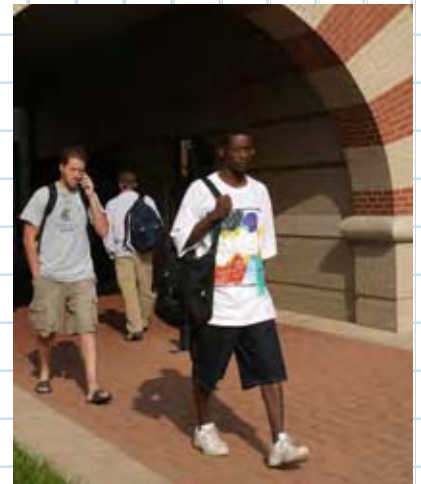


# ANNUAL REPORT

2006



  
**GRAND VALLEY  
STATE UNIVERSITY**  
[www.gvsu.edu](http://www.gvsu.edu)



# **Grand Valley State University**

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**Financial Report**  
**with Additional Information**  
**June 30, 2006**

# Grand Valley State University

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## Independent Auditor's Report

To the Board of Trustees  
Grand Valley State University

We have audited the accompanying basic financial statements of Grand Valley State University as of June 30, 2006 and 2005 and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these basic 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 that the 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Grand Valley State University at June 30, 2006 and 2005 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated September 27, 2006 on our consideration of the University's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of those reports 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 opinions on the internal control over financial reporting or on compliance. Those reports are 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 presented on pages 3 through 13 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

September 27, 2006

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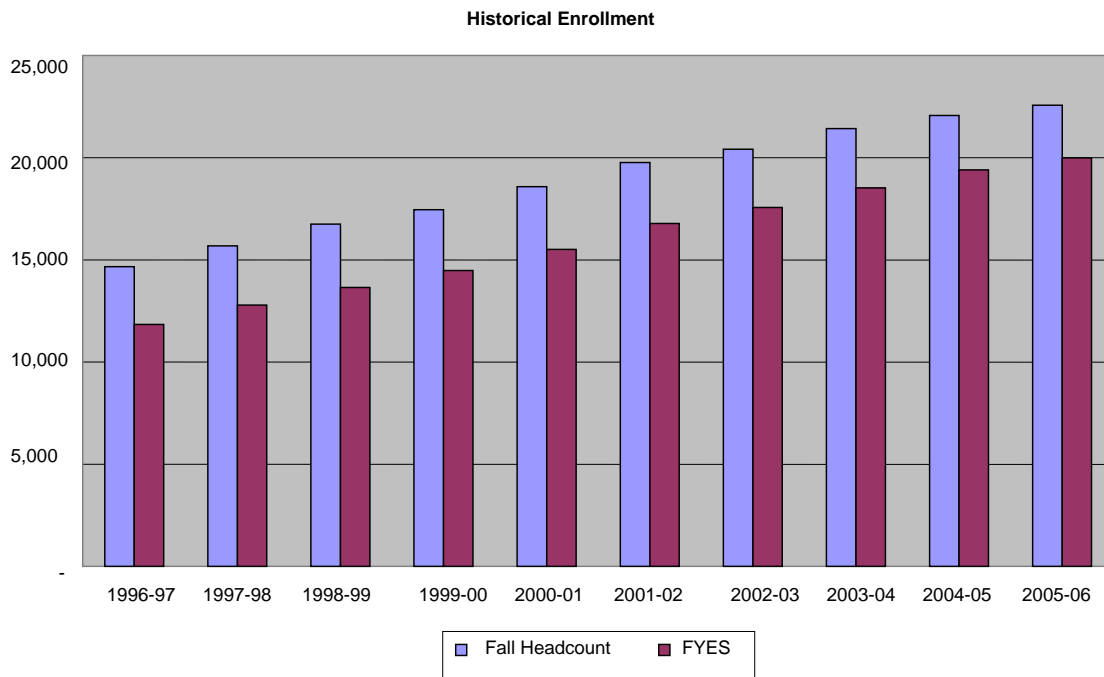
\* Effective August 22, 2006, Thomas J. Haas was appointed as president.

# Grand Valley State University

## Management's Discussion and Analysis

### Financial and Enrollment Highlights

- Enrollment increased by 3 percent based on FYES (fiscal year equated students) and headcount for the fall semester was 22,565 students.
- Operating revenue increased 8 percent as a result of increased enrollment and housing occupancy combined with higher tuition and housing rates.
- State appropriations for operations increased \$2.4 million from 2005.
- Restricted net assets increased 10 percent due primarily to endowment gifts and the favorable performance of endowment investments.
- The investment return on the endowment for 2006 was a gain of 12.7 percent compared to a 10.5 percent gain in 2005.



# Grand Valley State University

## Management's Discussion and Analysis (Continued)

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of the University. The report consists of three basic financial statements that provide information on the University as a whole: the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. These reports begin on page 14 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results is intended to provide the readers with an overview of the financial statements.

### The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. Net assets - the difference between assets and liabilities - are one way to measure the financial health of the University. Over the past two years, net assets have increased by 8 percent, from \$407 million to \$441 million.

	2006	(in 000s) 2005	2004
<b>Current Assets</b>			
Cash and short-term investments	\$ 35,267	\$ 21,061	\$ 24,801
Receivables	41,128	36,581	37,846
Inventory, prepaid expenses, and other	5,532	3,543	2,833
Total current assets	81,927	61,185	65,480
<b>Noncurrent Assets</b>			
Endowment investments	52,826	47,053	43,554
Other long-term investments	54,067	61,262	48,108
Long-term receivables	10,921	9,514	10,446
Capital assets - Net of depreciation	450,060	451,846	433,236
Other	3,867	4,334	1,924
Total assets	<b>\$653,668</b>	<b>\$635,194</b>	<b>\$ 602,748</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 40,610	\$ 33,572	\$ 39,031
Deferred revenue	12,656	12,482	10,650
Long-term liabilities - Current portion	10,753	7,436	6,702
Total current liabilities	64,019	53,490	56,383
<b>Noncurrent Liabilities - Long-term liabilities</b>	148,845	159,476	138,709
Total liabilities	<b>\$212,864</b>	<b>\$212,966</b>	<b>\$195,092</b>

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

		(in 000s)	
	2006	2005	2004
<b>Net Assets</b>			
Invested in physical properties	\$ 295,291	\$ 289,911	\$ 296,149
Restricted	61,926	56,541	39,917
Unrestricted	83,587	75,776	71,590
Total net assets	<u><u>\$440,804</u></u>	<u><u>\$422,228</u></u>	<u><u>\$ 407,656</u></u>

Cash and short-term investments include unrestricted funds, which are used for operating expenditures and are managed within the parameters of the University's investment policy, and restricted funds, which consist of bond proceeds that are used for capital projects. In 2006, the short-term portion of pooled operating investments was higher than in 2005. In 2005, cash was lower since the University increased payment of invoices in the weeks prior to July 1, 2006 to assist with the conversion to a new accounting system.

Current receivables include grants, state appropriations, pledges, student notes, and various operating receivables that are expected to be collected within a year. From 2005 to 2006, state appropriation receivable increased by \$1.3 million for general operations and \$2.7 million for charter schools. From 2004 to 2005, current pledges receivable decreased by \$2.4 million as pledges from previous capital campaigns continued to be collected.

The University, with advice from the investment committee and outside consultants, continues to review the endowment investment strategy and allocations between fund managers. The overall investment return for the endowment was 12.7 percent in 2006, 10.5 percent in 2005, and 16.7 percent in 2004 under the new strategy. Unrestricted long-term investments have decreased in conjunction with the increase in short-term investments. However, the overall pool of unrestricted cash and investments increased by \$10 million.

Long-term receivables include pledges and student notes. This asset increased by \$1.4 million from 2005 to 2006 and decreased by \$0.9 million from 2004 to 2005. Pledges for the John C. Kennedy Hall of Engineering capital campaign are included in the 2006 total. Pledges are discounted to net present value for financial statement purposes. Student notes receivable have become more current due to a higher level of consolidations as students refinance with banks to take advantage of lower rates.

Capital assets (net of depreciation) have decreased by \$1.8 million in 2006, since total depreciation exceeded new additions. In 2005, capital assets increased by \$18.6 million due to construction. In 2006, Lake Ontario Hall, a new academic building at the Allendale Campus, was put into operation. In 2005, building projects that were completed include student housing on the Allendale Campus, the parking ramp for the Pew Campus, and several parking improvements for the Allendale Campus. These additions, as well as depreciation and disposals, are summarized in Note 3 of the financial statements.



# Grand Valley State University

## Management's Discussion and Analysis (Continued)

Accounts payable and other current liabilities for 2006 returned to a level similar to 2004. In 2005, the University made an extra effort to pay all invoices prior to implementing a new accounting system on July 1, 2006. Deferred revenue remained flat from 2005 to 2006. An increase for a Health Care Training Grant was offset by a decrease in tuition deferral. From 2004 to 2005, deferred revenue increased due to a new \$1.5 million grant to the Johnson Center for Philanthropy. Current maturities in long-term debt have increased according to the University's scheduled debt service with the exception of two early debt retirement payments made in 2004 and 2005. In 2006, those debt payments were not made in advance.

No new long-term debt was issued in 2006; therefore, the balance decreased according to the scheduled payments of principal. In April 2005, the University issued \$30.8 million of bonds to refinance portions of existing debt. In August 2004, the University issued \$28 million in bonds to fund the cost of constructing a parking ramp on the Pew Campus and a new academic building on the Allendale Campus. The University's bond rating continues to be A+, as rated by Standard & Poor's. More detailed information about the University's long-term debt is presented in Note 4 of the financial statements.

The increase in the University's net assets reflects the investment in physical assets (capital additions, less depreciation, plus retirement of related debt) and increased endowment value due to gifts and investment earnings. Unrestricted net assets are designated for certain purposes by the University as summarized in Note 1 of the financial statements.

The University provides certain medical benefits for retirees and spent \$362,000 for these benefits in 2006. The Governmental Accounting Standards Board has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will require the University to fund this benefit expense in fiscal year ending June 30, 2008. While the University is not currently required to record this liability for future benefits, an actuarial study estimates this liability at \$7.6 million.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

### The Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating results of the University, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

	2006	(in 000s) 2005	2004
<b>Operating Revenue</b>			
Student tuition and fees	\$ 144,269	\$ 129,778	\$ 118,053
Less scholarship allowance	(17,959)	(16,391)	(14,854)
Auxiliary	44,309	42,486	35,611
Less scholarship allowance	(4,085)	(3,914)	(3,034)
Grant and contracts	26,690	26,385	24,698
Other	10,662	9,679	9,844
Total operating revenue	203,886	188,023	170,318
<b>Operating Expenses</b>	257,419	243,122	225,184
<b>Net Operating Expenses</b>	(53,533)	(55,099)	(54,866)
<b>Nonoperating Revenues</b>			
State appropriations	61,588	59,219	56,132
Gifts (including endowment and capital)	8,726	5,826	11,708
Capital appropriations and grants	279	3,011	9,698
Investment income - Net	8,327	7,651	7,954
Other income and expense	(6,811)	(6,036)	(5,365)
Total nonoperating revenue	72,109	69,671	80,127
<b>Increase in Net Assets</b>	18,576	14,572	25,261
<b>Net Assets - Beginning of year</b>	422,228	407,656	382,395
<b>Net Assets - End of year</b>	<b>\$ 440,804</b>	<b>\$ 422,228</b>	<b>\$ 407,656</b>

Tuition and fees increased by 11 percent and 10 percent in 2006 and 2005, respectively. The 2006 increase was caused by tuition rate increases of 7.5 percent to 8.0 percent and enrollment increases of 3 percent FYES. The 2005 increase was caused by tuition rate increases of 2.2 percent to 5.7 percent and enrollment increases of 4.6 percent FYES.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

In 2006, scholarship allowances increased 10 percent primarily due to an additional \$3 million of internally funded scholarships. In 2005, scholarship allowances increased 10 percent primarily due to an additional \$2 million of internally funded scholarships.

Auxiliary revenue consists of housing, parking (added in 2005), bookstores, vending, golf course, health center, and conference fees for external customers. Housing revenues for 2006 reflect a 3 percent increase in rates and a 1.3 percent increase in occupancy. In 2005, the University opened 460 beds in apartments. As a result, occupancy increased 7.7 percent while housing rates increased 6 percent. Parking revenues of \$3.3 million were generated in 2006 as compared to \$2.7 million in 2005. Bookstore revenues have also increased with the growth of the University.

Grant and contracts revenue increased slightly in 2006 as compared to a \$1.7 million increase from 2004 to 2005. Both of these increases consist primarily of student financial aid. However, several other grant programs had small increases and decreases.

Operating expenses increased by \$13.2 million in 2006 (\$17.9 million in 2005). Further analysis of this increase is provided beginning on page 10. Salaries, wages, and benefits represent the largest operating expense, while instruction is the largest functional category.

State appropriations increased by \$2.4 million from 2005 to 2006 (and \$3.1 million from 2004 to 2005). Over the past three years, state appropriation per FYES progressed from \$3,032 (in 2004) to \$3,052 (in 2005) to \$3,081 in 2006 - an overall 1.6 percent increase over three years.

Gift revenue is recorded when the pledge is made. Gifts to the endowment and capital gifts increased in 2006 while other gifts decreased. The most significant gifts to the endowment include additions to the Dorothy A. Johnson Center for Philanthropy. The most significant capital pledges were for the Keller Engineering capital campaign. In 2005, capital gifts decreased (after increasing in 2004). In 2004, capital gifts include a campaign focused on the digital television conversion for WGVU-TV and a \$4 million gift-in-kind related to the Michigan Alternative & Renewable Energy Center (MAREC) in Muskegon.

