

OMB Circular A-133
Reporting Package

Central Michigan University

Year ended June 30, 2008



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Central Michigan University

OMB Circular A-133
Reporting Package

Year ended June 30, 2008

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Year ended June 30, 2008

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Audited Financial Statements and Other Financial Information

Central Michigan University

*Year ended June 30, 2008
with Report of Independent Auditors*



August 2008

To the Residents of the State of Michigan:

From its beginnings as a state teacher's college, Central Michigan University has ascended to one of Michigan's top universities on the strength of its nationally recognized academic programs, research opportunities with international implications, far-reaching community service initiatives, and year-round cultural events designed to enrich the lives of generations of Michigan residents. The university maintains many programs to preserve and renew its focus on student-centered learning while improving the quality of life in the region and state. Presented on behalf of the Board of Trustees, this report outlines revenues and expenditures for these programs as well as the university's net assets. The 2007–2008 report was audited by Andrews Hooper & Pavlik P.L.C.

Michigan's fourth-largest university serves nearly 28,000 students — 80% of whom remain in the state after graduation to contribute to the state's highly skilled workforce and overall economic development. CMU professors engage students in discovery-based learning as well as substantial research and creative work with national and international significance. Our more than 200 professionally focused academic programs are accompanied by a variety of activities and organizations including the CMU volunteer center, study abroad programs, undergraduate and graduate research, internships, Leadership Institute, and NCAA Division I athletics — all of which complement students' experiences in the classroom.

CMU is an important force in Michigan's economic engine by generating more than \$830 million in spending and income per year and directly and indirectly creating more than 12,000 jobs statewide. CMU prepares a high number of students for in-demand fields such as business, engineering, technology, and health professions and serves as a catalyst for intellectual and economic momentum across the state. Home to one of Michigan's 11 SmartZones, CMU helps draw high-tech businesses to the region with partnerships through the Center for Applied Research and Technology and the CMU Research Corporation. As one of the state's best returns on investment, CMU is a wise and critical investment for the state of Michigan as it works to build a stronger economy.

We continue to build upon our strong and historic foundation of excellence by looking ahead for unique education-based opportunities to improve the quality of life in Michigan. CMU maintains an environment that supports learning in all aspects of university life; this includes implementation of enhanced safety notification systems and construction of a state-of-the-art, LEED-certified education building. By implementing sustainability measures such as water-saving faucets, reduced energy light bulbs, and renewable fuel sources, CMU has cut costs in excess of \$2.25 million annually while strengthening our commitment to being ecologically sound, socially just, and economically viable.

Your support makes higher education even more accessible to Michigan's youth, giving them a greater chance for success. On behalf of the Central Michigan University community, thank you for your confidence in CMU and in all of Michigan's higher education institutions.

Sincerely,

A handwritten signature in blue ink that reads "Michael Rao".

Michael Rao
President

A handwritten signature in black ink that reads "David Burdette".

David Burdette
Vice President for Finance and Administrative Services

Central Michigan University

Audited Financial Statements and Other Financial Information

June 30, 2008

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CENTRAL MICHIGAN UNIVERSITY

Management's Discussion and Analysis

This section of the Central Michigan University annual financial report presents a discussion and analysis of the financial performance of the university for the fiscal year ended June 30, 2008, with selected comparative information for the years ended June 30, 2007, and 2006. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

Using the Annual Report

The university's financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*.

STATEMENTS OF NET ASSETS include all assets and liabilities. The Statements of Net Assets are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net assets, the difference between total assets and total liabilities, are one indicator of the current financial condition of the university. Assets and liabilities are generally measured using current values. Investments are stated at fair value and capital assets are stated at historical cost less an allowance for depreciation. A three year summarized comparison of the university's assets, liabilities and net assets (shown in millions) at June 30 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 96.3	\$ 94.4	\$ 78.5
Noncurrent assets			
Capital assets, net	382.3	370.0	339.2
Other	<u>238.6</u>	<u>237.0</u>	<u>242.7</u>
TOTAL ASSETS	717.2	701.4	660.4
Current liabilities	76.0	74.3	66.8
Noncurrent liabilities	<u>183.7</u>	<u>187.5</u>	<u>192.7</u>
TOTAL LIABILITIES	<u>259.7</u>	<u>261.8</u>	<u>259.5</u>
TOTAL NET ASSETS	<u>\$ 457.5</u>	<u>\$ 439.6</u>	<u>\$ 400.9</u>

CENTRAL MICHIGAN UNIVERSITY

CURRENT ASSETS consist of cash and cash equivalents, receivables net of the allowance for doubtful accounts, inventories and prepaid expenses. Current assets totaled \$96.3 million at June 30, 2008, \$94.4 million at June 30, 2007, and \$78.5 million at June 30, 2006.

Fiscal year 2008 compared to 2007

Cash and cash equivalents decreased \$10.6 million as the pooled cash investment managers moved funds out of cash equivalents, corporate bonds and notes into mutual funds. Accounts receivable from the State Building Authority increased \$2.7 million related to the Education Building. Appropriations receivable from the State of Michigan increased \$8.5 million. The August 2007 payment of \$7.5 million was delayed as a result of Executive Order 2007-3, section 106 of 2007 PA 17 and reinstated in the university's fiscal year 2008. Charter schools appropriations receivable increased \$.7 million, primarily due to an enrollment increase of approximately .68% combined with an increase of \$90 in the per pupil foundation grant.

Fiscal year 2007 compared to 2006

Cash and cash equivalents increased \$19.7 million as the pooled cash investment managers moved funds out of government agency securities and into cash equivalents. Appropriations receivable from the State of Michigan decreased \$9.1 million. The 2006-07 Senate Bill 436 Supplemental Order contained a \$1.4 million base reduction. The August 2007 payment of \$7.5 million was delayed as a result of Executive Order 2007-3, section 106 of 2007 PA 17. Charter schools appropriations receivable increased \$2.1 million, primarily due to an enrollment increase of approximately 3.2% combined with an increase of \$210 in the per pupil foundation grant.

NONCURRENT ASSETS include restricted cash and cash equivalents, endowment investments at fair value, loans receivable net of the allowance for doubtful accounts, long-term investments, and capital assets. Noncurrent assets totaled \$620.9 million at June 30, 2008, \$607 million at June 30, 2007, and \$581.9 million at June 30, 2006.

Fiscal year 2008 compared to 2007

Restricted cash and cash equivalents decreased \$6.8 million primarily as a result of expending bond proceeds on several capital projects. Bond proceeds and investment earnings expended on capital projects totaled \$6.5 million. Investment earnings from bond proceeds totaled \$0.2 million.

Endowment investments decreased \$5.6 million due to unfavorable market conditions. There was an \$11.6 million decrease in market value within the investments portfolio, offset by investment income of \$5.8 million. Distributions to beneficiary funds of \$2.0 million were offset by gifts received for permanent endowments of \$1.8 million.

Other long-term investments increased \$13.7 million primarily as a result of moving cash and cash equivalents into mutual funds.

Capital assets increased \$12.3 million, due to an increase of \$33.4 million in construction projects, land improvements, equipment, and library materials less \$21.1 million in depreciation.

CENTRAL MICHIGAN UNIVERSITY

Fiscal year 2007 compared to 2006

Restricted cash and cash equivalents decreased \$30.3 million, primarily as a result of expending bond proceeds on several capital projects. Bond proceeds expended on capital projects totaled \$31.7 million. Investment earnings from bond proceeds totaled \$1.3 million.

Endowment investments increased \$14 million. Change in market value within the investments portfolio accounted for \$2.4 million, investment income less distributions accounted for \$8.6 million, and gifts received for permanent endowments totaled \$2.6 million.

Other long-term investments increased \$10.7 million. Equities increased \$7 million, government obligations decreased \$4.4 million, corporate bonds, notes and mutual funds increased \$6.5 million, and real estate investments increased \$1.4 million.

Capital assets increased \$30.7 million, primarily due to \$39.7 million more in construction projects, \$10.5 million more in other assets including equipment, vehicles and library materials, less \$19.4 million in depreciation.

CURRENT LIABILITIES consist of accounts payable, deferred revenue, deposits and the current portion of the long-term obligations payable within the next fiscal year. Current liabilities totaled \$76.0 million at June 30, 2008, \$74.3 million at June 30, 2007, and \$66.8 million at June 30, 2006.

Fiscal year 2008 compared to 2007

The net increase in current liabilities is due primarily to a \$0.7 million increase in accounts payable for charter schools, a \$0.7 million increase in construction project payables, and a \$0.9 million increase in deferred revenue.

Fiscal year 2007 compared to 2006

The net increase in current liabilities was due primarily to a \$2.1 million increase in accounts payable for charter schools and a \$1.4 million increase in the current portion of debt obligations.

NONCURRENT LIABILITIES consist of long-term debt and other obligations for which the principal is due more than one year from the balance sheet date. Included is the Retirement Service Award program, the federal portion of the Perkins Loan program for students, accrued compensated absences and bonded debt. Noncurrent liabilities totaled \$183.7 million at June 30, 2008, \$187.5 million at June 30, 2007, and \$192.7 million at June 30, 2006. Refer to Footnote F to the Financial Statements for the detail regarding the change in long-term debt and other obligations. Refer to Footnote G to the Financial Statements for the details regarding the Retirement Service Award program.

