**	**955,000**
Capital leases	up to 7.0%		1,892,603	--	274,237	1,618,366	267,991
Total – long-term debt			**$ 30,352,603**	**$ --**	**$ 1,189.237**	**29,163,366**	**$1,222,991**
Less current portion						1,222,991	
Long-term debt, net of current portion						**$ 27,940,375**	

Bonded Debt

General Revenue Bonds, Series 2001

As of June 30, 2009, bonds payable in the amount of $19,785,000 are payable from general revenues including $3,260,000 in serial bonds maturing in varying amounts through November 2016, with interest charged at annual rates ranging from 4.2% to 5.0%. Also, four term bonds are outstanding in the amounts of $1,170,000, $2,700,000, $5,535,000 and $7,120,000, respectively. The term bonds mature in November 2018, 2021, 2026 and 2031 and charge interest at 5.125%, 5.5%, 5.125% and 5.25%, respectively. All of the bonds are callable after November 15, 2012. The serial and term bonds were issued under the same official statement dated May 15, 2001.

General Revenue Bonds, Series 1997

As of June 30, 2009, bonds payable in the amount of $6,805,000 are payable from general revenues and consist of two term bonds in the amounts of $2,835,000 and $3,970,000. The term bonds mature in November 2012 and 2019 and accrue interest at 5.0% and 5.125%, respectively. All the bonds are callable after November 15, 2008. The term bonds were issued under an official statement dated November 1, 1997. Serial bonds in the amount of $625,000 issued on the same official statement were paid in full during fiscal year 2009.

Debt Service Requirements

Principal and interest on the bonds are payable only from certain general revenues. The following table summarizes debt service requirements by years of scheduled maturity:

Year ending June 30	Principal	Interest	Total
2010	$ 1,005,000	$ 1,345,119	$ 2,350,119
2011	1,050,000	1,296,383	2,346,383
2012	1,100,000	1,243,894	2,343,894
2013	1,155,000	1,187,518	2,342,518
2014	1,215,000	1,127,768	2,342,768
2015-2019	5,320,000	4,756,250	10,076,250
2020-2024	5,135,000	3,422,192	8,557,192
2025-2029	6,125,000	2,006,813	8,131,813
2030-2032	4,485,000	361,070	4,846,070
Total – bonds payable	**$26,590,000**	**$16,747,007**	**$43,337,007**

Defeased Bonds

In May 2001, the University issued $21,850,000 of General Revenue Bonds, Series 2001 with yields ranging from 3.1% to 5.43%. A portion of the proceeds were used to refund and defease a portion of the Board's General Revenue Bonds, Series 1997 maturing at varying amounts each November 15 through 2019 in the amount of $8,160,000. The outstanding balance for these defeased bonds was $5,885,000 as of June 30, 2007. During the fiscal year ended June 30, 2008 and subsequent to the November 15, 2007 maturities, the remaining defeased bonds were called. The principal amount of $5,445,000 was returned and the call premium was $54,450. In addition, the University paid $186,541 of interest, which represented the amount the escrow account was short. The escrow agent closed the account as of May 15, 2008.

Interest Rate Swap

On April 12, 2005, the University entered into a twenty-six year forward-looking basis interest rate swap agreement for an original amount of $20,115,000 (notional amount of $19,785,000 at June 30, 2009). The intention of the swap was to effectively change the fixed interest rate on the University's bonds to a variable rate. The effective date of the swap agreement is May 15, 2008. The stated maturity date of the swap is November 15, 2031.

Under the terms of the swap agreement, the University will pay interest based on the Bond Market Association ("BMA") rate. In return, the University will receive interest calculated at the outstanding notional amount times 68% of the one-month London Interbank Offered Rate ("LIBOR"). Only the net difference in interest payments will be actually exchanged each month. The University will continue to pay interest to the bondholders at the fixed rate on the outstanding bonds. However, during the term of the swap agreement, the University effectively pays a variable rate on the debt based on the economics of the swap agreement. The swap exposes the University to basis risk should the relationship between LIBOR, BMA and the fixed interest rate on the outstanding bonds diverge changing the effective fixed rate of the bonds. As of June 30, 2009, 68% of the one-month LIBOR was 0.21% whereas the BMA rate was 0.36%.

When the swap transaction was initiated, the University received a payment from the issuer in the amount of $839,000, which is included in the accompanying statements of net assets at June 30, 2009 and 2008 under the caption “Investments”. Since the University can terminate the swap agreement at its option, under which circumstance a termination payment would be required, this amount is also included as a liability under the caption “Interest rate swap liability” in the accompanying statements of net assets at June 30, 2009 and 2008. As of June 30, 2009, the fair value of the required termination payment is $1,675,884 which represents the amount that the University would be required to pay if the swap was terminated. The University does not intend to terminate the swap agreement.