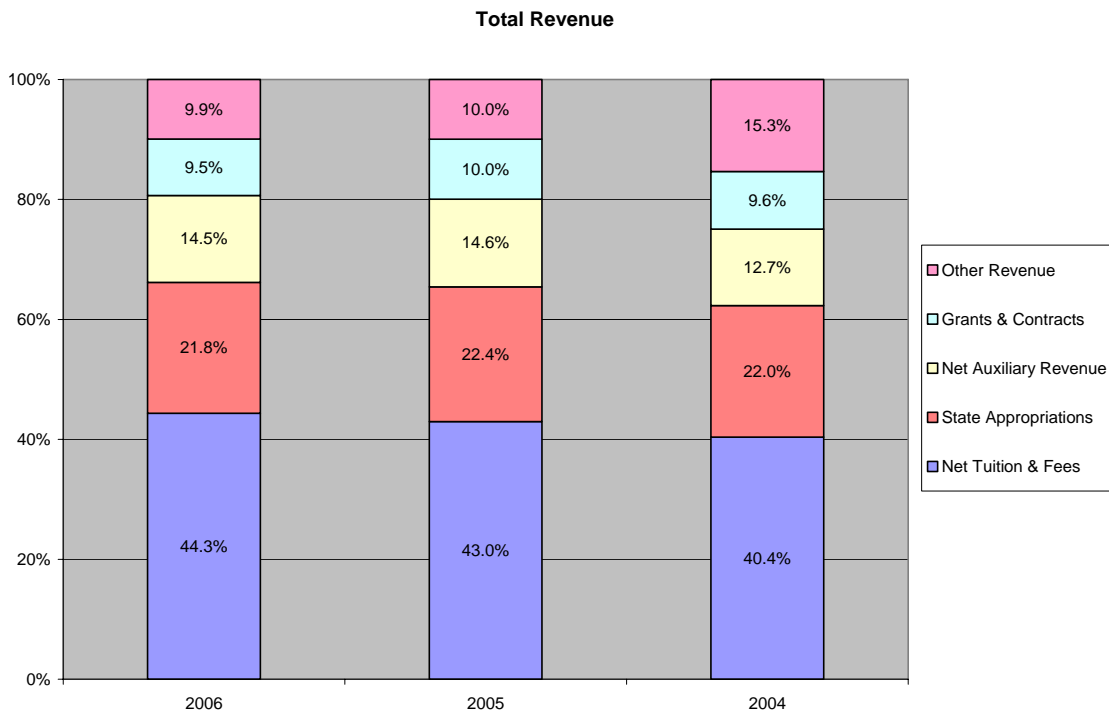
Capital grants in 2004 and 2005 included funding for the digital television conversion for WGVU-TV as well as the fuel cell located at the MAREC. In 2004 and 2005, capital appropriations represent the State of Michigan's support for the construction of the Cook-DeVos Center for Health Sciences. In 2006, the University did not receive any significant capital grants.

Net investment income consists of realized income (interest, dividends, and realized gains on the sale of investments), unrealized gains/losses, and investment expenses (primarily bank fees). Endowment investments provided a gain of 12.7 percent in 2006 - as compared to 10.5 percent in 2005 and 16.7 percent in 2004.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

Revenue for the University consists of four main categories: tuition, state appropriation, auxiliary activities, and grants. The following table shows the breakdown of total revenue for the University:



Tuition and fees, net of scholarship allowances, make up the largest contribution to the total revenue of the University. State appropriation is the next largest. These two sources, along with grants and contracts, provide for the majority of the operating expenses. Gifts and capital appropriations support the continued investments in endowments and capital assets. Auxiliary activities are considered self-supporting enterprises.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

### Operating Expenses by Functional Classification

Functional classifications are the traditional categories that universities have used. They represent the types of programs and services that the University provides.

	(in 000s)		
	2006	2005	2004
Instruction	\$ 100,290	\$ 94,550	\$ 88,415
Research	5,458	5,166	4,841
Public service	14,017	12,301	11,435
Academic support	20,237	22,004	22,613
Student services	18,840	17,483	18,584
Institutional support	19,762	18,748	17,025
Operation and maintenance of facilities	22,144	19,730	16,112
Depreciation	17,352	16,504	13,789
Scholarships and related expenses	8,052	7,151	6,960
Auxiliary activities	30,916	29,109	24,869
Other expenditures	351	376	541
Total	<b>\$ 257,419</b>	<b>\$ 243,122</b>	<b>\$ 225,184</b>

Instructional expense continued to grow with increases in faculty and student credit hours. The University was able to offer more sections, new courses, and more student advising. New degree programs in 2006 were the EdS degree in leadership and the BS in exercise science. New degree programs in 2005 were the entrepreneurship minor and the MS in bioinformatics, cell and molecular biology, and biostatistics. New degree programs in 2004 were BS in athletic training, doctorate in physical therapy, and MS in school counseling.

Research expenditures have gradually increased. Research expenditures include the continuing activities at the Annis Water Resources Institute, the Johnson Center for Philanthropy, and the Michigan Alternative and Renewable Energy Center.

Public service expenditures increased in both 2006 and 2005 due primarily to increases in public service grants. This category includes WGVSU public broadcasting, the Michigan Small Business and Technology Development Center, Project Safe Neighborhood, and the Charter School Office administration.

Academic support expenditures increased to include library, academic resources, information technology, and administration for the academic deans. The decrease from 2005 to 2006 reflects the reorganization of academic resources and continuing education to the provost's office. As a result, institutional support expenditures increased.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

Student services expenditures represent student life programming, admissions, records, registration, financial aid, and intercollegiate athletics. In 2005, the bus service expenditures were transferred to the auxiliary fund.

Institutional support expenditures include administration for the business operations, human resources, executive offices, marketing and communications, public safety, development, and alumni relations. In 2006, the increase was due to the centralization of academic resources and continuing education, additional institutional marketing staff, and implementation costs of Banner Finance and Human Resources systems.

Operation and maintenance of facilities increased in both 2006 and 2005. This reflects the ongoing maintenance and repair of the University's facilities. Depreciation increased as the University completed construction projects and placed those buildings into use. Depreciation includes both academic and auxiliary buildings.

Scholarships and related expenses include work-study programs as well as the portion of financial aid that is not considered a scholarship allowance. Increases in both federal and university-funded awards (including the Bert Price scholarship) occurred in 2005 and 2006.

Auxiliary activities include housing, parking (added in 2005), bookstores, vending, golf course, health center, and conference services. Debt service, depreciation, and repairs related to housing are included in the other categories of expense. Bus service expenditures increased in 2006. The increase from 2004 to 2005 reflects the addition of parking as an auxiliary activity as well as additional housing on the Allendale Campus.

### Operating Expenses by Natural Classification

Operating expenses are summarized here by natural classification. Natural classifications show the type of expense regardless of program.

	2006	(in 000s) 2005	2004
Salaries and benefits	\$ 151,203	\$ 147,156	\$ 137,940
Scholarships and awards	7,633	6,559	6,778
Utilities	6,695	5,553	5,601
Supplies and other	74,535	67,350	61,076
Depreciation	17,353	16,504	13,789
Total	<b>\$ 257,419</b>	<b>\$ 243,122</b>	<b>\$ 225,184</b>

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

Salaries and benefit expenses, which represent 59 percent of total operating expense, increased due to additional positions and annual pay increases throughout every functional category. Scholarships and awards represent financial aid expense less scholarship allowances and work-study wages. The increase reflects Pell grants and university-funded scholarships. Utilities expense and depreciation increased with the completion and opening of new buildings, although utilities expense in 2005 stabilized due to increased conservation efforts. Supplies and other expenses increased along with the overall growth of the University.

### The Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the University's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	(in 000s)		
	2006	2005	2004
Cash provided (used) by:			
Operating activities	\$ (29,793)	\$ (43,100)	\$ (35,925)
Noncapital financing activities	62,356	63,880	60,689
Capital and related financing activities	(26,339)	(15,298)	(15,744)
Investing activities	(12,550)	(3,543)	(13,534)
Net increase (decrease) in cash	(6,326)	1,939	(4,514)
Cash - Beginning of year	11,495	9,556	14,070
Cash - End of year	<b>\$ 5,169</b>	<b>\$ 11,495</b>	<b>\$ 9,556</b>

The primary cash receipts from operating activities consist of tuition and housing revenues. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships.

State appropriation is the primary source of noncapital financing. This source of revenue is categorized as nonoperating even though the University's budget depends upon it in order to continue the current level of operations. Other noncapital financing activity includes grants and gifts.

Capital and related financing activities include the bond proceeds from new debt issues in August 2004 and the refinancing of existing debt in April 2005. Activity in 2004 reflects a bond issue as well. Financing income is offset by capital expenditures and debt service payments.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement include both short- and long-term investments.

# **Grand Valley State University**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors That Will Affect the Future**

The economic position of Grand Valley State University is closely tied to that of the State of Michigan. State tax revenues have remained low over the past few years and this has adversely impacted the State's ability to support higher education. The state appropriation of \$64,797,700 for fiscal year 2007 has already been approved in Senate Bill No. 1088.

Grand Valley State University receives the smallest state appropriation per student. The Legislature has attempted to address Grand Valley State University's anomaly by establishing a per student state aid level of \$3,775. However, the State has not yet provided funding at that level.

Enrollment growth at the University is expected to continue, but at a slower rate. The University is committed to holding the number of incoming new students at a constant number and enrollment will begin to stabilize as these classes move through the system and retention statistics improve. At the same time, applications received by the University continue to increase, allowing the University to implement a more selective admissions process.



# Grand Valley State University

## Statement of Net Assets

	June 30	
	2006	2005
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 4,724,496	\$ 11,040,201
Restricted cash and cash equivalents (Note 2)	444,516	455,121
Short-term investments (Note 2)	30,097,672	5,984,705
Restricted short-term investments (Note 2)	-	3,581,041
Accounts receivable	6,095,944	5,966,830
State appropriation receivable	30,556,027	26,822,841
Pledges receivable	1,726,225	1,291,380
Inventories	1,689,744	1,672,844
Prepaid expenses and other	3,842,193	1,870,329
Student notes receivable - Current portion	2,750,000	2,500,000
Total current assets	81,926,817	61,185,292
<b>Noncurrent Assets</b>		
Endowment investments (Note 2)	52,825,528	47,052,650
Other long-term investments (Note 2)	54,066,770	61,261,932
Pledges receivable	3,250,432	1,384,662
Student notes receivable - Net of allowance of \$488,842 and \$447,000 in 2006 and 2005, respectively	7,671,987	8,128,900
Capital assets - Net (Note 3)	450,060,062	451,846,083
Other assets	3,866,652	4,334,301
Total noncurrent assets	571,741,431	574,008,528
Total assets	<b>\$ 653,668,248</b>	<b>\$ 635,193,820</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 40,610,035	\$ 33,572,003
Deferred revenue	12,656,024	12,481,627
Long-term liabilities - Current portion (Note 4)	10,753,101	7,436,188
Total current liabilities	64,019,160	53,489,818
<b>Noncurrent Liabilities</b> - Long-term liabilities - Net of current portion (Note 4)	148,844,671	159,475,972
Total liabilities	212,863,831	212,965,790
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	295,290,647	289,911,362
Restricted:		
Nonexpendable - Scholarships and academic support	22,306,343	20,219,214
Expendable:		
Scholarships and academic support	26,291,704	23,270,172
Capital projects	1,877,735	1,658,655
Loans	11,450,835	11,392,998
Unrestricted	83,587,153	75,775,629
Total net assets	440,804,417	422,228,030
Total liabilities and net assets	<b>\$ 653,668,248</b>	<b>\$ 635,193,820</b>

# Grand Valley State University

## Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2006	2005
<b>Revenues - Operating revenues</b>		
Student tuition and fees	\$ 144,268,794	\$ 129,777,885
Scholarship allowances	(17,958,919)	(16,390,710)
Net student tuition and fees	126,309,875	113,387,175
Government grants and contracts	24,148,124	24,547,196
Nongovernmental grants	2,541,757	1,837,024
Sales and services of educational activities	6,538,117	5,828,135
Auxiliary activities	44,308,763	42,485,580
Scholarship allowances	(4,084,698)	(3,913,600)
Net auxiliary activities	40,224,065	38,571,980
Other operating revenues	4,123,701	3,851,285
Total revenues	203,885,639	188,022,795
<b>Expenses - Operating expenses - Education and general</b>		
Instruction	100,289,568	94,550,360
Research	5,457,581	5,165,539
Public service	14,017,118	12,300,778
Academic support	20,236,592	22,004,166
Student services	18,840,231	17,483,457
Institutional support	19,761,826	18,747,770
Operation and maintenance - Plant	22,143,969	19,730,028
Depreciation expense	17,352,426	16,504,464
Scholarships and related expenses	8,052,485	7,151,235
Auxiliary activities	30,915,910	29,108,834
Loan administrative fees and collection costs	351,056	375,759
Total operating expenses	257,418,762	243,122,390
<b>Operating Loss</b>	(53,533,123)	(55,099,595)
<b>Nonoperating Revenues (Expense)</b>		
State appropriations	61,587,500	59,219,100
Gifts	2,946,897	3,836,999
Investment income - Net of investment expense of approximately \$308,000 and \$264,000 in 2006 and 2005, respectively	8,327,028	7,651,102
Interest on capital asset - Related debt	(6,785,647)	(6,130,567)
Net nonoperating revenues	66,075,778	64,576,634
<b>Income - Before other revenues, expenses, gains, and losses</b>	12,542,655	9,477,039
<b>Other Revenues, Expenses, Gains, and Losses</b>		
Capital appropriations	-	1,428,476
Capital grants and gifts - Net of in-kind gift of computer software of \$5.6 million and \$4.0 million in 2006 and 2005, respectively	4,385,525	2,706,328
Other capital income	1,706	3,452
Additions to permanent endowments	1,671,973	866,110
Gain (loss) on disposal of assets	(25,472)	90,720
Total other revenues, expenses, gains, and losses	6,033,732	5,095,086
<b>Increase in Net Assets</b>	18,576,387	14,572,125
<b>Net Assets - Beginning of year</b>	422,228,030	407,655,905
<b>Net Assets - End of year</b>	<b>\$ 440,804,417</b>	<b>\$ 422,228,030</b>