Fiscal year 2008 compared to 2007

Noncurrent liabilities decreased \$3.8 million, primarily due to bond principal payments of \$6.3 million and a \$1.9 million increase in retirement benefit liability.

CENTRAL MICHIGAN UNIVERSITY

Fiscal year 2007 compared to 2006

Noncurrent liabilities decreased \$5.2 million, primarily due to bond principal payments of \$4.9 million and the \$1.4 million change from long-term debt to current debt.

NET ASSETS represent the difference between university assets and liabilities. Total net assets are \$457.5 million at June 30, 2008, \$439.6 million at June 30, 2007, and \$400.9 million at June 30, 2006. The university's net assets (shown in millions) at June 30 are summarized as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Restricted			
Nonexpendable	\$ 27.3	\$ 25.3	\$ 22.4
Expendable	33.3	36.7	30.5
Unrestricted	187.0	181.8	155.7
Invested in capital assets, net of related debt	209.9	195.8	192.3
TOTAL NET ASSETS	\$ <u>457.5</u>	\$ <u>439.6</u>	\$ <u>400.9</u>

Analysis of Net Assets

Restricted nonexpendable net assets consist of endowment funds with specific restrictions on the expenditure of principal.

Restricted expendable net assets consist of income from endowment funds, gifts and pledges with restrictions, grants from third party agencies with expenditure restrictions, and certain loan funds. Gifts to university departments are considered expended after all other funds have been depleted.

The following is a breakdown of the restricted net assets (shown in millions):

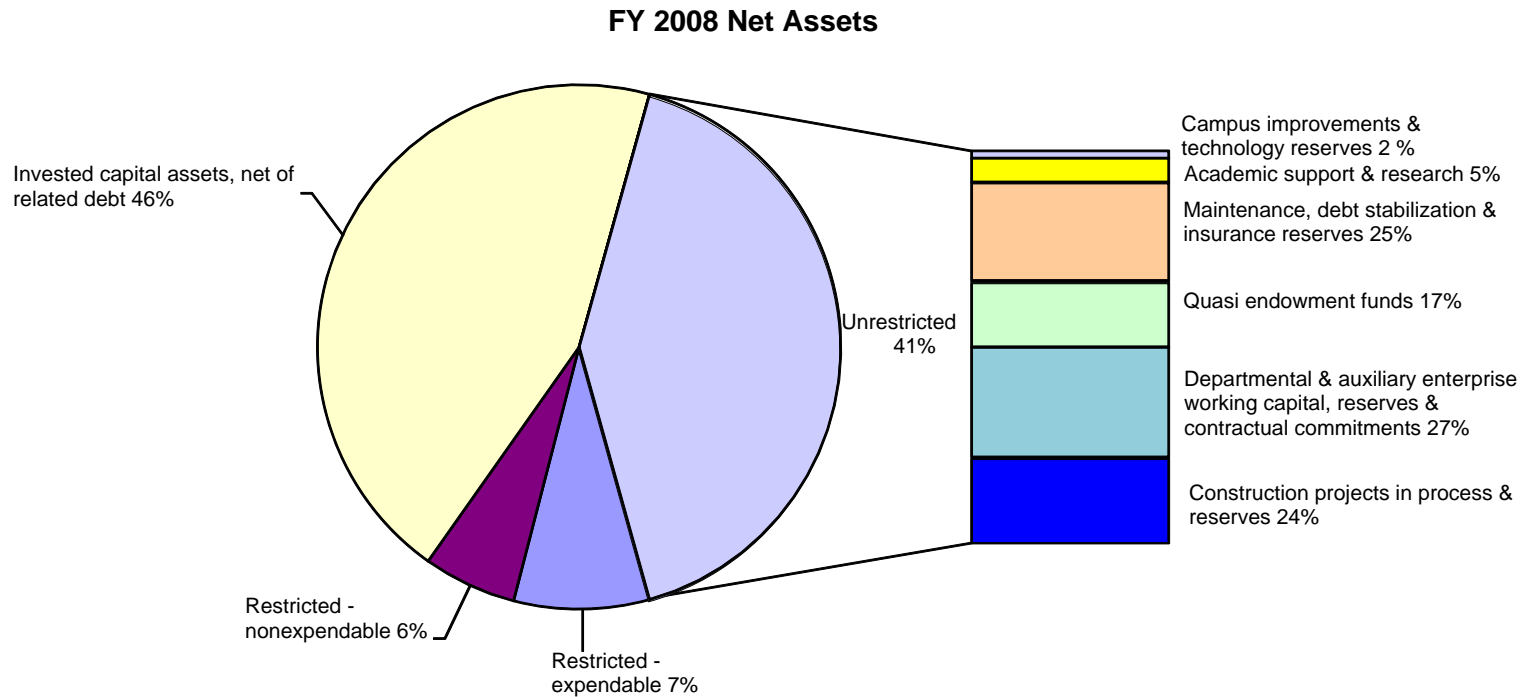
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Nonexpendable endowment funds	\$ 27.3	\$ 25.3	\$ 22.4
Expendable scholarship and research funds	22.8	26.8	20.9
Expendable loan funds	1.3	1.3	1.4
Expendable gifts, including pledges	9.2	8.6	8.2
TOTAL RESTRICTED NET ASSETS	\$ <u>60.6</u>	\$ <u>62.0</u>	\$ <u>52.9</u>

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the university, such as donors or grant agencies. This includes funds that have been designated by the governing board for specific purposes as well as amounts that have been contractually committed for goods and services, which have not yet been received. Approximately \$79.3 million of the unrestricted net assets at June 30, 2008, and \$82.8 million at June 30, 2007, relate to capital projects, which are in various stages of planning and completion. Another \$24.8 million at June 30, 2008 and \$19.9 million at June 30, 2007, relate to debt stabilization and insurance reserves. Also included, are contractual commitments and normal working capital balances maintained for departmental and auxiliary enterprise activities.

CENTRAL MICHIGAN UNIVERSITY

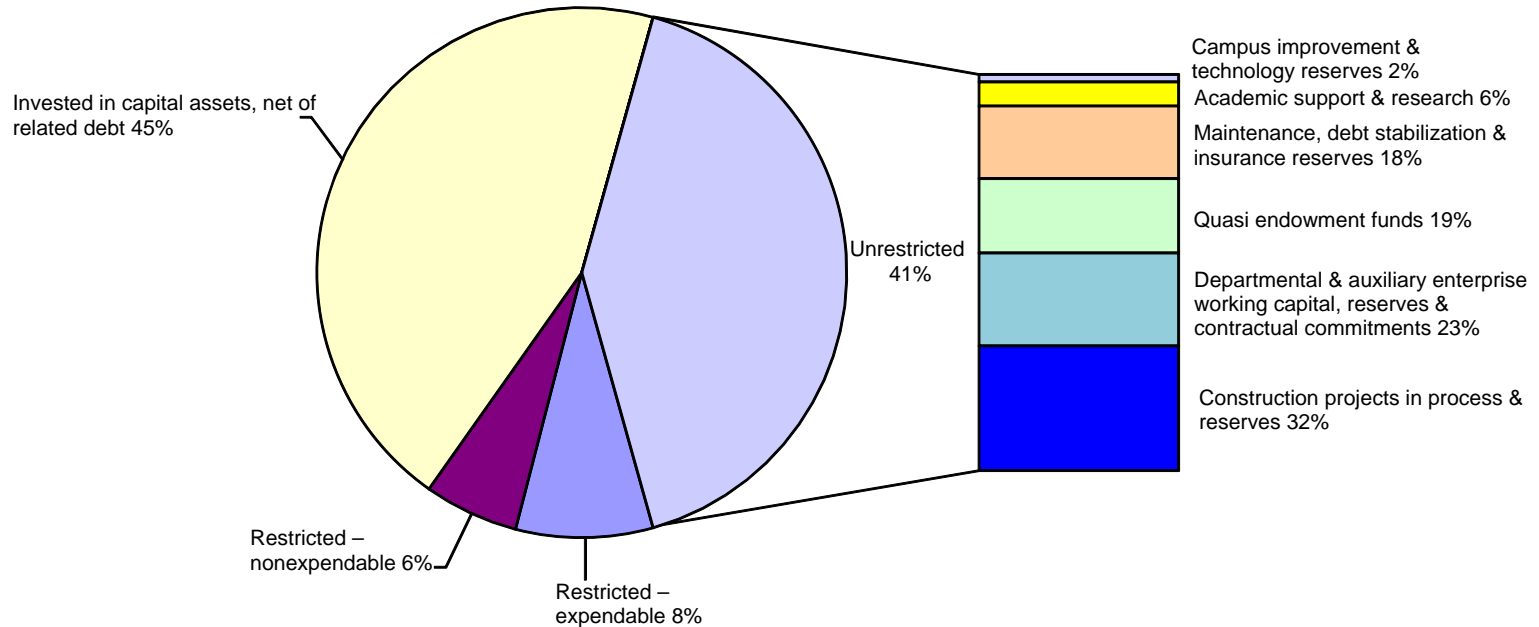
The following is a breakdown of the unrestricted net assets (shown in millions):

	2008	2007	2006
Maintenance, debt stabilization and insurance reserves	\$ 46.7	\$ 33.1	\$ 28.2
Construction projects in process and reserves	45.0	57.5	45.6
Campus improvement and technology reserves	3.4	3.8	4.0
Departmental and auxiliary enterprise working capital, reserves and contractual commitments	50.0	42.6	39.0
Quasi endowment funds (includes market decreases approximating \$4.9 million from FY07 to FY08)	31.7	34.0	28.5
Academic support and research	10.2	10.8	10.4
TOTAL UNRESTRICTED NET ASSETS	\$ 187.0	\$ 181.8	\$ 155.7



CENTRAL MICHIGAN UNIVERSITY

FY 2007 Net Assets



Fiscal year 2008 compared to 2007

The decrease in construction projects in process and reserves relates primarily to the completion of the CMU funded portion of the Education Building project and less available funds in the capital pool at June 30, 2008. Maintenance, debt stabilization and insurance reserves increased for capital emergencies and future expansion.