Obligations Under Capital Leases

The University leases certain equipment with a net book value of $2,197,717 at June 30, 2009 under lease agreements which meet the capitalization criteria specified by generally accepted accounting principles.

The following is a schedule of annual future minimum lease payments required under capitalized leases obligations as of June 30, 2009:

Year ending June 30	Amount
2010	$ 337,383
2011	320,717
2012	217,874
2013	212,370
2014	212,370
2015	242,759
Total minimum payments due	1,543,473
Less amounts representing interest, imputed at annual rates ranging up to 7.0%	198,379
Present value of net minimum lease payments	**$1,345,094**

At June 30, 2009, $106,673 of the total present value of net minimum lease payments of $1,345,094 is due to CSB.

Commitments and related rental expenses under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of and for the years ended June 30, 2009 and 2008 are insignificant.

Line-of-credit

The University has a $2,000,000 unsecured bank revolving line-of-credit available from CSB at June 30, 2009. Interest is payable monthly on borrowings and is computed at 4.3%. There were no outstanding borrowings on the line-of-credit at June 30, 2009. The agreement expires in October, 2009.

11. EMPLOYEE RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Retirement Plans

The University provides noncontributory retirement plans for all qualified employees. In December 1995, the State enacted Public Act 272 of 1995 that precludes University employees hired after January 1, 1996 from participating in the Michigan Public School Employees Retirement System (MPSERS). MPSERS and the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) were the two retirement plans offered by the University to its eligible employees. Employees currently covered under the MPSERS plan will continue to remain in that plan. The University will contribute to MPSERS the percentage mandated by state statute of their eligible wages.

Support personnel represented by the United Steelworkers, Local 9997 hired after January 1, 1996, faculty and administrative employees are eligible for the TIAA-CREF plan. TIAA-CREF is a defined contribution plan where the University contributes an amount equal to 12.0 percent of administrative and faculty group employees' pay, and 10.0 percent of Steelworkers employees' pay. The University contributed approximately $1,510,000 and $1,439,000 to this plan for the years ended June 30, 2009 and 2008, respectively. Plan participants maintain individual annuity contracts with TIAA-CREF, the plan administrator, which are fully vested.

Plan provisions and contribution requirements of the TIAA-CREF plan are established and may be amended by the University's Board of Trustees.

MPSERS is a noncontributory cost-sharing multiple-employer defined benefit plan administered by the Michigan State Employees' Retirement System. The cost of the MPSERS plan allocated to the University was approximately $594,000, $620,000 and $650,000, for the years ended June 30, 2009, 2008 and 2007, respectively, all of which was contributed during the applicable year.

Beginning October 1, 2009 the University is required to contribute 4.58% (5.66% during the period of October 1, 2008 through September 30, 2009) of MPSERS covered payroll for normal pension costs and 7.72% (6.98% during the period of October 1, 2008 through September 30, 2009) for unfunded pension liability. In addition, separately computed supplemental contributions will be required for retiree health care benefits. Future contribution requirements, which depend on the level of MPSERS covered payroll, cannot be determined. Additional pension data for MPSERS is contained in MPSERS's comprehensive Annual Financial Report, which may be obtained by writing to the Office of Retirement Systems, 7150 Harris Dr., P. O. Box 30026, Lansing, MI 48901.

The University also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating universities. Participating universities are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS. The MPSERS board of trustees sets the employer contributions based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The University's contributions to the MPSERS healthcare plan for the years ended June 30, 2009, 2008 and 2007 were approximately $840,000, $709,000 and $758,000, respectively, which equaled the required contributions each year.

Benefit provisions and contribution requirements of MPSERS are established and may be amended by state statute.

Compensated Absences

The University has a policy to pay eligible employees for their unused accumulated vacation, up to a maximum of 288 hours, upon termination of employment with the University.

Accumulated Sick Leave Benefits

The University has a policy to pay eligible employees for their unused accumulated sick leave, up to a maximum of 800 hours, at retirement from the University, if the employee has met certain vesting and age requirements at that date. Employees in the Faculty and Administrative and Professional groups hired after June 30, 1987 and employees in the Support Staff group hired after December 31, 1989 are not eligible for participation in the program.

Early Retirement Severance Program

During the year ended June 30, 2000, twenty-two faculty members elected to participate in a early retirement severance incentive program (the "program") offered by the University. The University is required to make payments to each participant as directed by the contract entered into under the program. The University does not fund the program under a formal plan. However, beginning in January 2000, the University began funding the program with current operating cash or investments. Amounts paid under the terms of the program during the years ended June 30, 2009 and 2008, respectively, amounted to $76,340 and $97,578 to reduce the liability and $12,340 and $10,693 was recorded as additional salary expense.