# Grand Valley State University

## Statement of Cash Flows

	Year Ended June 30	
	2006	2005
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 125,973,259	\$ 113,606,569
Grants and contracts	26,559,050	27,584,915
Payments to suppliers	(70,370,093)	(74,490,816)
Payments for utilities	(6,619,233)	(5,820,276)
Payments to employees	(115,711,818)	(111,442,302)
Payments for benefits	(35,855,616)	(33,900,071)
Payments for scholarships and fellowships	(7,633,311)	(6,558,733)
Loans issued to students	(16,822,334)	(16,492,618)
Collection of loans from students	17,029,247	16,385,558
Auxiliary enterprise charges:		
Residence halls	25,579,801	24,674,076
Bookstore	8,394,426	8,429,886
Other	5,930,544	5,456,549
Sales and service of educational activities	6,546,365	5,892,959
Other receipts	4,543,883	3,647,748
Net cash used in operating activities	(32,455,830)	(43,026,556)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	60,296,699	59,152,979
Gifts and grants for other than capital purposes	2,927,248	3,836,999
Private gifts for endowment purposes	1,671,973	866,110
Charitable annuities payments - Net	(51,664)	(59,493)
Federal direct loan receipts	73,914,156	68,767,942
Federal direct loan lending disbursements	(73,739,447)	(68,758,319)
Net cash provided by noncapital financing activities	65,018,965	63,806,218
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	-	59,385,000
Capital appropriations	220,685	1,810,437
Capital grants and gifts received	2,438,343	5,036,935
Other capital income (loss)	(5,741)	29,452
Proceeds from sale of capital assets	66,731	90,720
Purchases of capital assets and construction	(15,580,118)	(35,223,402)
Principal paid on capital debt	(6,590,304)	(37,297,889)
Interest paid on capital debt	(6,888,435)	(6,241,557)
Bond issue costs paid on new debt issue	-	(2,887,934)
Net cash used in capital and related financing activities	(26,338,839)	(15,298,238)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	49,489,652	52,145,366
Interest on investments	8,298,349	4,162,901
Purchase of investments	(70,338,607)	(59,850,863)
Net cash used in investing activities	(12,550,606)	(3,542,596)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(6,326,310)	1,938,828
<b>Cash and Cash Equivalents - Beginning of year</b>	11,495,322	9,556,494
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,169,012</b>	<b>\$ 11,495,322</b>

# Grand Valley State University

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2006	2005
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (53,533,123)	\$ (55,099,595)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	17,352,426	16,504,464
Changes in assets and liabilities:		
Receivables - Net	(529,262)	(392,111)
Inventories	(16,900)	(127,128)
Other assets	(205,441)	(505,976)
Accounts payable and accrued liabilities	3,007,282	(5,264,421)
Deferred revenue	1,282,273	1,798,576
Deposits held for others	186,915	59,635
Net cash used in operating activities	<b>\$ (32,455,830)</b>	<b>\$ (43,026,556)</b>

# Grand Valley State University

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## Statement of Fiduciary Net Assets Employee Benefit Plans

	June 30	
	2006	2005
<b>Assets - Cash and investments</b>	<b><u>\$ 24,996,337</u></b>	<b><u>\$ 21,344,123</u></b>
<b>Net Assets - Held in trust for pension benefits</b>	<b><u>\$ 24,996,337</u></b>	<b><u>\$ 21,344,123</u></b>

# Grand Valley State University

## Statement of Changes in Fiduciary Net Assets Employee Benefit Plans

	Year Ended June 30	
	2006	2005
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 959,204	\$ 354,383
Net appreciation in fair value of investments	539,843	307,363
Gain on sale of investments	936,929	795,390
Total investment income	2,435,976	1,457,136
Employer contributions	2,198,440	2,011,427
Other income	36,344	34,711
Total additions	4,670,760	3,503,274
<b>Deductions</b>		
Benefit payments	966,643	889,300
Administrative expense	51,903	68,800
Total deductions	1,018,546	958,100
<b>Net Increase</b>	3,652,214	2,545,174
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning of year	21,344,123	18,798,949
End of year	<u>\$ 24,996,337</u>	<u>\$ 21,344,123</u>

# Grand Valley State University

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## Notes to Financial Statements June 30, 2006 and 2005

### Note 1 - Summary of Significant Accounting Policies

**Reporting Entity** - Grand Valley State University (the "University") is an institution of higher education created by the Michigan Constitution of 1963 and is considered to be a component unit of the State of Michigan (the "State"). Its board of trustees is appointed by the governor of the State. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various state agencies.

No component units are required to be reported in the University's financial statements. The financial statements of all organizations that are affiliated with but not controlled by the University, such as the Grand Valley Research Corporation, Grand Valley University Foundation, Inc., and University Properties, Inc., are not included in the University's financial statements. The net assets of these organizations are insignificant to the financial statements and, accordingly, have not been separately disclosed.

**Basis of Presentation** - The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the "business-type activities" reporting requirements of GASB Statement No. 35, which provides a comprehensive one-line look at the University's financial activities.

**Basis of Accounting** - The financial statements of the University have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - The University considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

**Investments** - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. Investments for which there are no quoted market prices are not material.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Inventories** - Inventories, consisting principally of bookstore merchandise and golf equipment and apparel, are determined on the first-in, first-out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

**Physical Properties** - Capital assets with a unit cost of over \$5,000 and all library books are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

**Deferred Tuition and Fee Revenues** - Tuition and fee revenues received and related to the period after June 30 have been deferred.

**Provision for Unemployment Compensation** - The University has elected to establish a provision for unemployment compensation under the terms of the Michigan Employment Security Act. Under this provision, the State of Michigan is reimbursed by the University for claims paid to former employees.

**Compensated Absences** - Compensated absence costs are accrued when earned by employees.

**Operating Revenues** - All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are state appropriations, investment income, and gifts. Gifts (pledges) that are received on an installment basis are recorded at net present value.



### Note 1 - Summary of Significant Accounting Policies (Continued)

**Scholarship Allowances and Student Aid** - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties, and federal direct lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

**Federal Financial Assistance Programs** - The University participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

During 2006 and 2005, the University distributed approximately \$73,740,000 and \$68,758,000, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

**Encumbrances** - The University maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances totaled approximately \$14,689,000, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2006 are completed. Approximately \$9,989,000 of the total is committed for capital projects, including \$8,975,000 for the John C. Kennedy Hall of Engineering.

Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in the financial statements.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Fiduciary Fund** - The Fiduciary Fund accounts for the activities of the employees' retirement system, which accumulates resources for pension benefit payments to qualified employees.

**Net Assets** - Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance at June 30, 2006 includes \$7,984,993 of funds functioning as endowment, \$4,671,946 of capital projects in progress, \$13,927,585 of housing and auxiliary repair and maintenance funds, \$6,150,231 of debt service funds, \$17,091,797 for academic initiatives and technology, \$17,518,009 for future capital projects and debt service, \$15,174,351 for reserves for operations and cash flow, and \$1,068,241 of uncommitted funds.

The unrestricted net asset balance at June 30, 2005 includes \$7,267,950 of funds functioning as endowment, \$8,885,816 of capital projects in progress, \$13,042,435 of housing and auxiliary repair and maintenance funds, \$3,413,512 of debt service funds, \$14,807,150 for academic initiatives and technology, \$14,149,222 for future capital projects and debt service, \$14,028,477 for reserves for operations and cash flow, and \$181,067 of uncommitted funds.

**Reclassification** - Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

### Note 2 - Cash and Investments

The University has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, for the years ended June 30, 2006 and 2005.

The operating portfolio is invested in accordance with University policy.

**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 in interest-bearing time deposits, short-term cash funds, money market funds, intermediate cash funds, U.S. government-backed obligations, managed equity mutual funds, and commercial paper. All investments must be held by financial institutions organized under federal or state law.

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 2 - Cash and Investments (Continued)

**Investments** - Investment policies as set forth by the board of trustees also authorize the University to invest in equity securities, bonds, or similar securities and real estate investments for production of rental income. The board of trustees has authorized the treasurer or assistant treasurer of the board of trustees to make the University's investment decisions with the members of the appropriate board committee. In accordance with policies set forth by the board of trustees, complete discretion in selecting individual investments of endowment assets is assigned to two or more money managers who are chosen at the discretion of the University's treasurer. The University's treasurer and the appropriate board committee monitor the money managers' performance.

The board of trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. Additionally, for endowment investments, the foremost objective is to maintain a spending rate, currently established at 5 percent, which provides a proper balance between preservation of corpus and enhancement of the purchasing power of investment earnings.

The University has committed to investing additional capital of approximately \$2,400,000 in alternative asset investments. As of June 30, 2006 and 2005, the University had \$10.5 million and \$8.3 million, respectively, invested in alternative asset investments.

The University's cash and investments are included in the statement of net assets under the following classifications:

	2006	2005
Cash and cash equivalents	\$ 4,724,496	\$ 11,040,201
Restricted cash and cash equivalents	444,516	455,121
Short-term investments	30,097,672	5,984,705
Restricted short-term investments	-	3,581,041
Endowment investments	52,825,528	47,052,650
Other long-term investments	54,066,770	61,261,932
Total cash and investments	<u>\$ 142,158,982</u>	<u>\$ 129,375,650</u>

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 2 - Cash and Investments (Continued)

The University's cash and investments consist of the following:

	2006	2005
Money markets	\$ 5,217,466	\$ 8,011,671
Fixed income securities	93,972,619	83,170,229
Equity security investments	32,462,384	29,892,399
Other	10,506,513	8,301,351
Total cash and investments	<u>\$142,158,982</u>	<u>\$ 129,375,650</u>

As of June 30, 2006, the University had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 5,217,466	\$ 5,217,466	\$ -	\$ -	\$ -
U.S. Treasuries	987,810	-	987,810	-	-
U.S. government-sponsored enterprises*	78,734,932	26,853,087	14,811,530	37,070,315	-
Mutual bond funds	13,063,954	3,176,286	9,887,668	-	-
Mutual equity funds	14,895,406	-	-	-	14,895,406
Asset-backed securities	255,403	19,845	235,558	-	-
Municipal bonds	930,520	-	-	-	930,520
Mutual international equity funds	15,672,638	-	-	-	15,672,638
Real estate	1,894,340	-	-	-	1,894,340
Alternative assets	10,506,513	-	-	-	10,506,513
Total investments and maturities	<u>\$ 142,158,982</u>	<u>\$ 35,266,684</u>	<u>\$ 25,922,566</u>	<u>\$ 37,070,315</u>	<u>\$ 43,899,417</u>

\* \$78,722,741 of the U.S. agency notes are callable.

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 2 - Cash and Investments (Continued)

As of June 30, 2005, the University had the following investments and maturities.

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 8,011,671	\$ 8,011,671	\$ -	\$ -	\$ -
U.S. government-sponsored enterprises*	62,117,464	2,247,320	47,823,934	12,046,210	-
Mutual bond funds	16,856,086	7,967,228	8,888,858	-	-
Mutual equity funds	19,005,952	-	-	-	19,005,952
Asset-backed securities	378,560	-	378,560	-	-
Municipal bonds	3,818,119	2,834,849	-	-	983,270
Mutual international equity funds	9,232,761	-	-	-	9,232,761
Real estate	1,653,686	-	-	-	1,653,686
Alternative assets	8,301,351	-	-	-	8,301,351
<b>Total investments and maturities</b>	<b>\$ 129,375,650</b>	<b>\$ 21,061,068</b>	<b>\$ 57,091,352</b>	<b>\$ 12,046,210</b>	<b>\$ 39,177,020</b>

\* \$59,617,464 of the U.S. agency notes are callable.

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's operating investment policy limits the amount of the University's operating portfolio that can be invested in securities with maturities of more than one year. Operating investment maturities are limited as follows:

Less than one year	0%-100%
One to five years	0%-70%
More than five years	0%-30%

Because the mutual bond funds as of June 30, 2006 and 2005 had a weighted average maturity of 30 months, it was presented as an investment with a maturity of less than five years.

Investments held by the endowment funds are invested based on the policy that they are held to maturity; therefore, the interest rate risk is not considered in its decisions.

**Credit Risk** - The University's operating investment policy limits its short-term operating investments to .5 percent of total bank assets or to investment vehicles that possess the highest ratings available by two national services.

The University's operating investment policy limits its longer-term investments to investment grade or better securities, or managed equity mutual funds. The average grade of the longer-term investments is A.

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 2 - Cash and Investments (Continued)

The endowment funds are invested based on the policy that they are held permanently. Therefore, it is possible to invest in alternative investments that have a higher credit risk, but long term, have the opportunity to yield higher rates of return.

The University held the following types of fixed income investments and credit ratings at June 30, 2006 and 2005:

2006	Investments Grade	Non- investment Grade	Not Rated	Total
U.S. Treasuries	\$ -	\$ -	\$ 987,810	\$ 987,810
U.S. government-sponsored enterprises	78,734,932	-	-	78,734,932
Mutual bond funds	13,063,954	-	-	13,063,954
Asset-backed securities	255,403	-	-	255,403
Municipal bonds	930,520	-	-	930,520
Investments by rating	<u>\$ 92,984,809</u>	<u>\$ -</u>	<u>\$ 987,810</u>	<u>\$ 93,972,619</u>

2005	Investments Grade	Non- investment Grade	Not Rated	Total
U.S. government-sponsored enterprises	\$ 62,117,464	\$ -	\$ -	\$ 62,117,464
Mutual bond funds	16,856,086	-	-	16,856,086
Asset-backed securities	378,560	-	-	378,560
Municipal bonds	3,818,119	-	-	3,818,119
Investments by rating	<u>\$ 83,170,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,170,229</u>

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At June 30, 2006 and 2005, the carrying amount of the University's deposits was \$5,217,466 and \$8,011,671, respectively. Of that amount, \$508,550 and \$452,594, respectively, was insured. The remaining \$4,708,916 and \$7,559,077 at June 30, 2006 and 2005, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

### Note 2 - Cash and Investments (Continued)

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2006, the University's combined cash, short-term investments, and long-term investments portfolio included 29.8 percent of its investments in Federal Home Loan Bank securities, 16.5 percent in Federal National Mortgage Association securities, and 5.9 percent in Federal Home Loan Mortgage Association securities. As of June 30, 2005, the University's combined cash, short-term investments, and long-term investments portfolio included 26.4 percent of its investments in Federal Home Loan Bank securities and 13.8 percent in Federal Home Loan Mortgage Association securities.