Quasi endowments decreased, primarily due to an unfavorable fluctuation in the market value of investments offset by investment income.

Fiscal year 2007 compared to 2006

The increase in construction projects in process and reserves related primarily to the continued funding for the new Education Building including furnishings and equipment, Satellite Energy Facility, campus wireless network, funding for other smaller capital projects, and reserves for capital emergencies.

The increase in quasi endowments was primarily due to a favorable fluctuation in the market value of investments and investment income.

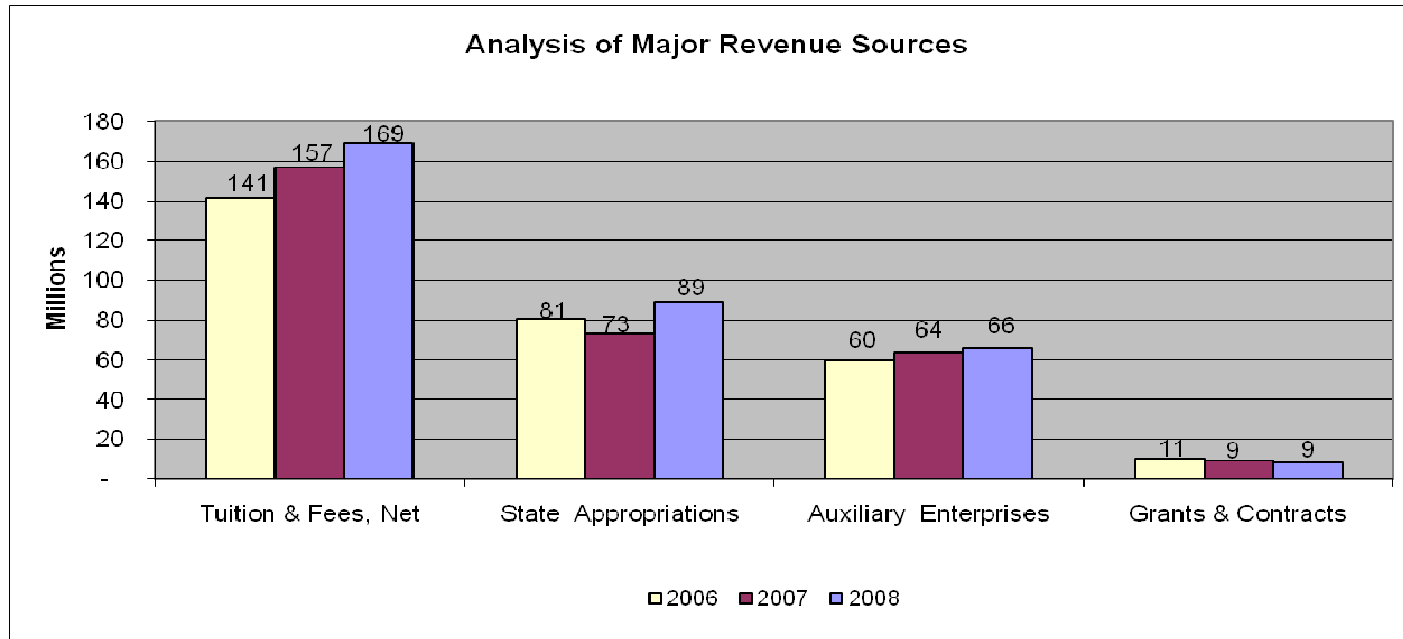
CENTRAL MICHIGAN UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS present the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. A summarized comparison of the university's revenues, expenses and changes in net assets (shown in millions) for the years ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
OPERATING REVENUES			
Tuition and fees, net	\$ 168.8	\$ 156.9	\$ 141.5
Grants and contracts	8.5	9.3	10.8
Auxiliary enterprises, net	66.2	64.0	59.7
Other operating revenues	16.0	15.3	13.2
TOTAL OPERATING REVENUES	<u>259.5</u>	<u>245.5</u>	<u>225.2</u>
OPERATING EXPENSES	<u>347.8</u>	<u>325.3</u>	<u>308.3</u>
OPERATING LOSS	(88.3)	(79.8)	(83.1)
NONOPERATING REVENUES (EXPENSES)			
State appropriations*	89.4	72.7	80.7
Other non-operating income	18.8	45.7	30.7
Interest on debt	(8.6)	(9.5)	(7.0)
NET NONOPERATING REVENUES	<u>99.6</u>	<u>108.9</u>	<u>104.4</u>
INCOME BEFORE OTHER REVENUES	11.3	29.1	21.3
Capital appropriations	2.7		1.1
Capital grants and gifts	2.1	7.0	4.1
Additions to permanent endowments	1.8	2.6	1.9
TOTAL OTHER REVENUES	<u>6.6</u>	<u>9.6</u>	<u>7.1</u>
INCREASE IN NET ASSETS	17.9	38.7	28.4
NET ASSETS			
NET ASSETS AT BEGINNING OF YEAR	<u>439.6</u>	<u>400.9</u>	<u>372.5</u>
NET ASSETS AT END OF YEAR	<u>\$ 457.5</u>	<u>\$ 439.6</u>	<u>\$ 400.9</u>

*Fiscal year 2008 amount includes the delayed payment of \$7.5 million from fiscal year 2007.

CENTRAL MICHIGAN UNIVERSITY



OPERATING REVENUES for the fiscal years ended June 30, 2008, 2007, and 2006 totaled \$259.5 million, \$245.5 million and \$225.2 million, respectively. Gross tuition and fees for fiscal years ended June 30, 2008, 2007, and 2006 were \$186.8 million, \$171.8 million and \$156.3 million, respectively. Scholarship allowances for fiscal years ended June 30, 2008, 2007, and 2006 were \$18.0 million, \$14.9 million and \$14.8 million, respectively.

Fiscal year 2008 compared to 2007

Tuition and fees, before scholarship allowance, increased by \$15 million. This increase relates primarily to the CMU Promise guaranteed tuition plan. Academic year 2008 is the final year for incoming students to qualify for the CMU Promise guaranteed tuition plan.

State appropriations increased \$16.7 million, primarily as a result of the university receiving the August 2007 delayed payment from the State of Michigan in fiscal year 2008.

Auxiliary enterprise operating revenues, before room and board discount, increased \$2.7 million. Auxiliary enterprises include residence halls, apartments, food services, intercollegiate athletics, university bookstore, university press, parking services, energy facility and telecommunications. They are intended to be self-supporting.

Residence Life revenue increased by \$1.4 million. University center revenue increased \$1.6 million. Energy Facility revenue increased \$1.1 million. Telecommunication revenue decreased \$0.3 million.

CENTRAL MICHIGAN UNIVERSITY

Fiscal year 2007 compared to 2006

Tuition and fees, before the scholarship allowance, increased by \$15.5 million. This increase related primarily to the CMU Promise guaranteed tuition plan. Under the CMU Promise, the annual undergraduate tuition rates for new in-state and out-of-state students were fixed. These per-credit-hour rates were guaranteed not to increase for four years, with a one-year grace period automatically extending the promise period to five years. All former mandatory fees were eliminated.

State appropriations decreased \$8 million, primarily as a result of a base reduction and a delayed payment of \$7.5 million from the State of Michigan.

Auxiliary enterprise operating revenues, before room and board discount, increased \$4 million. Auxiliary enterprises include residence halls, apartments, food services, intercollegiate athletics, university bookstore, university press, parking services, energy facility and telecommunications. They are intended to be self-supporting.

Residence Life revenue increased \$2.2 million. Athletics revenue increased \$1.4 million. University Center revenue increased \$2.4 million. Energy Facility revenue increased \$2.2 million. Telecommunications revenue increased \$0.7 million. Parking Services revenue decreased \$0.2 million. Pooled investment income allocated to Residence Services increased \$0.5 million.

Analysis of Grants and Contracts

Grants and Contracts include all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions. Non-exchange revenues are recorded when received or when eligibility criteria has been met.