Activity in University accrued employee benefit programs is summarized below for the years ended June 30:

	2009				
	July 1 2008	Additions	Payments	June 30 2009	Current Portion
Compensated absences	$ 667,153	$ 114,378	$ 85,632	$ 695,899	$ 75,000
Accumulated sick leave benefits	747,203	175,658	67,628	855,233	100,000
Early retirement severance program	124,042	12,340	76,340	60,042	33,649
Total employee benefit programs	**$ 1,538,397**	**$ 302,376**	**$ 229,600**	**$ 1,611,174**	**$208,649**

	2008				
	July 1 2007	Additions	Payments	June 30 2008	Current Portion
Compensated absences	$ 672,848	$ 71,028	$ 76,723	$ 667,153	$ 65,000
Accumulated sick leave benefits	804,578	142,000	199,375	747,203	100,000
Deferred compensation	100,000	--	100,000	--	--
Early retirement severance program	210,927	10,693	97,578	124,042	82,616
Total employee benefit programs	**$ 1,788,353**	**$ 223,721**	**$ 473,676**	**$ 1,538,397**	**$247,616**

Other Post Employment Health Benefits

The University allows retirees who are not covered by the MPSERS healthcare plan to purchase healthcare benefits at cost and has 10 retirees participating in this health coverage at June 30, 2009. The University segregates these retiree payments and health care expenses separately from current employee costs. Premium rates are adjusted on July 1 each year to cover projected health care increases for the next year and any funding deficits. Rates are set by the University from a cost analysis through the University's third party health care administrators. Since retirees are required to pay all monthly premiums, no post employment health care liability has been recorded in the accompanying financial statements.

12. SELF INSURANCE

Liability and Property

The University participates with 10 other Michigan universities in the Michigan Universities Self-Insurance Corporation ("MUSIC"). MUSIC's purpose is to provide indemnity to members against auto, comprehensive general liability, errors and omissions and property losses commonly covered by insurance. MUSIC also provides risk management and loss control services and programs.

Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer of losses and commercial carriers covering the third layer. Comprehensive general liability coverage is provided on an occurrence basis; errors and omissions coverage is provided on a claims-made basis.

Premiums are assessed annually for (1) insurance risks retained by MUSIC, (2) costs related to excess coverage and (3) general and administrative expenses. The amount assessed reflects the claims experience of each University.

Insurance Reserves

The University provides coverage for up to a maximum of $500,000 for each workers' compensation claim and $75,000 for each health insurance claim. The University purchases commercial insurance for workers' compensation and health insurance claims in excess of coverage provided by the self insurance reserves. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The University reserves an amount within unrestricted net assets for health and maintenance reserves and records a liability for workers' compensation insurance. These reserves are determined by MUSIC for losses relating to catastrophes and amounted to $1,901,844 and $1,659,849 at June 30, 2009 and 2008, respectively. The workers' compensation claims liability of $251,000 and $176,000 at June 30, 2009 and 2008, respectively, which is included in accounts payable and accrued expenses in the accompanying financial statements, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Health insurance claims incurred but not reported at June 30, 2009 were not significant and, accordingly, a related liability has not been recorded in the accompanying financial statements.

13. FOUNDATION ENDOWMENT

The Foundation's endowment consists of individual funds, all of which are donor restricted, that have been established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Michigan Uniform Management of Institution Funds Act (UMIFA) (Act 157 of 1976) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as nonexpendable restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in nonexpendable restricted net assets is classified as expendable restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation

5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Following is a summary of the changes in the endowment net assets for the years ended June 30, 2009 and 2008:

	2009			
		Restricted		
	Unrestricted (Deficit)	Expendable	Nonexpendable	Total
Investment loss:				
Investment income	$ --	$ 200,462	$ --	$ 200,462
Net depreciation, realized and unrealized	(118,584)	(714,683)	--	(833,267)
Net investment loss	(118,584)	(514,221)	--	(632,805)
Contributions	--	--	238,792	238,792
Change in value	--	(9,112)	(15,081)	(24,193)
Appropriation of endowment assets for expenditure	--	(181,019)	--	(181,019)
Changes to endowment net assets	(118,584)	(704,352)	223,711	(599,225)
Endowment net assets:				
Beginning of year	--	959,200	3,685,844	4,645,044
End of year	**$ (118,584)**	**$ 254,848**	**$ 3,909,555**	**$ 4,045,819**