**Foreign Credit Risk** - The University holds investments in some international mutual funds that invest in international equity funds. These funds are invested in various countries throughout the world and therefore expose the University to foreign credit risk. Investments in these funds were approximately \$11,500,000 and \$8,000,000 for the years ended June 30, 2006 and 2005, respectively. The Euro, Japanese Yen, and British Pound represent approximately 58 percent and 56 percent of the foreign currency in which the international equity funds are invested at June 30, 2006 and 2005, respectively.

**Alternative Assets** - As referenced above, alternative assets consist of investments that seek absolute based return in hedge markets, investments in the private equity class investing in various ventures, or investments in a pool of assets invested in the following subclasses: global natural resources, commodities, global real estate, and global inflation-linked bonds.

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 24,144,130	\$ 50,000	\$ -	\$ 24,194,130
Nondepreciable artwork and historical treasures	3,967,669	14,981	-	3,982,650
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	<u>13,885,744</u>	<u>(6,363,558)</u>	-	<u>7,522,186</u>
Total cost of nondepreciable capital assets	43,720,363	(6,298,577)	-	37,421,786
Land improvements and infrastructure	61,501,073	2,659,624	-	64,160,697
Buildings	401,039,273	10,105,144	-	411,144,417
Equipment	42,505,274	5,642,832	565,387	47,582,719
Library books	<u>22,485,051</u>	<u>3,549,584</u>	<u>177,525</u>	<u>25,857,110</u>
Total cost of depreciable capital assets	<u>527,530,671</u>	<u>21,957,184</u>	<u>742,912</u>	<u>548,744,943</u>
Total cost of capital assets	571,251,034	<u>\$ 15,658,607</u>	<u>\$ 742,912</u>	586,166,729
Less accumulated depreciation for:				
Land improvements and infrastructure	11,664,393	\$ 3,126,267	\$ -	14,790,660
Buildings	68,916,767	8,910,666	-	77,827,433
Equipment	27,036,553	3,153,072	473,185	29,716,440
Library books	<u>11,787,238</u>	<u>2,162,421</u>	<u>177,525</u>	<u>13,772,134</u>
Total accumulated depreciation	<u>119,404,951</u>	<u>\$ 17,352,426</u>	<u>\$ 650,710</u>	<u>136,106,667</u>
Capital assets - Net	<u>\$ 451,846,083</u>			<u>\$ 450,060,062</u>



# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 3 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 23,177,360	\$ 966,770	\$ -	\$ 24,144,130
Nondepreciable artwork and historical treasures	3,753,666	635,000	420,997	3,967,669
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	<u>38,079,622</u>	<u>(24,193,878)</u>	<u>-</u>	<u>13,885,744</u>
Total cost of nondepreciable capital assets	66,733,468	(22,592,108)	420,997	43,720,363
Land improvements and infrastructure	34,057,742	27,443,331	-	61,501,073
Buildings	376,406,353	24,632,920	-	401,039,273
Equipment	51,061,287	2,760,383	11,316,396	42,505,274
Library books	<u>19,808,982</u>	<u>2,870,334</u>	<u>194,265</u>	<u>22,485,051</u>
Total cost of depreciable capital assets	<u>481,334,364</u>	<u>57,706,968</u>	<u>11,510,661</u>	<u>527,530,671</u>
Total cost of capital assets	548,067,832	<u>\$ 35,114,860</u>	<u>\$ 11,931,658</u>	571,251,034
Less accumulated depreciation for:				
Land improvements and infrastructure	10,043,273	\$ 1,621,120	\$ -	11,664,393
Buildings	60,806,867	8,109,900	-	68,916,767
Equipment	33,890,857	4,883,090	11,737,394	27,036,553
Library books	<u>10,091,149</u>	<u>1,890,354</u>	<u>194,265</u>	<u>11,787,238</u>
Total accumulated depreciation	<u>114,832,146</u>	<u>\$ 16,504,464</u>	<u>\$ 11,931,659</u>	<u>119,404,951</u>
Capital assets - Net	<u>\$ 433,235,686</u>			<u>\$ 451,846,083</u>

The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	20 years
Buildings	40-50 years
Equipment	3-25 years
Library books	10 years

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 4 - Long-term Liabilities

Long-term liabilities of the University consist of bonds and notes payable, interest accrued on capital appreciation bonds, and charitable gift annuities payable.

The changes in long-term liabilities for the year ended June 30, 2006 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue and Refunding Bonds, Series 1994	\$ 3,303,475	\$ -	\$ 227,224	\$ 3,076,251	\$ 935,000
General Revenue and Refunding Bonds, Series 1997	5,045,000	-	460,000	4,585,000	480,000
General Revenue Bonds, Series 1998	12,925,000	-	415,000	12,510,000	430,000
General Revenue Bonds, Series 1999	2,825,000	-	405,000	2,420,000	425,000
General Revenue Bonds, Series 2000	13,770,000	-	1,950,000	11,820,000	2,050,000
General Revenue Bonds, Series 2001A	6,970,000	-	2,235,000	4,735,000	2,320,000
General Revenue Variable Rate Demand Bonds, Series 2001B	21,035,000	-	135,000	20,900,000	170,000
General Revenue Variable Rate Demand Bonds, Series 2002A	15,905,000	-	365,000	15,540,000	375,000
General Revenue Variable Rate Demand Bonds, Series 2003	27,120,000	-	-	27,120,000	825,000
General Revenue Variable Rate Demand Bonds, Series 2004	24,960,000	-	-	24,960,000	2,300,000
General Revenue Variable Rate Demand Bonds, Series 2005	<u>30,785,000</u>	<u>-</u>	<u>175,000</u>	<u>30,610,000</u>	<u>180,000</u>
Total bonds payable	164,643,475	-	6,367,224	158,276,251	10,490,000
Accrued interest - Capital appreciation bonds	652,771	55,005	707,776	-	-
Charitable gift annuities payable	1,015,914	176,200	247,513	944,601	196,237
Note payable	<u>600,000</u>	<u>-</u>	<u>223,080</u>	<u>376,920</u>	<u>66,864</u>
Total	<u>\$ 166,912,160</u>	<u>\$ 231,205</u>	<u>\$ 7,545,593</u>	159,597,772	<u>\$ 10,753,101</u>
Due within one year				<u>10,753,101</u>	
Total long-term liabilities				<u>\$ 148,844,671</u>	

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 4 - Long-term Liabilities (Continued)

The changes in long-term liabilities for the year ended June 30, 2005 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue and Refunding Bonds, Series 1994	\$ 3,561,364	\$ -	\$ 257,889	\$ 3,303,475	\$ 227,224
General Revenue and Refunding Bonds, Series 1997	13,450,000	-	8,405,000	5,045,000	460,000
General Revenue Bonds, Series 1998	13,320,000	-	395,000	12,925,000	415,000
General Revenue Bonds, Series 1999	7,605,000	-	4,780,000	2,825,000	405,000
General Revenue Bonds, Series 2000	31,550,000	-	17,780,000	13,770,000	1,950,000
General Revenue Bonds, Series 2001A	9,135,000	-	2,165,000	6,970,000	2,235,000
General Revenue Variable Rate Demand Bonds, Series 2001B	21,155,000	-	120,000	21,035,000	135,000
General Revenue Variable Rate Demand Bonds, Series 2002A	16,260,000	-	355,000	15,905,000	365,000
General Revenue Variable Rate Demand Bonds, Series 2003	27,120,000	-	-	27,120,000	-
General Revenue Variable Rate Demand Bonds, Series 2004	-	28,000,000	3,040,000	24,960,000	-
General Revenue Variable Rate Demand Bonds, Series 2005	-	30,785,000	-	30,785,000	175,000
<b>Total bonds payable</b>	<b>143,156,364</b>	<b>58,785,000</b>	<b>37,297,889</b>	<b>164,643,475</b>	<b>6,367,224</b>
Accrued interest - Capital appreciation bonds	1,179,097	155,785	682,111	652,771	652,771
Charitable gift annuities payable	1,075,407	132,618	192,111	1,015,914	193,113
Note payable	-	600,000	-	600,000	223,080
<b>Total</b>	<b>\$ 145,410,868</b>	<b>\$ 59,673,403</b>	<b>\$ 38,172,111</b>	<b>166,912,160</b>	<b>\$ 7,436,188</b>
Due within one year				<u>7,436,188</u>	
<b>Total long-term liabilities</b>				<b>\$ 159,475,972</b>	

The General Revenue Refunding Bonds, Series 1994, were issued in January 1994 by the Board of Trustees for the advance refunding of \$6,680,000 of Series 1988 bonds and \$1,130,000 of Series 1989 bonds. The advance refunding of the callable portions of the Series 1988 and Series 1989 bonds resulted in an in-substance defeasance.

The General Revenue and Refunding Bonds, Series 1997, were issued in June 1997 by the board of trustees to provide funds for construction of residential facilities, an addition to an existing classroom and office building, and refunding a 5.85 percent bank note payable.

### Note 4 - Long-term Liabilities (Continued)

The General Revenue Bonds, Series 1998, were issued in January 1998 by the board of trustees to provide funds for construction of additional residential facilities.

The General Revenue Bonds, Series 1999, were issued in July 1999 by the Board of Trustees for an advance bond refunding of \$1,775,000 of Series 1988 bonds and \$7,325,000 to fund a portion of the cost of constructing student housing in downtown Grand Rapids.

The General Revenue Bonds, Series 2000, were issued in October 2000 by the board of trustees to fund new construction and remodeling on the Allendale Campus.

The General Revenue Bonds, Series 2001A, were issued in July 2001 by the board of trustees to provide funds for classroom additions and an athletic facility addition on the Allendale Campus.

The General Revenue Variable Rate Demand Bonds, Series 2001B, were issued in July 2001 by the board of trustees to fund the cost of constructing new student housing and an athletic facility addition on the Allendale Campus. The bonds bear interest in one of four different modes, and may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to include an adjustable rate mode, a long-term rate mode, or a fixed rate mode. At June 30, 2006, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.97 percent and 2.30 percent at June 30, 2006 and 2005, respectively). The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon seven days' notice and delivery to the remarketing agent.

The General Revenue Variable Rate Demand Bonds, Series 2002A were issued in October 2002 by the board of trustees to fund the purchase of land and construction of student housing in downtown Grand Rapids. The bonds bear interest in one of four different modes, and may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to include an adjustable rate mode, a long-term rate mode, or a fixed rate mode. At June 30, 2006, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.97 percent and 2.30 percent at June 30, 2006 and 2005, respectively). The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon seven days' notice and delivery to the remarketing agent.

### Note 4 - Long-term Liabilities (Continued)

The General Revenue Variable Rate Demand Bonds, Series 2003, were issued in October 2003 by the board of trustees to fund the cost of new student housing on the Allendale Campus. The bonds bear interest in one of four different modes, and bonds may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to include an adjustable rate mode, a long-term rate mode, or a fixed rate mode. At June 30, 2006, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.97 percent and 2.30 percent at June 30, 2006 and 2005, respectively). The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon seven days' notice and delivery to the remarketing agent.

The General Revenue Variable Rate Demand Bonds, Series 2004, were issued in August 2004 by the board of trustees to fund the cost of a parking ramp on the Pew Campus in Grand Rapids and the cost of a new academic building on the Allendale Campus. The bonds bear interest in one of six different modes, and bonds may be converted and subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to include a daily rate mode, a commercial paper rate mode, a term rate mode, an ARC's rate mode, or a fixed rate mode. At June 30, 2006, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.97 percent and 2.22 percent at June 30, 2006 and 2005, respectively). The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon seven days' notice and delivery to the remarketing agent.

The General Revenue Refunding Variable Rate Demand Bonds, Series 2005, were issued in April 2005 by the board of trustees for the advance refunding of \$7,970,000 of Series 1997 bonds, \$4,390,000 of Series 1999 bonds, and \$15,915,000 of Series 2000 bonds. The refunded bonds with an outstanding balance at June 30, 2005 of \$30,282,925 were defeased upon delivery of the new issue. The bonds bear interest in one of six rate periods. At June 30, 2006, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.97 percent and 2.30 percent at June 30, 2006 and 2005, respectively). The bonds may be converted and be subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to include a daily rate mode, a commercial paper rate mode, a term rate mode, an ARC's rate mode, or a fixed rate mode. The bonds are subject to purchase on demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon seven days' notice and delivery to the remarketing agent.

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 4 - Long-term Liabilities (Continued)

The University has issuance costs and bond premiums and discounts in connection with all the bond issues. These items are accrued and are being amortized over the life of the bonds using the straight-line method. The University also has prepaid interest being held in escrow in connection with its 2005 bond issue, which is being amortized over the life of the escrow. The net amount of unamortized prepaid interest, bond issuance costs, and bond premiums and discounts at June 30, 2006 and 2005 totaled \$3,548,433 and \$4,017,651, respectively.