Fiscal year 2008 compared to 2007

There was a decrease in federal sources of \$0.2 million. There was a decrease in the state sources of \$0.3 million. Awards from other non-governmental sources decreased by \$0.3 million.

Fiscal year 2007 compared to 2006

The decrease in federal sources of \$0.6 million was primarily attributed to fewer Department of Education awards.

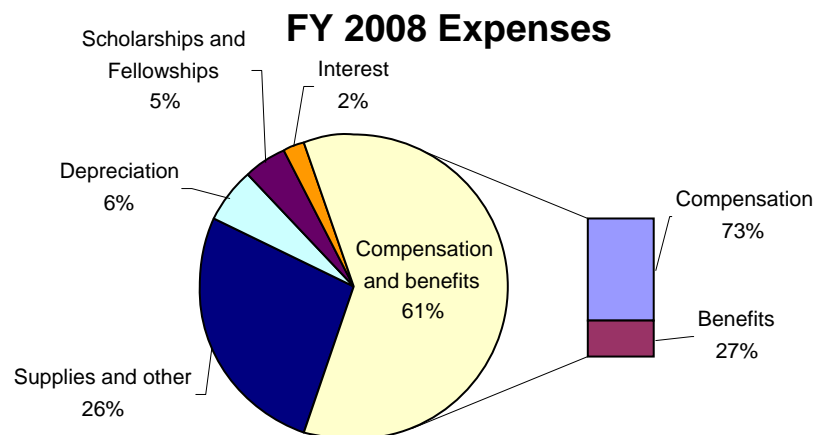
The decrease in state sources of \$1 million was attributed to \$0.5 million fewer Department of Education awards and \$0.5 million fewer awards from other state agencies.

CENTRAL MICHIGAN UNIVERSITY

OPERATING EXPENSES include compensation and benefits, scholarships and fellowships, utilities, supplies and depreciation. Interest expense is classified as a non-operating expense.

A comparative summary of the university's expenses for the years ended June 30 is as follows (shown in millions):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating			
Compensation and benefits	\$ 216.4	\$ 204.3	\$ 189.8
Supplies and other	93.5	85.5	85.7
Depreciation	21.1	19.4	18.5
Scholarships and fellowships	16.8	16.1	14.3
Total Operating Expenses	<u>347.8</u>	<u>325.3</u>	<u>308.3</u>
Non-Operating			
Interest	8.6	9.5	7.0
Total Expenses	<u>\$ 356.4</u>	<u>\$ 334.8</u>	<u>\$ 315.3</u>



Fiscal year 2008 compared to 2007

Compensation and benefit expenses increased \$12.1 million. Of this increase, compensation increased 5.2% as a result of annual increases, market adjustments, the filling of vacant positions and new positions. The related employee benefits increased 7.8%, reflecting a rise in health care and other benefit costs.

Supplies and other, including cost of goods sold, increased \$8 million as a result of inflation, increased cost of goods sold, network upgrade timing issues, expenditure credits in the prior fiscal year, and various other immaterial increases.

Fiscal year 2007 compared to 2006

Compensation and benefit expenses increased \$14.5 million. Of this increase, compensation increased 5.9%, as a result of annual increases, market adjustments, the filling of vacant positions, and new positions, primarily faculty. The related employee benefits increased 12.8%, reflecting a rise in health care and other benefit costs.

Supplies and other decreased \$0.2 million net of an increase in utility cost of \$1.2 million.

CENTRAL MICHIGAN UNIVERSITY

A comparative summary of the university's expenses by functional classification (shown in millions) for the years ended June 30 is as follows:

	2008		2007		2006	
Instruction	\$ 133.6	38%	\$ 128.6	38%	\$ 119.1	38%
Research	4.6	1	4.8	2	4.8	2
Public service	17.0	5	15.9	5	15.7	5
Academic support	25.9	7	25.3	8	23.6	7
Student services	17.3	5	16.8	5	15.6	5
Institutional support	30.4	9	26.3	8	23.7	8
Scholarships and fellowships	15.2	4	15.1	4	14.2	4
Operation and maintenance of plant	18.5	5	13.7	4	16.9	5
Auxiliary enterprises	61.7	17	57.8	17	55.4	18
Student loan provision, cancellations	0.1	-	0.1	-	-	-
Depreciation	21.1	6	19.4	6	18.5	6
Other	2.4	1	1.5	-	0.8	-
Interest expense	8.6	2	9.5	3	7.0	2
Total Expenses by Function	\$ 356.4	100%	\$ 334.8	100%	\$ 315.3	100%

NON-OPERATING REVENUES (EXPENSES) consist of state appropriations, gifts and pledges net of allowance, investment income including realized gains and losses, and other non-operating revenues less interest on debt-financed capital assets.

Fiscal year 2008 compared to 2007

Non-operating revenue decreased \$9.3 million. Investment income, including unrealized gains and losses, decreased \$30.1 million. Gifts and pledges increased \$2.1 million, and state appropriations increased \$16.7 million, partially due to the payment of the August 2007 payment in fiscal year 2008. Other non-operating revenue increased by \$1.1 million, primarily due to an increase in PELL award revenue of \$1.7 million.

Fiscal year 2007 compared to 2006

Non-operating revenue increased \$4.5 million. Investment income, including unrealized gains and losses, increased \$13.1 million. Gifts and pledges increased \$1.3 million. State appropriations decreased \$8 million, primarily due to a delay in the August 2007 payment. The non-operating revenue increase was offset by an increase of \$2.5 million in interest on debt-financed capital assets.

OTHER REVENUES consist of capital appropriations received from the State Building Authority of Michigan, capital grants and gifts, including pledges and additions to permanent endowments. A gift received by the university, where a donor has specified that only the investment earnings from that gift can be expended for the purpose designated by the donor, is classified as a permanent endowment. The principal cannot be expended. Endowment gifts do not include pledges.

CENTRAL MICHIGAN UNIVERSITY

Fiscal year 2008 compared to 2007

Other revenue decreased by \$3 million. Capital appropriations increased by \$2.7 million. Capital grants, gifts, and pledges decreased by \$4.9 million. Additions to permanent endowments decreased by \$0.8 million.

Fiscal year 2007 compared to 2006

Other revenue increased \$2.5 million. Capital appropriations decreased \$1.1 million. Capital grants, gifts, and pledges increased \$2.9 million. Additions to permanent endowments increased \$0.7 million.

STATEMENTS OF CASH FLOWS present the information related to cash inflows and outflows summarized by operating, capital and noncapital financing and investing activities. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the university during the year. A comparative summary of the statements of cash flows (shown in millions) for the years ended June 30 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash received from operations	\$ 260.5	\$ 244.7	\$ 225.3
Cash expended for operations	(325.3)	(302.8)	(291.6)
NET CASH USED BY OPERATING ACTIVITIES	<u>(64.8)</u>	<u>(58.1)</u>	<u>(66.3)</u>
Net cash provided by noncapital financing activities	103.2	101.4	97.6
Net cash used by capital financing activities	(45.9)	(57.7)	(14.9)
Net cash provided (used) by investing activities	<u>(9.8)</u>	<u>3.7</u>	<u>(28.3)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(17.3)</u>	<u>(10.7)</u>	<u>(11.9)</u>
Cash and cash equivalents, beginning of the year	<u>34.5</u>	<u>45.2</u>	<u>57.1</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 17.2</u>	<u>\$ 34.5</u>	<u>\$ 45.2</u>

Fiscal year 2008 compared to 2007

Cash received from operations is up \$15.8 million. The change reflects an increase of \$18.3 million from tuition and course fees, a decrease of \$0.7 million from grants and contracts and a decrease of \$1.8 million from Auxiliary and other educational activities.

Cash expended for operations is up \$22.5 million. Compensation and benefits increased \$12.2 million. Noncapital operating expenses increased \$8.9 million.

Net cash used for capital financing activities decreased \$11.8 million, due to the completion of construction projects funded from debt issuance proceeds.

Net cash provided (used) by investing activities decreased by \$13.5 million, primarily due to unfavorable market conditions offset by investment income.

CENTRAL MICHIGAN UNIVERSITY

Fiscal year 2007 compared to 2006

Cash received from operations was up \$19.4 million. The change reflected an increase of \$14.7 million from tuition and fees, a decrease of \$1.9 million from grants and contracts and an increase of \$4.8 from auxiliary and other educational activities.

Cash expended for operations was up \$11.2 million. Compensation and benefits increased \$14.7 million. Utilities increased \$1.2 million. Noncapital operating expenses decreased \$4.4 million.

Net cash used for capital financing activities increased by \$42.8 million, due to expenditures on construction projects being funded from prior year debt issuance proceeds.