	2008			
		Restricted		
	Unrestricted (Deficit)	Expendable	Nonexpendable	Total
Investment loss:				
Investment income	$ --	$ 279,856	$ --	$ 279,856
Net depreciation, realized and unrealized	--	(628,779)	--	(628,779)
Net investment loss	--	(348,923)	--	(348,923)
Contributions	--	--	184,172	184,172
Change in value	--	(3,949)	35,559	31,610
Appropriation of endowment assets for expenditure	--	(158,446)	--	(158,446)
Changes to endowment net assets	--	(511,318)	219,731	(291,587)
Endowment net assets:				
Beginning of year	--	1,470,518	3,466,113	4,936,631
End of year	**$ --**	**$ 959,200**	**$ 3,685,844**	**$ 4,645,044**

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA (Uniform Management of Institutional Funds Act) requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that were reported in unrestricted net assets were $118,584 as of June 30, 2009. These deficiencies resulted from significantly unfavorable market fluctuations during fiscal 2009 which management believes are temporary in anticipation of a future recovery in the market; there were no such deficiencies as of June 30, 2008.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 8.0% annually. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an annual spending policy of 4.5% of its endowment funds' average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return of its endowment. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment to grow at an average of 3.0% to 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

14. CONTINGENCIES AND COMMITMENTS

Union Contracts

The University has three groups of employees, two of which are covered under union collective bargaining agreements. The employee groups covered and the expiration of the contracts are as follows:

Employee Group	Union Name	Contract Expires
Support Personnel	United Steelworkers Local 9997	September 30, 2009
Faculty	Michigan Education Association/ National Education Association	August 31, 2010
Administrative and Professional	N/A	N/A

Legal Matters

In the normal course of its activities, the University is a party to various legal and administrative actions. Although some actions have been brought for substantial amounts, the University has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, University management is of the opinion that the outcome thereof will not have a material effect on the financial statements.

MPSERS Unfunded Liability

Certain employees of the University are covered under the MPSERS retirement plan. As of June 30, 2009 and 2008 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is not determinable at June 30, 2009 or 2008. While the University has continued to pay the required monthly payments as determined by MPSERS, it is management's position that the University is not responsible for any shortfall in the fund as a result of changes in benefits made by MPSERS.

15. NATURAL CLASSIFICATION OF EXPENSES

Operating expenses by natural classification for the University are summarized as follows for the years ended June 30:

2009

	Salaries, Wages, Benefits	Supplies and Equipment	Utilities	Scholarship Expenses	Depreciation	Other	Total
Instruction	$ 12,173,710	$ 1,157,029	$ --	$ --	$ --	$ --	$ 13,330,739
Research	233,962	100,898	--	--	--	--	334,860
Public service	635,944	225,378	--	--	--	--	861,322
Academic support	2,035,166	719,899	--	--	--	--	2,755,065
Student services	2,130,771	448,239	--	--	--	--	2,579,010
Student aid	--	--	--	2,107,541	--	--	2,107,541
Institutional support	4,222,484	1,850,945	--	--	--	--	6,073,429
Plant operations	2,476,623	551,184	1,829,244	--	--	--	4,857,051
Auxiliary activities	3,941,642	3,118,344	1,130,759	--	--	--	8,190,745
Depreciation	--	--	--	--	5,373,016	--	5,373,016
Other	--	--	--	--	--	169,041	169,041
Total operating expenses	**$ 27,850,302**	**$ 8,171,916**	**$ 2,960,003**	**$ 2,107,541**	**$ 5,373,016**	**$ 169,041**	**$ 46,631,819**

2008

	Salaries, Wages, Benefits	Supplies and Equipment	Utilities	Scholarship Expenses	Depreciation	Other	Total
Instruction	$ 11,236,566	$ 1,146,923	$ --	$ --	$ --	$ --	$ 12,383,489
Research	222,610	62,580	--	--	--	--	285,190
Public service	513,893	290,196	--	--	--	--	804,089
Academic support	2,276,569	589,065	--	--	--	--	2,865,634
Student services	2,032,765	453,423	--	--	--	--	2,486,188
Student aid	--	--	--	1,819,177	--	--	1,819,177
Institutional support	3,559,096	1,622,867	--	--	--	--	5,181,963
Plant operations	2,328,388	608,486	1,803,970	--	--	--	4,740,844
Auxiliary activities	3,693,739	3,065,779	1,125,202	--	--	--	7,884,720
Depreciation	--	--	--	--	5,386,085	--	5,386,085
Other	--	--	--	--	--	203,528	203,528
Total operating expenses	**$ 25,863,626**	**$ 7,839,319**	**$2,929,172**	**$ 1,819,177**	**$ 5,386,085**	**$ 203,528**	**$ 44,040,907**

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