Principal and interest on all of the outstanding bonds are payable from, and secured by, the University's general revenues. The provisions of each of the general revenue bonds contain one covenant, which requires that the University's general revenue be at least two times the amount of principal and interest owing in the fiscal year. The general revenue and refunding bonds, consisting of serial, term, and capital appreciation serial bonds, bear interest primarily from 3.97 percent to 5.75 percent and mature in varying amounts through 2029. Interest payments on the capital appreciation bonds began in 2002 and ended in 2006.

In October 2000, the board of trustees authorized the implementation of a charitable gift annuity program. Assets received from these gift arrangements belong to the University, subject to a liability for future payments due to annuitants. The annuities payable at June 30, 2006 and 2005 are recorded at their estimated present value.

In June 2005, the University agreed to pay \$600,000 in installments for the purchase of extensive papers from a renowned author, with interest of 6 percent per annum.

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds and Accrued Interest	Annuities Payable	Note Payable	Total	Interest
2007	\$ 10,490,000	\$ 196,237	\$ 66,864	\$ 10,753,101	\$ 6,740,477
2008	10,935,000	196,237	70,876	11,202,113	6,269,902
2009	8,840,000	196,237	75,129	9,111,366	5,773,043
2010	9,191,251	196,237	79,636	9,467,124	5,391,715
2011	7,285,000	159,653	84,415	7,529,068	5,021,408
2012-2016	40,240,000	-	-	40,240,000	19,802,217
2017-2021	39,570,000	-	-	39,570,000	10,488,946
2022-2026	24,750,000	-	-	24,750,000	3,862,946
2027-2031	6,975,000	-	-	6,975,000	305,250
Total	<u>\$ 158,276,251</u>	<u>\$ 944,601</u>	<u>\$ 376,920</u>	<u>\$ 159,597,772</u>	<u>\$ 63,655,904</u>

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 4 - Long-term Liabilities (Continued)

#### Defeased Debt

The University's General Revenue Bonds are secured by the unrestricted operating revenues of the University. When possible, the University defeases prior debt issuances to reduce its borrowing cost. The total amount of defeased bonds outstanding at June 30, 2006 and 2005 totaled \$28,275,000.

#### Interest Rate Swaps

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2006 were as follows:

<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Values</u>
Series 2001B	\$ 10,175,000 *				
Series 2002	6,065,000 *				
Series 2003	<u>2,200,000 *</u>				
	18,440,000	9/24/2003	3.299%	70% of one-month LIBOR	\$ 690,750
Series 2005	30,610,000	3/3/2005	3.501%	The lesser of 70% of one-month LIBOR and the weighted average rate on the bonds	1,164,640
Series 2003	14,990,000 *	11/9/2005	3.644%	70% of one-month LIBOR	<u>522,485</u>
					<u>\$ 2,377,875</u>

\* The notional amounts of these swaps are only a portion of the principal amounts of the associated debt.

During the year ended June 30, 2004, the University entered into an interest rate swap expiring in 2019 in connection with \$20,000,000 of the outstanding par value of its variable rate revenue bonds. The intention of the swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate of 3.299 percent. At June 30, 2006, the total notional principal amount outstanding under this agreement was \$18,440,000. No amounts were paid or received when the swap was initiated.

### Note 4 - Long-term Liabilities (Continued)

Under the swap, the University pays the counterparty a fixed payment of 3.299 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bonds' variable rate coupons are based on The Bond Market Association Municipal Swap Index (BMA).

The swap exposes the University to basis risk should the relationship between LIBOR and the variable coupon rate converge, changing the synthetic rate of the bonds. As of June 30, 2006 and 2005, the variable coupon rate was 3.97 percent and 2.30 percent, respectively, whereas 70 percent of the one-month LIBOR was 3.745 percent and 2.338 percent, respectively.

As of June 30, 2006, the swap agreement had a positive fair value of approximately \$691,000. Because the fair value of the swap agreement was positive, the University was exposed to credit risk in the amount of the fair value. The swap counterparty was rated Aa3 and A+ by Moody's and Standard and Poor's as of June 30, 2006. To mitigate the potential for credit risk, if the counterparty's credit quality falls below Baa1/BBB+, the fair value of the swap will be fully collateralized with a minimum transfer amount of \$100,000 by the counterparty with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian.

As of June 30, 2005, the swap agreement had a negative value of approximately \$445,000.

The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the swap's fair value, if it is negative.

During the year ended June 30, 2005, the University entered into an interest rate swap expiring in 2025 in connection with \$30,785,000 of outstanding par value of its variable-rate revenue bonds. The intention of the swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate of 3.501 percent. At June 30, 2006, the total notional principal amount outstanding under this agreement was \$30,610,000. No amounts were paid or received when the swap was initiated.



### Note 4 - Long-term Liabilities (Continued)

Under the swap, the University pays the counterparty a fixed payment of 3.501 percent and receives a variable payment computed as the lesser of 70 percent of the one-month London Interbank Offered Rate (LIBOR) and a rate equal to the weighted average rate on the Series 2005 bonds. Conversely, the bonds' variable-rate coupons are based on The Bond Market Association Municipal Swap Index (BMA).

The swap exposes the University to basis risk should the relationship between the floating rate on the swap agreement and the variable coupon rate converge, changing the synthetic rate of the bonds. As of June 30, 2006 and 2005, the variable coupon rate was 3.97 percent and 2.30 percent, whereas the floating rate was 3.745 percent and 2.30 percent, respectively.

As of June 30, 2006, the swap agreement had a positive fair value of approximately \$1,165,000. Because the fair value of the swap agreement was positive, the University was exposed to credit risk in the amount of the fair value. The swap counterparty was rated Aa3 and A+ by Moody's and Standard and Poor's as of June 30, 2006. To mitigate the potential for credit risk, if the counterparty's credit quality falls below Baa1/BBB+, the fair value of the swap will be fully collateralized with a minimum transfer amount of \$100,000 by the counterparty with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian.

As of June 30, 2005, the swap agreement had a negative value of approximately \$1,371,000.

The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the swap's fair value, if it is negative.

During the year ended June 30, 2006, the University entered into an interest rate swap expiring in 2029 in connection with \$14,990,000 of the outstanding par value of its variable-rate revenue bonds. The intention of the swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate of 3.644 percent. At June 30, 2006, the total notional principal amount outstanding under this agreement was \$14,990,000. No amounts were paid or received when the swap was initiated.

Under the swap, the University pays the counterparty a fixed payment of 3.644 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bonds' variable-rate coupons are based on The Bond Market Association Municipal Swap Index (BMA).

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 4 - Long-term Liabilities (Continued)

The swap exposes the University to basis risk should the relationship between the floating rate on the swap agreement and the variable coupon rate converge, changing the synthetic rate of the bonds. As of June 30, 2006, the variable coupon rate was 3.97 percent, whereas 70 percent of the one-month LIBOR was 3.745 percent.

As of June 30, 2006, the swap agreement had a positive fair value of approximately \$522,000. Because the fair value of the swap agreement was positive, the University was exposed to credit risk in the amount of the fair value. The swap counterparty was rated Aa3 and A+ by Moody's and Standard and Poor's as of June 30, 2006. To mitigate the potential for credit risk, if the counterparty's credit quality falls below Baa1/BBB+, the fair value of the swap will be fully collateralized with a minimum transfer amount of \$100,000 by the counterparty with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian.

The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the swap's fair value, if it is negative.

Using rates as of June 30, 2006, debt service requirements of the variable rate debt issues associated with the swap agreement and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

#### Variable Rate Bonds Associated with Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate	
			Swaps - Net	Total
2007	\$ 890,000	\$ 2,569,269	\$ (174,948)	\$ 3,284,321
2008	905,000	2,533,689	(171,326)	3,267,363
2009	885,000	2,497,727	(167,676)	3,215,051
2010	1,520,000	2,460,421	(163,885)	3,816,536
2011	1,670,000	2,399,291	(157,439)	3,911,852
2012-2016	14,545,000	10,701,866	(661,039)	24,585,827
2017-2021	24,330,000	6,344,243	(316,160)	30,358,083
2022-2026	14,590,000	2,176,988	(77,201)	16,689,787
2027-2029	4,705,000	237,641	(6,046)	4,936,595
Totals	<u>\$64,040,000</u>	<u>\$ 31,921,135</u>	<u>\$ (1,895,720)</u>	<u>\$ 94,065,415</u>

### Note 5 - Retirement Benefits

The executive, administrative, and professional staff and faculty are covered under a defined contribution retirement plan through the TIAA-CREF (Teachers Insurance and Annuity Association of America - College Retirement Equities Fund) or Fidelity Investments. Employees may contribute an amount not to exceed the Internal Revenue Service designated maximum. Participants become fully vested upon completion of two years of employment. Discretionary University contributions equal to 12 percent of the participants' base salary were made in each year.

The total expense under this discretionary plan was approximately \$8,716,000 and \$8,082,300 for the years ended June 30, 2006 and 2005, respectively. Total payroll covered under this plan was approximately \$72,008,000 in 2006 and \$67,632,000 in 2005.

Maintenance, grounds, and service staff hired after October 8, 2004 and clerical, office, and technical staff hired on or after February 2, 2006 participate in a defined contribution plan with University contributions equal to 8 percent of wages. Participants become fully vested upon completion of two years of employment. Total expenses under this plan for fiscal year 2006 were \$40,000.

Clerical, office, technical, maintenance, grounds and service staff, and public safety officers hired before the above dates are covered under two noncontributory defined benefit plans sponsored by the University that are designed to provide monthly sources of retirement income at future dates. Participants become fully vested upon completion of 10 years of employment.

The University's policy is to fund the current annual required contribution. The annual required contribution was determined as part of an actuarial valuation at July 1, 2005, using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial liabilities. Significant assumptions include (a) an 8 percent investment rate of return, (b) projected salary increases of 4 percent per year, including step increases, and (c) no cost of living adjustment.

The University maintains an unaudited stand-alone financial report of its pension plans that is available at its Human Resources office.

# Grand Valley State University

## Notes to Financial Statements June 30, 2006 and 2005

### Note 5 - Retirement Benefits (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2006	2005	2004
Annual pension cost	\$ 2,198,440	\$ 2,011,427	\$ 1,814,170
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

The University also provides certain health care benefits for retired faculty and staff. Substantially all of the University's employees may become eligible for those benefits if they reach retirement age while working for the University, are vested in a University-sponsored retirement plan, and their years of University service and age total a minimum of 75. The University recognizes the cost of providing these benefits by expensing them on a current basis. The number of retirees who received benefits under this program and the related costs are as follows:

	2006	2005	2004
Retirees receiving benefits	218	221	208
Total costs	\$ 362,200	\$ 357,700	\$ 215,600

### Note 6 - Commitments

The University has an arrangement with the State of Michigan and State Building Authority (the "SBA") to finance a large portion of the Center for Health Professions located in downtown Grand Rapids, the Life Science Complex located on the Allendale Campus, and the Graduate School of Business and Graduate Library Building located on the Pew Campus in downtown Grand Rapids. The arrangement is based upon a lease agreement that is signed by the University. It stipulates that the SBA will hold title to the buildings and the State will make all lease payments to the SBA on behalf of the University, and the University will pay all operating and maintenance costs. At the expiration of the lease, the SBA has agreed to sell each building to the University for \$1. Subsequent to year end, ownership of the Center for Health Professions transferred to the University for the consideration of \$1.

# Grand Valley State University

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## Notes to Financial Statements June 30, 2006 and 2005

### Note 6 - Commitments (Continued)

The University has agreed to lease the Michigan Alternative and Renewable Energy Facility from the City of Muskegon at no cost through June 30, 2025. Ownership of the building will revert to the University at lease termination for \$1.

### Note 7 - Contingencies

The University is self-funded for coverage under portions of its hospital/medical benefits and for all unemployment compensation and workers' compensation. The University also offers two HMO plans to employees. Stop-loss coverage has been purchased by the University for the self-funded hospital/medical benefits and workers' compensation claims. The stop-loss insurance limits the claims for hospital/medical benefits to \$150,000 per individual up to \$1 million in aggregate. Individual claims in excess of the \$1 million limit are funded by the University with an aggregate annual stop-loss of \$14.2 million in 2006 and \$12.7 million in 2005. The workers' compensation stop-loss insurance limits its liability for claims paid per individual to \$500,000 in 2006 and 2005. Liabilities for estimated claims retained by the University under self-insurance programs have been established.

Effective July 1, 1987, the University entered into an arrangement with several other Michigan public universities to form a separate corporation that provides comprehensive general liability, errors and omissions, and property and vehicle liability coverages. The corporation provides coverage for claims in excess of agreed-upon deductibles.

In the normal course of its activities, the University has been a party in various legal actions. Historically, the University has not experienced significant losses from such 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 its financial statements.

### Note 8 - Related Organizations

Pursuant to State of Michigan Public Act 362 of 1993, the University has authorized 30 public school academies. All 30 of these public school academies operate schools funded by the State School Aid Act. The University, as fiscal agent, provides guidance in and review of compliance with state requirements and forwards the state payment to the public school academies. Public funding is provided by the State of Michigan on a per pupil basis. Funding of \$105,645,101 was appropriated by the State in 2006 to be allocated to the public school academies, net of approximately a 3 percent administrative fee retained by the University. At June 30, 2006, \$19,194,809 is an outstanding receivable from the State, of which \$17,824,106 will be subsequently forwarded to the public school academies. This activity is treated as an agency transaction.

### **Note 9 - Recent Accounting Pronouncements**

The University will be required to implement the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, effective with the fiscal year ending June 30, 2008. The University will be required to address the accounting for the liabilities related to the postemployment benefits for health care and other nonpension benefits. The University has not yet fully determined the impact of GASB No. 45 on its financial statements.

### **Note 10 - Subsequent Events**

The State of Michigan has approved the 2007 fiscal year appropriation in the amount of \$64,797,700.