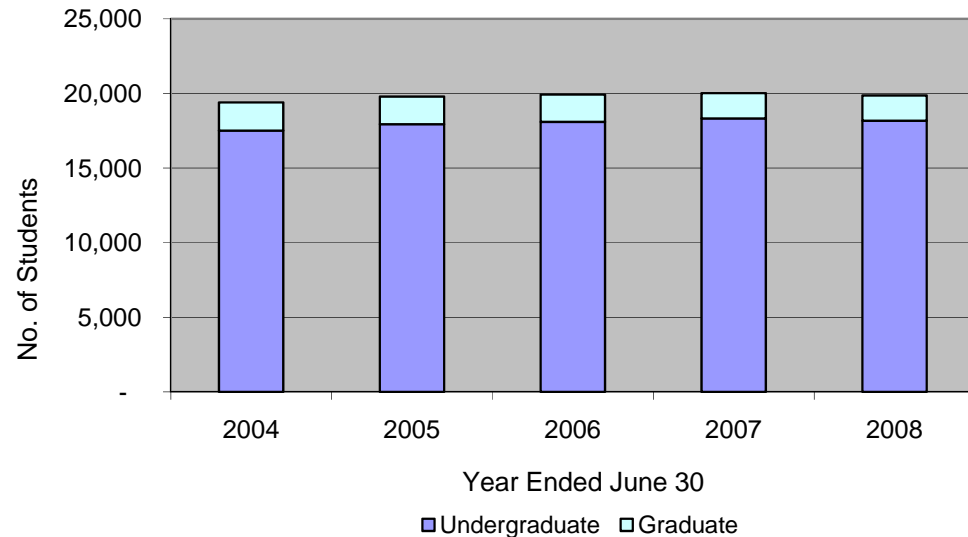
Net cash provided by investing activities changed by \$32 million, primarily due to investment income and an increase in market value and growth in pooled cash.

Enrollment

On-Campus: The following table indicates the total historical on-campus fall enrollment of undergraduate and graduate students for the 2003-04 through 2007-08 academic years. Also indicated are the full-time equivalent students and the total number of on-campus credit hours taken by the students attending the university.

Year Ending June 30	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
2008	18,164	1,703	19,867
2007	18,331	1,694	20,025
2006	18,100	1,817	19,917
2005	17,949	1,843	19,792
2004	17,509	1,893	19,402

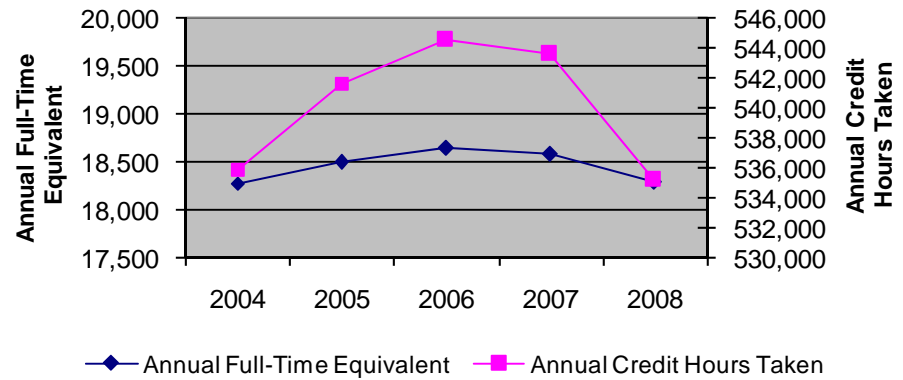
Fall Headcount Enrollment



CENTRAL MICHIGAN UNIVERSITY

Annual Full-Time Equivalent-On Campus

Year Ending June 30	Annual Full-Time Equivalent	Annual Credit Hours Taken
2008	18,273*	535,142*
2007	18,570	543,549
2006	18,633	544,483
2005	18,492	541,598
2004	18,268	535,844



*Numbers are estimates.

Extended Learning Enrollment: The following table indicates the total historical number of credit hours taken by Extended Degree Program and Extended Credit Course students.

Annual Extended Learning Enrollment		
Year Ending June 30	Number of Extended Degree Program Credit Hours	Number of Extended Credit Course Credit Hours
2008	114,088	1,964
2007	117,065	2,735
2006	118,734	2,333
2005	122,241	3,035
2004	130,456	5,598

CENTRAL MICHIGAN UNIVERSITY

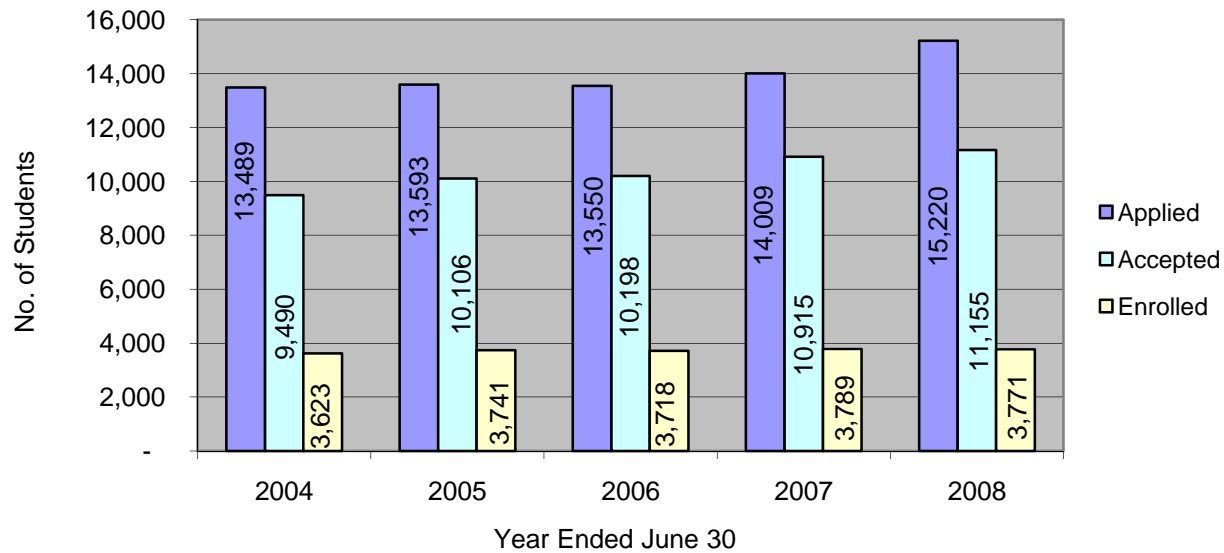
Student Admissions

The table below shows the total number of new freshmen and transfer applications received, the number accepted, and the number who enrolled for the fall semester of fiscal years ending June 30, 2004 through 2008.

Fall Semester First Year Student Admissions

Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2008	15,220	73.3%	11,155	33.8%	3,771
2007	14,009	77.9%	10,915	34.7%	3,789
2006	13,550	75.3%	10,198	36.5%	3,718
2005	13,593	74.3%	10,106	37.0%	3,741
2004	13,489	70.4%	9,490	38.2%	3,623

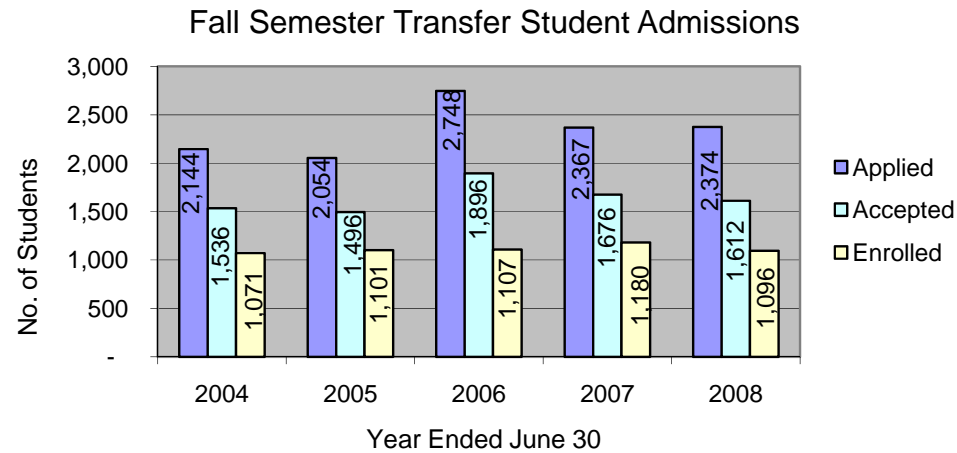
Fall Semester First Year Student Admissions



CENTRAL MICHIGAN UNIVERSITY

Fall Semester Transfer Student Admissions

Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2008	2,374	67.9%	1,612	68.0%	1,096
2007	2,367	70.8%	1,676	70.4%	1,180
2006	2,748	69.0%	1,896	58.4%	1,107
2005	2,054	72.8%	1,496	73.6%	1,101
2004	2,144	71.6%	1,536	69.7%	1,071



Student Tuition Cost per Credit Hour

In the fall of 2005, Central Michigan University introduced a guaranteed undergraduate tuition plan called the CMU Promise. This plan provided fixed annual tuition rates for all in-state and out-of-state undergraduate students, based on date of enrollment and class status, as described below. All formerly mandated fees were rolled into these tuition rates, although certain fees or charges related to specific academic programs and to voluntary purchases of privileges and services were charged. For new students, the CMU Promise offered one unchanging tuition rate based on their date of enrollment for four years, with an additional one-year grace period, if needed, to complete a bachelor's degree. For returning students, a schedule of unchanging prorated tuition rates was used. The schedule was based on the student's number of credit hours completed. In addition, the CMU Promise was not applicable to graduate level courses. All mandatory fees were rolled into the graduate level tuition rates.