## **Additional Information**

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To the Board of Trustees  
Grand Valley State University

We have audited the basic financial statements of Grand Valley State University for the years ended June 30, 2006 and 2005. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Grand Valley State University. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 27, 2006



A worldwide association of independent accounting firms



# Grand Valley State University

## Schedule of Endowment and Similar Funds June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Endowment Funds</b>								
Alumni Heritage Scholarship Fund	\$ 304,893	\$ 35,916	\$ 38,729	\$ 16,048	\$ 546	\$ 364,036	\$ 61,877	\$ 302,159
David G. and Mary L. Annis Scholarship	65,532	1,569	8,067	3,336	1,574	73,406	8,394	65,012
Joseph E. Appelt P.E. Engineering Scholarship Fund	34,706	-	4,197	1,735	-	37,168	7,676	29,492
R.B. Annis Educational Foundation and Outreach Program Endowment	26,674	25,000	5,003	-	350	57,027	6,327	50,700
APICS Scholarship Fund	35,301	-	4,269	1,765	-	37,805	32,705	5,100
Ara Cary Lectureship Fund	46,119	100	5,588	2,311	100	49,596	9,986	39,610
Baker-Hall Physics Fund	49,547	580	6,039	2,497	330	53,999	18,762	35,237
David Alan Bergsma Scholarship Fund	51,725	-	6,266	2,431	-	55,560	44,925	10,635
Fred A. Bell Business Scholarship Endowment	37,053	-	4,496	1,628	-	39,921	8,680	31,241
William C. Baum Endowment	62,432	1,798	7,649	3,554	377	68,702	10,952	57,750
Nancy H. Baum Endowment in Dance	29,521	50	3,575	-	50	33,196	9,966	23,230
Hyman H. & Greta M. Berkowitz Scholarship Fund	388,753	129	47,016	19,441	62	416,519	152,493	264,026
Beckering Family Carillon Endowment	-	13,000	707	-	-	13,707	707	13,000
Edith I. Blodgett Endowed Music Scholarship Fund	53,020	221	6,431	2,660	230	57,242	25,633	31,609
Biology Field and Laboratory Enhancement Fund	49,345	14,218	6,831	2,825	718	68,287	19,098	49,189
The Biomedical/Health Science Fund	11,789	1,715	1,534	-	500	15,538	3,478	12,060
Darld and Joyce Black Physical Therapy Scholarship in Memory of Robert Klein	10,506	4,317	1,538	-	150	16,511	1,994	14,517
Joan Boand Athletic Scholarship Fund	48,200	2,085	5,946	2,458	55	53,828	11,550	42,278
Ira Brad Memorial Scholarship	44,926	11,976	6,074	2,516	-	60,460	8,503	51,957
William J. & Margaret G. Branstrom Fund	106,574	-	12,888	5,329	-	114,133	65,547	48,586
The Donna K. Brooks Presidential Scholarship	271,183	780	32,833	13,576	10	291,230	40,420	250,810
The Brooks Family Minority Scholarship	271,583	587	32,921	13,613	923	292,401	40,468	251,933
Johnny C. Burton Memorial Scholarship Fund	70,475	100	8,528	3,526	100	75,677	21,312	54,365
Greg Cadaret Baseball Fund	64,515	433	7,837	3,242	109	69,652	29,158	40,494
Bernard & Camile Cebelak Scholarship Fund	111,052	65,000	17,258	7,240	-	186,070	21,070	165,000
Barry Castro Business Ethics Scholarship	-	42,502	2,139	-	1,540	46,181	2,139	44,042
Robert L. Chamberlain Scholarship Fund	52,494	428	6,382	2,639	307	56,972	25,553	31,419
Hong Chen Memorial Endowment Fund	23,475	62	2,845	1,177	75	25,280	4,211	21,069
Douglas K. Chung Asian Social Work Graduate Scholarship	5,000	5,383	1,083	-	5,186	16,652	1,083	15,569
Collegiate Entrepreneurs' Organization (CEO) Scholarship	78,261	-	9,463	3,913	-	83,811	9,750	74,061
School of Communications Scholarship Fund	35,846	1,400	4,435	1,836	324	40,169	7,806	32,363
Community Leadership Scholarship	23,798	19,500	3,676	-	200	47,174	4,224	42,950
Computer Science and Information Systems Endowment	81,310	7,535	10,479	4,354	1,049	96,019	28,206	67,813
The COT Association Scholarship Endowment Fund	85,510	1,976	10,530	4,356	1,903	95,563	17,778	77,785

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Endowment Funds (Continued)</b>								
David Daniels Memorial Scholarship Fund	\$ 56,048	\$ 2,114	\$ 6,894	\$ 2,851	\$ 731	\$ 62,936	\$ 25,132	\$ 37,804
Aaron M. DesRocher Memorial Chemistry Scholarship	3,270	3,696	634	-	50	7,650	634	7,016
Gilbert R. and Patricia K. Davis Endowed Merit Scholarship	83,667	1,846	10,278	4,257	475	92,009	25,796	66,213
Greta & Arthur Delong Perpetual Scholarship Fund	71,749	167	8,685	3,591	15	77,025	23,820	53,205
Mary Jane Dockeray Scholarship Fund	78,321	1,515	9,503	3,929	-	85,410	25,342	60,068
Scott M. Dykstra Oliver Products Company Engineering Scholarship	44,733	7,747	6,041	2,498	17	56,040	10,112	45,928
L. V. Eberhard Scholarship Fund	541,106	36	65,432	27,055	-	579,519	310,321	269,198
Eitzen Voice Scholarship Fund	100,759	4,015	12,495	5,169	861	112,961	40,761	72,200
School of Engineering Fund	140,932	5,506	17,375	7,187	2,366	158,992	54,226	104,766
Enrichment Fund	530,906	-	64,199	26,545	-	568,560	298,935	269,625
Faculty Teaching and Learning Center Endowment	2,134,698	1,170	258,230	106,775	975	2,288,298	377,662	1,910,636
Film and Video Scholarship	23,932	1,446	3,018	1,248	903	28,051	6,004	22,047
Finance Department Endowment	75,719	640	9,208	3,808	460	82,219	16,617	65,602
Richard E. Flanders Scholarship Fund	123,771	1,580	15,063	6,229	66	134,251	51,153	83,098
Robert W. Fletcher Memorial Endowment	9,819	6,254	1,645	-	4,745	22,463	1,964	20,499
Geology Endowment Development Fund	108,099	1,326	13,120	5,425	9	117,129	53,156	63,973
Geology Student Field Endowment	30,263	1,432	3,783	1,565	869	34,782	8,737	26,045
The General Dynamics Land Systems Engineering Scholarship	38,101	-	4,607	1,905	-	40,803	8,803	32,000
Charlotte A. Gierst & Salome C. Egeler Trust Fund	67,659	-	8,182	3,383	-	72,458	28,178	44,280
The Grand Valley Lanthorn Merit Scholarship	12,623	10,187	2,341	-	38	25,189	4,964	20,225
Richard Giles Memorial Scholarship Fund	336,343	475	40,725	16,840	450	361,153	203,312	157,841
The Graduate Teacher Certification Scholarship	54,667	625	6,644	2,747	125	59,314	9,619	49,695
Grand Valley Grand Forum Endowment	155,512	4,037	19,076	7,890	385	171,120	46,781	124,339
Grand Valley State University Athletic Fund	164,285	1,619	19,978	8,262	899	178,519	48,596	129,923
GVSU Women's Scholarship Endowment	55,317	2,085	6,877	2,846	1,935	63,368	10,076	53,292
Grand Valley State University Fund	4,447,276	175,762	540,114	182,747	(130,632)	4,849,773	2,854,840	1,994,933
Earl Harper Scholarship Fund	59,735	150	7,233	2,991	-	64,127	26,382	37,745
Hauenstein Center for Presidential Studies Endowment	73,172	109,079	16,325	-	9,000	207,576	21,172	186,404
Joyce Hecht Distinguished Scholarship in Philanthropy	128,994	735	15,630	6,463	72	138,968	20,129	118,839
William Hegarty Endowment Fund	28,167	732	3,414	1,411	-	30,902	6,050	24,852
Arthur C. Hills Music Scholarship Fund	70,395	681	8,542	3,532	200	76,286	34,244	42,042
Hispanic Scholarship Fund	59,538	916	7,265	3,005	546	65,260	19,214	46,046
Dr. James D. Hoffman Scholarship	86,503	-	10,461	4,325	-	92,639	19,587	73,052

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Endowment Funds (Continued)</b>								
Honors Program Enrichment	\$ 3,901	\$ -	\$ 472	\$ -	\$ -	\$ 4,373	\$ 1,286	\$ 3,087
Hilda C. Holder Endowed Scholarship for Women in Business Fund	-	35,000	3,476	-	-	38,476	3,476	35,000
The Professor Paul A. Huizenga Biology Education Scholarship	58,947	11,967	7,759	3,208	117	75,582	8,158	67,424
W. G. Jackson Fund	207,620	196	25,125	10,389	194	222,746	69,030	153,716
The Dorothy A. Johnson Center for Philanthropy Library Endowment	550,852	50	66,614	27,545	51	590,022	84,890	505,132
The Dorothy A. Johnson Center for Philanthropy Operations Endowment	166,729	973,320	52,702	-	1,899	1,194,650	76,088	1,118,562
Jurries Family Scholarship	10,046	5,000	1,215	-	-	16,261	1,261	15,000
Fred M. and Bernadine Keller Engineering Diversity Scholarship	-	50,000	1,007	-	-	51,007	1,007	50,000
Lynne Kraemer Memorial Scholarship Fund	37,489	100	4,535	1,875	-	40,249	22,555	17,694
Kirkhof College of Nursing Endowment	105,568	5,320	13,081	5,410	1,362	119,921	28,828	91,093
Don Klein Endowment	89,027	3,830	10,988	4,543	150	99,452	13,573	85,879
Walton Boston Koch Memorial Scholarship	32,555	130	3,950	1,634	147	35,148	15,131	20,017
The Albert S. and Ella D. Koeze Art Scholarship	12,935	25	1,566	-	-	14,526	3,494	11,032
A. Scott and Ruth P. Koeze Graduate Business Scholarship	-	25,300	-	-	-	25,300	-	25,300
The Jack J. Korff Seidman College of Business Finance Scholarship	25,000	5,000	4,576	2,625	-	31,951	1,951	30,000
Logie Fellowship Endowment	136,684	500	16,558	6,847	-	146,895	22,060	124,835
Loutit Foundation Fund	214,085	(17,167)	17,215	-	50	214,183	-	214,183
GVSU LGBT Scholarship Endowment	38,064	5,385	5,091	2,108	5,089	51,521	7,364	44,157
The Mike Lints Track and Field Equipment Endowment	19,804	7,114	2,966	-	650	30,534	5,434	25,100
Arend D. and Nancy Lubbers Honors College Scholarship	693,702	5,665	84,150	34,795	658	749,380	144,480	604,900
Mullendore Legal Studies Criminal Justice Scholarship	-	23,955	2,169	-	23,930	50,054	2,169	47,885
Mathematics Endowment Fund	149,624	2,465	18,195	8,779	1,007	162,512	52,288	110,224
Dr. Faite R-P. Mack and Dr. Thomas E. Jackson Scholarship Fund	67,807	160	8,306	2,179	193	74,287	24,344	49,943
Corky Meinecke Scholarship Endowment Fund	46,312	539	5,659	2,341	462	50,631	8,508	42,123
Fred Meijer Diversity Scholarship	18,933	-	2,289	-	-	21,222	2,472	18,750
Memorial Garden Endowment	1,331	900	169	-	-	2,400	520	1,880
Paul C. Miller Scholarship Fund	158,701	-	19,192	7,935	-	169,958	69,635	100,323
Paul C. and Florence Miller Mineral Collection Endowment	48,063	70	5,817	2,406	50	51,594	11,245	40,349
Helen Claytor Minority Scholarship	1,151,557	3,212	139,435	57,654	376	1,236,926	256,636	980,290
Mithilesh & Jitendra Mishra Foreign Student/Faculty Scholarship Fund	28,623	22	3,462	1,431	-	30,676	7,824	22,852
Jacob B. Mol Family Scholarship Fund	76,859	-	9,295	3,843	708	83,019	34,448	48,571
Dr. Rodney J. Mulder Social Work Scholarship	57,378	735	7,024	2,904	-	62,233	11,026	51,207
Glenn A. and Betty J. Niemeier History Scholarship Endowment	93,118	1,757	11,399	4,714	1,198	102,758	29,937	72,821

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Endowment Funds (Continued)</b>								
The Judith S. Pratt Non-Traditional Nursing Scholarship	\$ 50,467	\$ 1,790	\$ 6,247	\$ 2,584	\$ 1,225	\$ 57,145	\$ 9,653	\$ 47,492
The Nedra J. Otis Art Scholarship	66,265	2,770	8,216	3,398	1,863	75,716	14,240	61,476
Arnold C. Ott Lectureship in Chemistry	596,116	-	72,085	-	-	668,201	168,201	500,000
Barbara Padnos Scholarship Fund	1,112,409	360	134,544	55,632	160	1,191,841	190,667	1,001,174
Peace and Justice Award Fund	44,860	396	5,488	1,764	154	49,134	21,036	28,098
Physical Therapy Department Fund	30,247	2,602	4,450	(6,353)	1,428	45,080	13,404	31,676
Eugene and Lillian Pawl Scholarship	-	300	4	-	-	304	4	300
William F. Pickard Fund	74,667	-	9,212	1,211	-	82,668	51,903	30,765
Seymour and Esther Padnos Engineering Scholarship	564,627	15	67,707	36,079	15	596,285	85,620	510,665
Ross W. Perry Bachelor of Science Scholarships	244,831	-	29,380	15,362	-	258,849	53,734	205,115
Positive Black Woman Endowment Fund	40,542	982	4,980	2,060	696	45,140	8,653	36,487
Berthold Price Scholarship Fund	137,263	2,781	16,794	6,946	1,012	150,904	59,791	91,113
Price Heneveld Engineering Scholarship	65,685	300	7,944	3,284	-	70,645	9,231	61,414
Margaret Proctor School of Communications Scholarship	12,830	1,310	1,690	-	1,258	17,088	4,134	12,954
Plant Service Personnel Descendants Scholarship Fund	364,668	12,342	45,087	18,650	7,621	411,068	81,983	329,085
Dr. George I. Quimby Memorial Anthropology Endowment	2,383	775	357	-	525	4,040	540	3,500
Dr. George I. and Helen Z. Quimby Scholarship	8,547	5,635	1,361	-	735	16,278	1,944	14,334
Reister Family Scholarship Endowment	75,988	4,605	9,374	3,878	169	86,258	14,907	71,351
Warren Reynolds Endowed Scholarship	17,990	155	2,183	-	10	20,338	5,295	15,043
John Salski Memorial Fund	36,290	-	4,389	1,814	-	38,865	8,339	30,526
Science Math Development Fund	66,362	350	8,047	3,328	50	71,481	41,655	29,826
The J. Patrick Sandro Education Scholarship	47,799	1,795	5,875	2,429	571	53,611	10,359	43,252
The Ilene I. Schooley Biomedical Sciences Scholarship	31,483	15	3,808	1,575	10	33,741	3,557	30,184
Science Equipment Fund	1,901,113	630	229,940	95,079	30	2,036,634	1,064,043	972,591
School of Public and Nonprofit Administration Endowment	22,048	1,333	2,781	-	840	27,002	8,609	18,393
Mary & Wilhelm Seeger Scholarship Fund	129,094	4,159	15,877	6,566	442	143,006	49,154	93,852
Seidman College of Business Study Abroad Scholarship	13,932	1,802	1,905	-	2,403	20,042	3,137	16,905
Seidman College of Business Management Department Scholarship	1,274	122	166	-	164	1,726	257	1,469
Seidman Endowment Fund	1,199,577	3,035	145,211	60,043	465	1,288,245	643,168	645,077
Esther L. Seidman Chair in Management Fund	320,008	-	38,696	16,000	-	342,704	167,304	175,400
Joseph Stevens Freedom Fund	107,233	940	13,011	5,380	260	116,064	39,807	76,257
Marilyn and B. P. Sherwood III Scholarship Fund	24,419	-	2,953	1,221	-	26,151	8,230	17,921

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Endowment Funds (Continued)</b>								
Social Work Scholarship Fund	\$ 27,761	\$ 732	\$ 3,415	\$ 1,412	\$ 508	\$ 31,004	\$ 8,023	\$ 22,981
Ram Singh Social Work Scholarship	29,767	898	3,691	1,526	893	33,723	6,369	27,354
The Social Work Minority Scholarship	35,263	915	4,343	1,795	474	39,200	7,411	31,789
Social Work Faculty Development Fund	26,132	150	3,168	-	50	29,500	8,920	20,580
Ryan Short Memorial Scholarship Fund	64,476	2,584	8,016	3,315	807	72,568	14,145	58,423
Joseph Spruit Engineering Scholarship	-	51,000	20	-	-	51,020	20	51,000
Drs. Esther and Enrico Sobong Scholarship	33,592	-	4,062	1,680	-	35,974	5,674	30,300
Statistics Endowment Fund	27,931	1,735	3,549	1,468	1,559	33,306	5,675	27,631
The Howard and Rose Stein Endowed Biology Scholarship	39,916	1,331	4,939	2,044	581	44,723	9,773	34,950
Steelcase Inc. Seidman College of Business Diversity Scholarship	28,685	30,000	5,488	-	5,080	69,253	9,008	60,245
Esther Rehm Stotz Scholarship Fund	130,789	1,025	15,879	6,565	25	141,153	70,714	70,439
Spectrum Health Diversity Scholarship	62,861	15,077	7,605	3,145	-	82,398	7,231	75,167
Tim Strickler Pre-Medical Scholarship	-	15,000	-	-	-	15,000	-	15,000
The Subar Family - Model Coverall Service Scholarship	32,117	1,000	3,934	1,627	-	35,424	7,424	28,000
Duke Tanaka Jr. Anatomy Scholarship	-	6,000	-	-	-	6,000	-	6,000
Tax Program Fund	114,743	420	13,905	5,751	-	123,317	58,439	64,878
The Telephone Pioneers of America, Great Lakes Chapter #90 Scholarship Fund	62,956	120	7,622	3,152	20	67,566	25,340	42,226
Edward Tremba Geology Scholarship Fund	68,089	1,026	8,285	3,426	171	74,145	32,958	41,187
A Trust for Science Education Endowment	138,794	518	16,837	6,963	604	149,790	31,317	118,473
University Library Fund	250,077	4,074	30,550	12,635	1,988	274,054	128,942	145,112
VanSteeland Arboretum Fund	111,940	899	13,570	5,611	264	121,062	60,306	60,756
Kenneth Venderbush Endowment Fund	15,401	200	1,881	-	-	17,482	4,257	13,225
The Donald and Barbara Vanderjagt Mathematics and Athletic Scholarship	34,755	1,017	4,225	1,747	-	38,250	6,929	31,321
Volkhardt Family Scholarship	130,499	-	15,780	6,525	-	139,754	23,048	116,706
Florence Cowan Ward Scholarship for Nursing	124,084	6,712	15,412	6,372	-	139,836	22,472	117,364
WRI Equipment Fund	2,074,325	28	250,835	103,717	4	2,221,475	1,063,085	1,158,390
Margaret Ward Music Scholarship	27,796	-	3,362	1,390	-	29,768	3,496	26,272
Westerman Nursing Scholarship Fund	141,758	-	17,061	7,054	-	151,765	50,450	101,315
Margaret F. Ward Art and Design Scholarship	24,453	700	4,140	1,711	-	27,582	1,782	25,800
WGVU Scholarship Fund	321,297	4,307	35,971	-	245	361,820	158,265	203,555
WGVU - TV Program Endowment Fund	50,596	1,417	8,976	3,713	1,298	58,574	11,445	47,129

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Endowment Funds (Continued)</b>								
Weldon Memorial Chemistry Fund	\$ 133,724	\$ 2,389	\$ 15,435	\$ -	\$ 488	\$ 152,036	\$ 58,868	\$ 93,168
Holliday Willey Psychology Scholarship for the Study of Pervasive Development Disorders	24,338	2,146	3,146	1,302	2,329	30,657	5,511	25,146
William James Fund	31,274	350	3,807	1,574	-	33,857	17,274	16,583
Shawn D. Wiersma Criminal Justice Memorial Scholarship	11,163	23,874	2,932	-	666	38,635	3,115	35,520
Shelia Williams Student Leadership Development Fund	116,513	1,547	14,192	5,870	308	126,690	62,715	63,975
Bill and Diana Wipperfurth Annis Water Resources Institute Student Research Scholarship	-	30,459	1,833	-	2	32,294	1,833	30,461
Wisner Physical Therapy Scholarship	66,226	37,250	10,221	4,226	250	109,721	8,846	100,875
Doug and Linda Woods Athletic Training Scholarship Endowment	78,104	297	9,469	3,916	278	84,232	14,710	69,522
Wrestling Endowment	7,703	87	945	-	180	8,915	2,365	6,550
Writing Department Faculty Scholarship	6,370	2,012	926	-	1,311	10,619	1,786	8,833
Women's Center Endowment	-	11,648	95	-	351	12,094	95	11,999
William Zimmerman Memorial Scholarship	22,030	4,425	3,056	1,264	3,104	31,351	5,509	25,842
Felix V. & Gladys A. Zukaitis Scholarship Trust	189,614	200	22,946	9,489	-	203,271	77,671	125,600
Felix V. & Gladys A. Zukaitis Athletic Trust	198,390	-	23,990	9,920	-	212,460	87,275	125,185
<b>Total endowment funds</b>	<b>29,455,830</b>	<b>2,073,351</b>	<b>3,641,002</b>	<b>1,351,485</b>	<b>(3,437)</b>	<b>33,815,261</b>	<b>11,508,918</b>	<b>22,306,343</b>

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Funds Functioning as Endowments</b>								
Accounting Scholarship Fund	\$ 365,952	\$ 6,155	\$ 44,665	\$ 18,469	\$ 1,120	\$ 399,423	\$ 180,437	\$ 218,986
Alumni Scholarship Fund	692,790	5,076	84,064	34,759	272	747,443	297,233	450,210
Angus Fund	1,364,279	2,594	165,063	68,252	392	1,464,076	617,011	847,065
Owen F. Bieber Scholarship Trust	577,980	-	69,891	28,899	-	618,972	305,562	313,410
Business & Engineering Internship Fund	1,453,945	-	175,816	-	-	1,629,761	1,088,439	541,322
Alexander Calder Honors Scholarship	27,362	-	3,308	1,368	-	29,302	3,718	25,584
Entrepreneurial Center Endowment	1,437,639	1,251	173,920	71,913	-	1,540,897	319,296	1,221,601
Leon W. Hall Trust Fund	654,796	-	79,179	-	-	733,975	399,563	334,412
Charles & Florence Irwin Scholarship Endowment Fund	186,686	2,063	22,744	9,405	1,073	203,161	64,082	139,079
Russel H. Kirkhof Fund	2,152,981	-	260,345	107,649	-	2,305,677	1,298,378	1,007,299
Seymour & Esther Padnos School of Engineering Padnos Fund	2,185,325 1,453,437	1,370 -	264,312 175,754	109,289 72,672	70 -	2,341,788 1,556,519	835,501 556,494	1,506,287 1,000,025
Joe E. Reid Memorial Scholarship Fund	74,349	995	9,047	3,741	15	80,665	31,773	48,892
Charles C. Saur Fund	97,209	-	(48,764)	-	-	48,445	(63,131)	111,576
Science Religion Project	-	161,337	-	-	-	161,337	-	161,337
SPX Corporation Engineering Scholarship Fund	121,592	-	14,703	6,080	-	130,215	80,105	50,110
Robert C. Trotter Scholarship Fund	444,857	-	53,793	-	-	498,650	350,783	147,867
Undistributed Income Fund	692,705	17,215	83,752	-	-	793,672	793,672	-
VanderMey Endowment	144,041	-	17,418	7,202	-	154,257	39,830	114,427
R.B. Annis WRI Endowment	1,446,909	1,499	175,052	72,382	495	1,551,573	489,149	1,062,424
Grand Rapids Continuing Education	992,006	-	119,957	-	-	1,111,963	737,981	373,982
<b>Total funds functioning as endowments</b>	<b>16,566,840</b>	<b>199,555</b>	<b>1,944,019</b>	<b>612,080</b>	<b>3,437</b>	<b>18,101,771</b>	<b>8,425,876</b>	<b>9,675,895</b>

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2006

	Balance July 1, 2005	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2006	Retained Investment Income	Principal Balance June 30, 2006
<b>Annuity Funds</b>								
John T. and Shirley D. Batchelder Charitable Gift Annuity	\$ 31,497	\$ -	\$ 12,083	\$ -	\$ -	\$ 43,580	\$ 24,757	\$ 18,823
George C. and Margaret T. Cope Charitable Gift Annuity	-	8,083	75	-	-	8,158	75	8,083
Dr. Gilbert R. and Patricia K. Davis Charitable Gift Annuities	23,482	-	8,271	-	-	31,753	18,353	13,400
Peter Merrick Turner Charitable Gift Annuity	-	11,566	137	-	-	11,703	137	11,566
Leslie Eitzen Charitable Gift Annuity	8,357	-	1,125	-	-	9,482	2,388	7,094
Ralph and Grace Hauenstein Charitable Gift Annuities	292,162	-	20,247	-	-	312,409	(150,570)	462,979
Harvey E. Lemmen Charitable Gift Annuities	(95,507)	60,000	6,081	-	-	(29,426)	(118,288)	88,862
Dr. Dorothy Merrill Charitable Gift Annuity	10,024	-	2,937	-	-	12,961	(4,008)	16,969
John T. Tevebaugh Charitable Gift Annuity	6,335	-	1,072	-	-	7,407	3,032	4,375
Total annuity funds	276,350	79,649	52,028	-	-	408,027	(224,124)	632,151
Total endowment and similar funds	<b>\$ 46,299,020</b>	<b>\$ 2,352,555</b>	<b>\$ 5,637,049</b>	<b>\$ 1,963,565</b>	<b>\$ -</b>	<b>\$ 52,325,059</b>	<b>\$ 19,710,670</b>	<b>\$ 32,614,389</b>