CENTRAL MICHIGAN UNIVERSITY

Beginning with the fall 2008 semester, the CMU Promise will no longer be available to new students, transferring students or students coming off the Promise. A new rate of \$324 per credit hour was approved at the July 17, 2008 Board of Trustees meeting for incoming students. The new per credit hour rate will include all mandatory fees.

The board also approved a proposal that will create an upper-level and lower-level tuition rate beginning with the 2010-2011 academic year. The new tuition structure will establish a higher tuition for students who have earned more than 55 credit hours. The higher rate reflects the increased cost of delivering upper-level courses.

The tuition rates for on-campus students for fall 2007 are set forth below and are in effect for, and only for, the number of years stated below:

		Undergraduate Tuition			
		<u>Credits Completed</u>	<u>Years Promised</u>	<u>Years Remaining</u>	<u>2007-08 Rate Per Credit Hour</u>
Michigan Resident					
Cohort T07	New students in 2007/08 academic year		4*	4*	\$ 304
Cohort T06	New students in 2006/07 academic year		3*	3*	251
Cohort T05	New students in 2005/06 academic year or Freshmen with up to 25 credits		2*	2*	213
Cohort T04	Sophomores in Fall 2005 with 26-55 credits		1*	1*	211
Cohort T03	Juniors in Fall 2005 with 56-85 credits		*	*	210
Out-of State Resident					
Cohort T07	New students in 2007/08 academic year		4*	4*	\$ 707
Cohort T06	New students in 2006/07 academic year		3*	3*	584
Cohort T05	New students in 2005/06 academic year or Freshmen with up to 25 credits		2*	2*	495
Cohort T04	Sophomores in Fall 2005 with 26-55 credits		1*	1*	491
Cohort T03	Juniors in Fall 2005 with 56-85 credits		*	*	487
Credit-by-examination					\$ 40

*One additional year at the same tuition rate is available, if needed, to complete a bachelor's degree.

CENTRAL MICHIGAN UNIVERSITY

Prior to the fall 2005 enrollment, student tuition was based on the number of credit hours taken. The student tuition rate for on-campus students, for the academic years indicated, are set forth below:

<u>Student Classification</u>	<u>Student Cost Per Credit Hour</u>				
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Undergraduate, resident	\$ *	\$ *	\$ *	\$ 153.65	\$ 148.75
Undergraduate, nonresident	*	*	*	390.40	379.75
Graduate, resident	388.00	366.00	283.00**	205.65	200.05
Graduate, nonresident	719.00	678.00	524.00**	408.55	397.40
Doctoral, resident	441.00	416.00	322.00**	222.40	216.35
Doctoral, nonresident	798.00	753.00	582.00**	441.10	429.10

*See preceding table of undergraduate tuition rates provided by the CMU Promise, which became effective for the fall 2005 enrollment.

**In December 2005, the Board approved new graduate tuition rates. The new rates were effective for the spring 2006 semester as follows: The graduate resident rate is \$325 per credit hour, the graduate nonresident rate is \$603 per credit hour, the doctoral resident rate is \$370 per credit hour, and the doctoral nonresident rate is \$669 per credit hour.

A full-time undergraduate student intending to graduate in four years takes an average of 15 credit hours per semester and a full-time graduate student in a one-year graduate program takes an average of 12 credit hours per semester. The following table sets forth the annual student tuition and fees for such full time on-campus students for the academic years indicated.

<u>Student Classification</u>	<u>Annual Full-Time Tuition and Fees</u>				
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Undergraduate, resident	\$ 6,985*	\$ 6,638*	\$ 6,130*	\$ 5,375	\$ 5,228
Undergraduate, nonresident	16,230*	15,428*	14,291*	12,477	12,158
Graduate, resident	9,312	8,784	6,792	5,701	5,566
Graduate, nonresident	17,256	16,272	12,576	10,570	10,303

*Average tuition and fees under the CMU Promise are based on 30 hours per year. Note that all mandatory fees have been included in the CMU Promise tuition rates beginning with fiscal year 2005-06. Annual full-time tuition and fees for fiscal year 2005-06 was weighted by semester credit hours.

CENTRAL MICHIGAN UNIVERSITY

Registration or enrollment fees formerly totaled \$160 annually. Students carrying seven credit hours or more paid a \$100 per year student activity center fee and a \$50 campus-programming fee. In 1996-97, the university began assessing a technology fee as follows: Students carrying six credit hours or less paid \$110 annually, and students carrying seven credit hours or more paid \$220. In 2000-01, a campus improvement fee was implemented, which was \$75 annually. In 2001-02, a library fee was instituted, which was \$150 annually. In 2003-04, a student publication fee was implemented, which was \$10 annually. As described above, starting in fall 2005, all mandatory fees were rolled into tuition under the CMU Promise.

Room and Board and Estimated Total Cost

In addition to the CMU Promise that guarantees tuition rates, Central Michigan University also offered a guarantee on room and board rates. This agreement guaranteed room and board rates would not increase for a two-year period.

The annual cost of room and board and the estimated total cost for two semesters for a resident undergraduate student for the academic years indicated are set forth below:

Year Ending June 30	<u>Annual Room and Board and Estimated Total Costs – New Students</u>			<u>Annual Room and Board and Estimated Total Costs – Returning Students Average</u>		
	Room and Board	Estimated Tuition, Fees, Books and Miscellaneous	Estimated Total Costs	Room and Board	Estimated Tuition, Fees, Books and Miscellaneous	Estimated Total Costs
2008	\$ 7,236	\$ 11,785*	\$ 19,021	\$ 7,236	\$ 9,303*	\$ 16,539
2007	6,824	10,576*	17,400	6,824	8,980*	15,804
2006	6,376	8,645*	15,021	6,376	8,550*	14,926
2005	6,160	7,865	14,025	6,160	7,865	14,025
2004	5,924	7,718	13,642	5,924	7,718	13,642

*Based on new student tuition at 30 credit hours per year.

Extended Learning

The student tuition for the University's Extended Credit Courses and Extended Degree Programs for the academic years are set forth below:

<u>Student Classification</u>	<u>Extended Learning Student Tuition Per Credit Hour</u>				
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Educational Degree Program-Undergraduate	\$ 309	\$ 286	\$ 265	\$ 230	\$ 215
Educational Degree Program-Graduate	403	373	345	300	280
Educational Certification Courses-Undergraduate	309	286	265	230	215
Educational Certification Courses-Graduate	403	373	345	300	280

CENTRAL MICHIGAN UNIVERSITY

Bonds Payable

At June 30, 2008, the university had outstanding general revenue bonds totaling \$172.3 million. This represents 66% of the university's total liabilities.

State Building Authority

The university has lease agreements with the State Building Authority (SBA) and the State of Michigan for the Park Library, Music Building, Dow Science II Building and the Health Professions Building. See Note D to the financial statements.

Operating and Capital Budget

The university's Board of Trustees approved the operating budget for fiscal year 2009 and capital budgets for fiscal years 2008-2011 totaling \$380.3 million and \$72.8 million respectively. The general fund expense budget increased from \$274 million to \$292.1 million. The \$292.1 million balanced budget includes increased costs for employee salaries, health care insurance, and other necessary costs.

The approved capital budget for fiscal year 2008-2009 is \$35.7 million. The sources of funds available for capital needs are parking service revenues, auxiliary service revenues, general operating revenue and certain capital construction reserves. During fiscal year 2008, the university expended approximately \$32.0 million on plant related projects. Of this amount, \$2.7 million was funded by the State of Michigan State Building Authority, \$6.5 million was funded with bond funds, and \$22.8 million was funded by the university.

The university's four-year capital budget includes both new projects as well as major projects in process from 2008 through 2012. The budget covers the Education Building; along with other miscellaneous projects totaling \$72.8 million.

In 1997, the university conducted a detailed audit of each building for deferred maintenance needs. The audit was updated in 2001. Beginning in 1998-99, significant funding has been dedicated to addressing those needs. A fifteen-year plan was approved. Funding will be from a variety of available sources, including the capital budget, general revenues and auxiliary revenues.

Factors Impacting Future Periods

The level of state support, compensation and benefit increases, and student tuition and fee increases impact the university's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. The university State appropriation is \$8 million below its appropriation of six years ago. State appropriation contributes approximately twenty-eight percent of general operations revenue not including grant, contract and auxiliary revenues. The university appropriation reduction is increased by a required supplemental contribution to MPSERS for retiree health care benefits.

CENTRAL MICHIGAN UNIVERSITY

The CMU Promise

Beginning with the fall 2008 semester, the CMU Promise will no longer be available to new undergraduate students. The CMU Promise program began in the fall 2005 semester with fixed annual tuition rates for all in-state and out-of-state undergraduate students. The per-credit hour rates for incoming freshmen registering through the summer 2008 session are guaranteed not to increase for four years, with a one-year grace period. All formerly mandated fees were rolled into these tuition rates. In fiscal year 2009, more than 70 percent of CMU's student body will be covered by The Promise and will continue to pay the same tuition that it has in the past.