# Grand Valley State University

## Schedule of Net Assets by Fund June 30, 2006

	Current Funds									Consolidated Totals	
	General	Designated	Auxiliary	Expendable	Total	Loan	Endowment	Plant	Agency	2006	2005
	Fund	Fund	Activities	Restricted	Current	Fund	Fund	Fund	Fund		
<b>Assets</b>											
<b>Current Assets</b>											
Cash and cash equivalents	\$ 1,579,302	\$ 1,396,879	\$ 75,495	\$ 676,981	\$ 3,728,657	\$ (511,219)	\$ -	\$ 1,601,831	\$ (94,773)	\$ 4,724,496	\$ 11,040,201
Restricted cash and cash equivalents	-	-	-	-	-	-	444,132	384	-	444,516	455,121
Short-term investments	7,091,886	8,367,165	-	3,611,677	19,070,728	1,583,602	-	9,443,342	-	30,097,672	5,984,705
Restricted short-term investments	-	-	-	-	-	-	-	-	-	-	3,581,041
Accounts receivable	508,110	521,989	1,185,528	3,328,556	5,544,183	-	-	7,447	544,314	6,095,944	5,966,830
State appropriation receivable	11,361,218	-	-	-	11,361,218	-	-	-	19,194,809	30,556,027	26,822,841
Pledges receivable	-	32,924	-	1,759,020	1,791,944	-	-	-	-	1,791,944	1,328,583
Less allowance for uncollectible accounts	-	-	-	(65,719)	(65,719)	-	-	-	-	(65,719)	(37,203)
Net pledges receivable	-	32,924	-	1,693,301	1,726,225	-	-	-	-	1,726,225	1,291,380
Inventory	-	19,136	1,666,141	-	1,685,277	-	-	-	4,467	1,689,744	1,672,844
Prepaid expenses and other	3,189,398	539,585	452	6,937	3,736,372	105,821	-	-	-	3,842,193	1,870,329
Student notes receivable - Current portion	-	-	-	-	-	2,750,000	-	-	-	2,750,000	2,500,000
Total current assets	23,729,914	10,877,678	2,927,616	9,317,452	46,852,660	3,928,204	444,132	11,053,004	19,648,817	81,926,817	61,185,292
<b>Noncurrent Assets</b>											
Endowment investments	-	-	-	-	-	-	52,825,528	-	-	52,825,528	47,052,650
Other long-term investments	-	25,338,090	-	31,111	25,369,201	-	-	28,697,569	-	54,066,770	61,261,932
Pledges receivable	-	19,593	-	3,993,112	4,012,705	-	-	-	-	4,012,705	2,057,983
Less discount to present value	-	-	-	(762,273)	(762,273)	-	-	-	-	(762,273)	(673,321)
Net pledges receivable	-	19,593	-	3,230,839	3,250,432	-	-	-	-	3,250,432	1,384,662
Student notes receivable - Net	-	-	-	-	-	7,671,987	-	-	-	7,671,987	8,128,900
Capital assets - Net	-	-	-	-	-	-	-	450,060,062	-	450,060,062	451,846,083
Other assets	-	318,219	-	-	318,219	-	-	3,548,433	-	3,866,652	4,334,301
Total noncurrent assets	-	25,675,902	-	3,261,950	28,937,852	7,671,987	52,825,528	482,306,064	-	571,741,431	574,008,528
Total assets	\$ 23,729,914	\$ 36,553,580	\$ 2,927,616	\$ 12,579,402	\$ 75,790,512	\$ 11,600,191	\$ 53,269,660	\$ 493,359,068	\$ 19,648,817	\$ 653,668,248	\$ 635,193,820

# Grand Valley State University

## Schedule of Net Assets by Fund (Continued) June 30, 2006

	Current Funds									Consolidated Totals	
	General	Designated	Auxiliary	Expendable	Total	Loan	Endowment	Plant	Agency	2006	2005
	Fund	Fund	Activities	Restricted	Current	Fund	Fund	Fund	Fund		
<b>Liabilities and Net Assets</b>											
<b>Current Liabilities</b>											
Accounts payable	\$ 3,243,109	\$ 264,043	\$ 1,871,877	\$ 896,167	\$ 6,275,196	\$ 24,640	\$ -	\$ 1,878,957	\$ 18,693,746	\$ 26,872,539	\$ 19,746,601
Accrued payroll and other benefits	11,412,316	193,674	130,317	184,456	11,920,763	-	-	-	404,397	12,325,160	12,680,746
Accrued interest expense and other liabilities	-	-	-	-	-	-	-	861,662	550,674	1,412,336	1,144,656
Deferred revenue	7,326,733	54,655	342,224	4,932,412	12,656,024	-	-	-	-	12,656,024	12,481,627
Long-term liabilities - Current portion	-	-	-	-	-	-	196,237	10,556,864	-	10,753,101	7,436,188
<b>Total current liabilities</b>	<b>21,982,158</b>	<b>512,372</b>	<b>2,344,418</b>	<b>6,013,035</b>	<b>30,851,983</b>	<b>24,640</b>	<b>196,237</b>	<b>13,297,483</b>	<b>19,648,817</b>	<b>64,019,160</b>	<b>53,489,818</b>
<b>Noncurrent Liabilities - Long-term liabilities - Net of current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>748,364</b>	<b>148,096,307</b>	<b>-</b>	<b>148,844,671</b>	<b>159,475,972</b>
<b>Total liabilities</b>	<b>21,982,158</b>	<b>512,372</b>	<b>2,344,418</b>	<b>6,013,035</b>	<b>30,851,983</b>	<b>24,640</b>	<b>944,601</b>	<b>161,393,790</b>	<b>19,648,817</b>	<b>212,863,831</b>	<b>212,965,790</b>
<b>Net Assets</b>											
Invested in capital assets - Net of related debt	-	-	-	-	-	-	-	295,290,647	-	295,290,647	289,911,362
Restricted:											
Nonexpendable - Scholarships and academic support	-	-	-	-	-	-	22,306,343	-	-	22,306,343	20,219,214
Expendable:											
Scholarships and academic support	-	-	-	4,257,981	4,257,981	-	22,033,723	-	-	26,291,704	23,270,172
Capital projects	-	-	-	2,308,386	2,308,386	-	-	(430,651)	-	1,877,735	1,658,655
Loans	-	-	-	-	-	11,450,835	-	-	-	11,450,835	11,392,998
Unrestricted	1,747,756	36,041,208	583,198	-	38,372,162	124,716	7,984,993	37,105,282	-	83,587,153	75,775,629
<b>Total net assets</b>	<b>1,747,756</b>	<b>36,041,208</b>	<b>583,198</b>	<b>6,566,367</b>	<b>44,938,529</b>	<b>11,575,551</b>	<b>52,325,059</b>	<b>331,965,278</b>	<b>-</b>	<b>440,804,417</b>	<b>422,228,030</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,729,914</b>	<b>\$ 36,553,580</b>	<b>\$ 2,927,616</b>	<b>\$ 12,579,402</b>	<b>\$ 75,790,512</b>	<b>\$ 11,600,191</b>	<b>\$ 53,269,660</b>	<b>\$ 493,359,068</b>	<b>\$ 19,648,817</b>	<b>\$ 653,668,248</b>	<b>\$ 635,193,820</b>

# Grand Valley State University

## Schedule of Revenues, Expenses, and Changes in Net Assets by Fund Year Ended June 30, 2006

	Current Funds								Consolidated Totals		
	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Student Loan Fund	Endowment Fund	Plant Fund	Eliminations	2006	2005
<b>Operating Revenues</b>											
Student tuition and fees	\$ 143,847,564	\$ 421,230	\$ -	\$ -	\$ 144,268,794	\$ -	\$ -	\$ -	\$ -	\$ 144,268,794	\$ 129,777,885
Less scholarship allowances	-	-	-	-	-	-	-	-	(17,958,919)	(17,958,919)	(16,390,710)
Net student tuition and fees	143,847,564	421,230	-	-	144,268,794	-	-	-	(17,958,919)	126,309,875	113,387,175
Government grants and contracts:											
Federal	-	-	-	22,242,962	22,242,962	-	-	-	-	22,242,962	22,683,873
State	-	-	-	1,804,219	1,804,219	-	-	-	-	1,804,219	1,771,601
Local	-	-	-	100,943	100,943	-	-	-	-	100,943	91,722
Nongovernmental grants	-	144,448	-	2,397,309	2,541,757	-	-	-	-	2,541,757	1,837,024
Sales and services of educational activities	656,146	5,771,341	-	110,630	6,538,117	-	-	-	-	6,538,117	5,828,135
Auxiliary activities	-	-	44,308,763	-	44,308,763	-	-	-	-	44,308,763	42,485,580
Less scholarship allowances	-	-	-	-	-	-	-	-	(4,084,698)	(4,084,698)	(3,913,600)
Net auxiliary activities	-	-	44,308,763	-	44,308,763	-	-	-	(4,084,698)	40,224,065	38,571,980
Indirect cost recoveries	710,363	-	-	(710,363)	-	-	-	-	-	-	290,110
Other sources	709,017	2,380,472	-	597,992	3,687,481	436,220	-	-	-	4,123,701	3,561,175
Endowment income	-	585,408	-	1,378,157	1,963,565	-	(1,963,565)	-	-	-	-
Total operating revenues	145,923,090	9,302,899	44,308,763	27,921,849	227,456,601	436,220	(1,963,565)	-	(22,043,617)	203,885,639	188,022,795
<b>Operating Expenses</b>											
Instruction	95,356,088	1,808,794	-	3,124,686	100,289,568	-	-	-	-	100,289,568	94,550,360
Research	2,381,458	279,067	-	2,797,056	5,457,581	-	-	-	-	5,457,581	5,165,539
Public service	1,690,409	6,393,259	-	5,933,450	14,017,118	-	-	-	-	14,017,118	12,300,778
Academic support	20,182,417	(2,035,883)	-	2,090,058	20,236,592	-	-	-	-	20,236,592	22,004,166
Student services	17,435,146	1,165,904	-	239,181	18,840,231	-	-	-	-	18,840,231	17,483,457
Institutional support	20,419,594	(880,926)	-	223,158	19,761,826	-	-	-	-	19,761,826	18,747,770
Operation and maintenance - Plant	26,271,448	(285,630)	-	3,777,204	29,763,022	-	-	(7,619,053)	-	22,143,969	19,730,028
Depreciation expense	-	-	-	-	-	-	-	17,352,426	-	17,352,426	16,504,464
Scholarships and related expenses	15,636,961	19,959	-	14,439,182	30,096,102	-	-	-	(22,043,617)	8,052,485	7,151,235
Auxiliary activities	-	(694)	30,916,604	-	30,915,910	-	-	-	-	30,915,910	29,108,834
Loan administrative fees and collection costs	-	-	-	-	-	351,056	-	-	-	351,056	375,759
Total operating expenses	199,373,521	6,463,850	30,916,604	32,623,975	269,377,950	351,056	-	9,733,373	(22,043,617)	257,418,762	243,122,390
<b>Operating Income (Loss)</b>	(53,450,431)	2,839,049	13,392,159	(4,702,126)	(41,921,349)	85,164	(1,963,565)	(9,733,373)	-	(53,533,123)	(55,099,595)

# Grand Valley State University

## Schedule of Revenues, Expenses, and Changes in Net Assets by Fund (Continued) Year Ended June 30, 2006

	Current Funds								Consolidated Totals		
	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Student Loan Fund	Endowment Fund	Plant Fund	Eliminations	2006	2005
<b>Nonoperating Revenues (Expense)</b>											
State appropriations	\$ 61,587,500	\$ -	\$ -	\$ -	\$ 61,587,500	\$ -	\$ -	\$ -	\$ -	\$ 61,587,500	\$ 59,219,100
Gifts	-	2,363,277	-	564,117	2,927,394	-	19,503	-	-	2,946,897	3,836,999
Investment income - Net of investment expense	1,320,765	1,204,588	-	128,652	2,654,005	42,146	5,637,049	(6,172)	-	8,327,028	7,651,102
Interest on capital asset - Related debt	-	-	-	-	-	-	-	(6,785,647)	-	(6,785,647)	(6,130,567)
Net nonoperating revenues (expense)	62,908,265	3,567,865	-	692,769	67,168,899	42,146	5,656,552	(6,791,819)	-	66,075,778	64,576,634
<b>Income (Loss) - Before other revenues, expenses, gains, and losses</b>	9,457,834	6,406,914	13,392,159	(4,009,357)	25,247,550	127,310	3,692,987	(16,525,192)	-	12,542,655	9,477,039
<b>Other Revenue, Expenses, Gains, and Losses</b>											
Capital appropriations	-	-	-	-	-	-	-	-	-	-	1,428,476
Capital gifts - Net of in-kind gift of computer software of \$5.6 million and \$4.0 million in 2006 and 2005, respectively	-	-	-	4,145,674	4,145,674	-	-	78,490	-	4,224,164	1,004,370
Add discount adjustment	-	-	-	(117,468)	(117,468)	-	-	-	-	(117,468)	119,102
Net capital gifts	-	-	-	4,028,206	4,028,206	-	-	78,490	-	4,106,696	1,123,472
Capital grants	-	-	-	278,829	278,829	-	-	-	-	278,829	1,582,856
Other capital income	-	-	-	-	-	-	-	1,706	-	1,706	3,452
Capital additions	(4,573,584)	(397,568)	(118,251)	(149,369)	(5,238,772)	-	-	5,238,772	-	-	-
Additions to permanent endowments	-	-	-	-	-	-	1,671,973	-	-	1,671,973	866,110
Gain (loss) on disposal of plant assets	5,923	-	-	-	5,923	-	-	(31,395)	-	(25,472)	90,720
Total other revenue, expenses, gains, and losses	(4,567,661)	(397,568)	(118,251)	4,157,666	(925,814)	-	1,671,973	5,287,573	-	6,033,732	5,095,086
<b>Transfers Out (In)</b>											
Mandatory transfers	3,542,967	141,272	12,606,182	(123,569)	16,166,852	-	(411,442)	(15,755,410)	-	-	-
Nonmandatory transfers	1,123,347	2,438,443	955,326	(177,518)	4,339,598	-	(249,637)	(4,089,961)	-	-	-
Total transfers	4,666,314	2,579,715	13,561,508	(301,087)	20,506,450	-	(661,079)	(19,845,371)	-	-	-
<b>Increase (Decrease) in Net Assets</b>	223,859	3,429,631	(287,600)	449,396	3,815,286	127,310	6,026,039	8,607,752	-	18,576,387	14,572,125
<b>Net Assets - Beginning of year</b>	1,523,897	32,611,577	870,798	6,116,971	41,123,234	11,448,241	46,299,020	323,357,526	-	422,228,030	407,655,905
<b>Net Assets - End of year</b>	<u>\$ 1,747,756</u>	<u>\$ 36,041,208</u>	<u>\$ 583,198</u>	<u>\$ 6,566,367</u>	<u>\$ 44,938,529</u>	<u>\$ 11,575,551</u>	<u>\$ 52,325,059</u>	<u>\$ 331,965,278</u>	<u>\$ -</u>	<u>\$ 440,804,417</u>	<u>\$ 422,228,030</u>