The CMU Promise guarantees to returning students that the room and board rate for residence halls will not increase for fiscal year 2009. New students will pay the fiscal year 2009 room and board rate.

New incoming students, including transferring students, and those students coming off The CMU Promise will pay the new fall tuition rates with no guarantees related to future tuition.

Convenience Fee Program

As part of CMU's budget reduction plan, the university has contracted with a third-party payment processor to assess a convenience fee of 2.75 percent of the payment amount on credit card payments for on-campus student accounts beginning July 1, 2008. There will not be a convenience fee for online electronic check payments. Due to limitations imposed by Visa, Visa credit card payments will no longer be accepted for payments made on student accounts. MasterCard, Discover, and American Express will continue to be accepted. Beginning July 1, 2008, credit card payments must be made via the internet at portal.cmich.edu.

CMU Money Card Program

CMU has teamed up with Money Network to offer students and staff a new and convenient service by having all of their refunds and paychecks go directly to one card: the new CMU Money Card. This is a new program, which will go into effect beginning fall semester 2008. Students and staff will continue to have the Direct Deposit option as well. The goal of these new programs is to reduce printing refund and payroll checks.

Deferred Maintenance

The university completes an annual review of the priority needs and requirements for deferred maintenance, technology, renovations and new construction projects. This comprehensive review allows for systematic prioritization on an institutional basis. Priorities are established, based on anticipated future funding, with maintenance related projects having priority over new initiatives.

CENTRAL MICHIGAN UNIVERSITY

Capital Projects

The sources of funds available for the capital needs are state capital outlay, bonds, gifts, the parking services operating budget, the residences and auxiliary services operating budget, the general fund operating budget and other miscellaneous funding sources. The internal sources are pooled and distributed through a formal approval process. Restricted dollars are maintained separate from the internal sources.

Anticipated restricted revenue sources for the 2008-2009 capital projects are bond proceeds, State Building Authority Funds, grants and gifts. The following projects are in various stages of construction or review:

Satellite Energy Facility

Construction of the Satellite Energy Facility began in May 2006 and the facility is now in service. Sources of funds for this project came from internal general funds and part of the 2006 bond issue for a total project cost of \$23.5 million dollars.



Satellite Energy Facility

CENTRAL MICHIGAN UNIVERSITY

Education Building

The Education Building construction began in May 2007. At nearly 135,000 square feet, the new Education Building will be featured prominently in the heart of CMU's 800-acre campus. Opening of the building is projected for summer 2009. Sources of funds include the 2006 bond issue, along with internal general funds and state capital outlay funds, for a total project cost of \$50 million dollars.



The Education Building and Learning Garden

CENTRAL MICHIGAN UNIVERSITY

Education Building—Continued



Laying the foundation



Beginning construction



Construction continues



Northwest side

CENTRAL MICHIGAN UNIVERSITY

Botanical Garden

The Botanical Garden project, to be completely funded by donors, was approved in February 2008. The garden will be planted and constructed in stages. The first stage will begin in fall 2008. The botanical gardens will enhance educational opportunities for CMU students and include:

- * Native Plants and Natural Communities Gardens – emphasizing the rich diversity of Michigan’s natural flora.
- * Children’s Garden – highlighting the senses by allowing children to watch, taste, and learn about what it takes to make edible plants, such as raspberries and tomatoes, grow in mid-Michigan.
- * Landscape Demonstration Gardens – featuring ornamental plants and landscape features including an outdoor pavilion, geology display, babbling brook and waterfall.
- * Plants and Society Gardens – introducing, educating, and heightening awareness of the interaction of plants with the earth and society.



Master Plan



Meadow Border



Plants and Society

CENTRAL MICHIGAN UNIVERSITY

Ronan Hall

The Ronan Hall renovation has been increased to a \$3.6 million dollar project with construction scheduled to begin in May 2009. Sources of funds for this project will come from capital construction reserves, gifts and grants, and university reserves.



Ronan Hall

Bovee University Center

The Bovee University Center renovation is a \$5 million dollar project. The overall objective is to improve student use of the center and increase dedicated student space in the building. The design phase began in May 2008. The construction phase is scheduled to begin in February 2010 with a completion date of December 2010. Sources of funds for this project will come from capital construction reserves, gifts and grants, and university reserves.



Bovee University Center

CENTRAL MICHIGAN UNIVERSITY

Events Center

The Events Center planning and design phase has been approved for \$2.1 million. The project would involve expansion and renovation of Rose Center. The facility would be used for a variety of university and community related activities such as commencement activities, athletic programs, special events, concerts, receptions, and exhibits.

The privately funded project will include a completely redesigned angular exterior and bright glazed-glass entrance, 10,000 square-foot lobby and reception area, redesigned arena with upgraded comfortable seating for 5,300 people and a new 12,000 square-foot practice facility.



Proposed Events Center



Lobby Area



Event Seating

CENTRAL MICHIGAN UNIVERSITY

CMU 2010 Strategic Plan

In May 2004, President Rao set in motion the charge to establish a steering committee to lead a planning process that would result in a set of key elements and measurable objectives centered on the university vision statement. CMU 2010 is Central Michigan University's strategic plan for achieving its vision. Since its adoption, CMU has been working to align individual unit and department strategies and initiatives with the priorities identified in CMU 2010. The vision embodied in this plan is for CMU to achieve national prominence in the areas of integrity, academic excellence, research and creative activity, and public service. CMU's leadership, including the Trustees and President, are united in support of the strategic direction toward prominence and in distinguishing CMU from other Michigan institutions.

The CMU 2010 Communication Committee, in an attempt to reach out and spread awareness of the strategic plan to CMU students, is generating an addendum to the current communication plan. The plan is aimed specifically at engaging students. The implementation of the plan will begin in fall 2008, creating a CMU 2010 presence at some of the welcome activities, potential involvement of the student body leadership and media to get students excited about CMU 2010 and beyond.

University Committees

Various committees and individuals continually assess the university's performance toward identified goals, use of energy resources and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future financial challenges.



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

Board of Trustees
Central Michigan University
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of Central Michigan University, a component unit of the State of Michigan, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 financial statements referred to above present fairly, in all material respects, the financial position of Central Michigan University as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008 on our consideration of Central Michigan University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 1 to 28 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Central Michigan University taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Andrews Hooper & Pavlik P.L.C.

Saginaw, Michigan
August 29, 2008

**CENTRAL MICHIGAN UNIVERSITY
STATEMENTS OF NET ASSETS**

	JUNE 30	
	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note B)	\$ 17,165,959	\$ 27,730,750
Accounts receivable, net (Note C)	18,488,291	18,273,358
State appropriations receivable, SBA (Note C)	2,654,383	
State appropriations receivable, operations (Note C)	14,898,381	6,435,390
State appropriations receivable, charter schools (Note C)	36,905,921	36,178,230
Inventories	5,465,358	5,158,207
Other assets	684,430	623,416
TOTAL CURRENT ASSETS	<u>96,262,723</u>	<u>94,399,351</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents (Note B)	5,429	6,790,603
Endowment investments (Note B)	76,868,395	82,421,949
Loans receivable, net (Note C)	8,690,856	8,372,733
Other long-term investments (Note B)	153,118,117	139,451,914
Capital assets, net (Note D)	<u>382,280,312</u>	<u>369,954,487</u>
TOTAL NONCURRENT ASSETS	<u>620,963,109</u>	<u>606,991,686</u>
TOTAL ASSETS	<u>717,225,832</u>	<u>701,391,037</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note E)	57,096,067	56,540,427
Deferred revenue	11,697,617	10,786,092
Deposits	688,945	719,035
Current portion of debt obligations (Note F)	<u>6,585,000</u>	<u>6,315,000</u>
TOTAL CURRENT LIABILITIES	<u>76,067,629</u>	<u>74,360,554</u>
NONCURRENT LIABILITIES:		
Long-term debt and other obligations (Note F)	<u>183,677,649</u>	<u>187,475,986</u>
TOTAL NONCURRENT LIABILITIES	<u>183,677,649</u>	<u>187,475,986</u>
TOTAL LIABILITIES	<u>259,745,278</u>	<u>261,836,540</u>
NET ASSETS:		
Invested in capital assets, net of related debt	209,953,312	195,824,182
Restricted for:		
Nonexpendable		
Scholarships, fellowships and research	27,267,638	25,265,512
Expendable		
Scholarships, fellowships and research	22,791,133	26,802,280
Instructional department uses	5,283,455	4,572,394
Loans	1,272,574	1,312,157
Capital projects and debt service	3,896,702	3,977,706
Unrestricted	<u>187,015,740</u>	<u>181,800,266</u>
TOTAL NET ASSETS	<u>\$ 457,480,554</u>	<u>\$ 439,554,497</u>

See notes to financial statements.

CENTRAL MICHIGAN UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	YEAR ENDED JUNE 30	
	<u>2008</u>	<u>2007</u>
REVENUES		
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$18,029,845 in 2008 and \$14,928,398 in 2007)	\$ 168,801,773	\$ 156,940,098
Federal grants and contracts	4,046,062	4,270,205
State and local grants and contracts	1,756,101	2,080,164
Nongovernmental grants and contracts	2,715,181	3,012,342
Sales and services of educational activities	15,982,169	15,271,236
Auxiliary enterprises (net of room & board allowances of \$4,229,223 in 2008 and \$3,732,099 in 2007)	66,186,174	63,967,981
TOTAL OPERATING REVENUES	<u>259,487,460</u>	<u>245,542,026</u>
EXPENSES		
OPERATING EXPENSES:		
Compensation:		
Faculty	75,271,776	72,081,636
Staff	68,889,094	65,287,577
Benefits	59,117,429	54,857,168
Student	13,139,283	12,135,784
Scholarships and fellowships	16,725,138	16,071,229
Utilities	9,210,139	9,325,059
Supplies and other	84,296,534	76,149,607
Depreciation	21,098,421	19,448,757
TOTAL OPERATING EXPENSES	<u>347,747,814</u>	<u>325,356,817</u>
OPERATING LOSS	(88,260,354)	(79,814,791)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	89,429,789	72,670,973
Gifts and pledges net of allowance	7,282,875	5,177,717
Investment income (net of investment expense)	(1,746,075)	28,394,660
Interest on capital assets related debt	(8,582,482)	(9,519,662)
Other nonoperating revenues	13,238,959	12,145,200
NET NONOPERATING REVENUES	<u>99,623,066</u>	<u>108,868,888</u>
INCOME BEFORE OTHER REVENUES	11,362,712	29,054,097
Capital appropriations	2,657,171	
Capital grants and gifts	2,078,130	6,986,836
Additions to permanent endowments	1,828,044	2,609,299
TOTAL OTHER REVENUES	<u>6,563,345</u>	<u>9,596,135</u>
INCREASE IN NET ASSETS	17,926,057	38,650,232
NET ASSETS		
NET ASSETS AT BEGINNING OF YEAR	<u>439,554,497</u>	<u>400,904,265</u>
NET ASSETS AT END OF YEAR	<u>\$ 457,480,554</u>	<u>\$ 439,554,497</u>

See notes to financial statements.

**CENTRAL MICHIGAN UNIVERSITY
STATEMENTS OF CASH FLOWS-DIRECT METHOD**

	YEAR ENDED JUNE 30	
	<u>2008</u>	<u>2007</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 174,128,515	\$ 155,741,638
Grants and contracts	8,583,989	9,252,608
Payments to suppliers	(82,083,804)	(71,473,422)
Payments for utilities	(9,210,139)	(9,325,059)
Payments to employees	(157,260,047)	(149,368,327)
Payments for benefits	(58,732,070)	(54,456,249)
Payments for scholarships and fellowships	(16,725,138)	(16,071,229)
Loans issued to students	(333,699)	(369,032)
Collection of loans to students	(103,173)	218,567
Auxiliary activities	61,921,761	64,423,207
Sales and services of educational activities	15,841,408	15,095,883
Other payments	<u>(811,973)</u>	<u>(1,764,791)</u>
NET CASH USED BY OPERATING ACTIVITIES	(64,784,370)	(58,096,206)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	80,966,798	81,794,983
William D. Ford direct lending receipts	109,813,442	100,254,279
William D. Ford direct lending disbursements	(109,813,442)	(100,254,653)
PLUS loan receipts	19,225,670	16,459,303
PLUS loan disbursements	(19,225,670)	(16,459,303)
Other nonoperating revenue	13,238,959	12,145,574
Gifts for other than capital purposes	7,160,072	4,898,571
Gifts for endowment purposes	<u>1,828,044</u>	<u>2,609,299</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	103,193,873	101,448,053
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	43,460,029	404,879
Capital appropriations	2,788	
Capital grants and gifts received	1,708,167	6,421,838
Reductions of capital assets	343,676	672,118
Purchases of capital assets	(33,767,922)	(50,742,157)
Principal paid on capital debt and leases	(49,065,000)	(4,910,000)
Interest paid on capital debt and leases	<u>(8,582,482)</u>	<u>(9,519,662)</u>
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(45,900,744)	(57,672,984)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	282,103,325	351,140,286
Income on investments, net	(1,746,075)	28,394,660
Purchase of investments	<u>(290,215,974)</u>	<u>(375,845,617)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(9,858,724)	3,689,329
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,349,965)	(10,631,808)
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	34,521,353	45,153,161
CASH AND CASH EQUIVALENTS-END OF THE YEAR	\$ <u>17,171,388</u>	\$ <u>34,521,353</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (88,260,354)	\$ (79,814,791)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	21,098,421	19,448,757
Change in assets and liabilities:		
Receivables, net	(449,858)	(4,434,314)
Inventories	(307,151)	(966,126)
Other assets	(61,014)	804,437
Accounts payable, accrued liabilities and deposits	525,550	5,717,797
Deferred revenue	911,525	390,278
Retirement service award program	1,877,523	666,012
Compensated absences	317,860	242,209
Loans to students	<u>(436,872)</u>	<u>(150,465)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(64,784,370)</u>	\$ <u>(58,096,206)</u>

See notes to financial statements.

CENTRAL MICHIGAN UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared to incorporate all fund groups utilized internally by Central Michigan University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The university follows the "business-type" activities requirements of GASB Statement No. 34. This Statement requires the following components of the university's financial statements:

- Management's Discussion and Analysis
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets and Statement of Cash Flows for the university as a whole
- Notes to the financial statements

This Statement also requires the university to report revenues net of discounts and allowances. Gift and grant revenues are recognized at the later of the pledge date or when the eligibility requirement of the gifts and grants are met. In addition, direct lending is not reported as federal revenue and scholarship expenditures but is instead treated as an agency transaction.

Reporting Entity: Central Michigan University is an institution of higher education and is considered to be a component unit of the State of Michigan because the Governor of the State of Michigan appoints its Board of Trustees. Accordingly, the university is included in the state's financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, appropriations for charter schools, grants from various state agencies, State Building Authority (SBA) revenues and payments to the state retirement program for university employees.

Not reported in the financial statements are two affiliated organizations discussed further in Note L.

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

CENTRAL MICHIGAN UNIVERSITY

NOTE A--SIGNIFICANT ACCOUNTING POLICIES—continued

In accordance with GASB Statement No. 20, the university is required to follow all applicable GASB pronouncements. In addition, the university should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The university has elected not to apply FASB pronouncements issued after November 30, 1989.

Operating revenues of the university consist of tuition and fees, grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities and state appropriations are components of nonoperating income. Restricted and unrestricted resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

Investments: Cash and cash equivalents and marketable securities are stated at fair value.

Physical Properties: Institutional physical properties are stated at cost when purchased and at appraised value for other acquisitions. Building additions and improvements with a cost in excess of \$50,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 and a useful life greater than 1 year is capitalized. Projects initially recorded in construction in progress are either capitalized or expensed when the project is completed depending on the nature of the project and the total cost incurred.

Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property as follows:

<u>Classification</u>	<u>Life</u>
Buildings	40 years
Infrastructure	20 years
Equipment – Digital TV	20 years
Leasehold Improvements	10 years
Land Improvements	8 years
Equipment	8 years
Library Books	8 years
Vehicles	4 years
Software	3–5 years

Inventories: Inventories are primarily stated at actual cost, using the first in first out method.

Revenue Recognition: Revenues are recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended.

Reclassification: Certain fiscal year 2007 balances have been reclassified to conform to the current year presentation.

CENTRAL MICHIGAN UNIVERSITY

NOTE B--CASH AND CASH EQUIVALENTS, ENDOWMENTS AND OTHER LONG-TERM INVESTMENTS

Policy

The university uses the "pooled cash" method of accounting and has retained independent investment managers to handle all of its cash and short-term investments.

Investment policies for cash and cash equivalents, as set forth by the Board of Trustees, authorize the investment managers to invest in commercial paper of companies rated within the highest classification established by not less than two national rating services. Bank certificates of deposit and bankers' acceptances are to be rated within the top two rating classifications by any one national rating service. Foreign bank issues are capped at 10% of the total investment in this category. Investments may also be made in securities of the U.S. Treasury and Federal Agencies, common stock, convertible bonds, convertible preferred stock, time savings accounts and other fixed income securities deemed prudent by the investment managers. The weighted average credit quality is to be no less than A for the short-term investment pool accounts, A for the intermediate-term investment pool accounts, and A for the long-term investment pool accounts. In addition, the minimum acceptable credit quality at the time of purchase for individual securities shall be A for the short-term investment pool accounts and BBB for the intermediate-term and long-term investment pool accounts.

Policies regarding marketable securities in the endowment investments, as set forth by the Board of Trustees, authorize the investment managers to invest in high-grade equities, bonds or other marketable securities. The endowment income spending policy is 4.5% of the 20-quarter rolling average of the market value of the endowment pool. The annual spending income allocation cannot reduce the original gift principal. The spending policy is reviewed periodically by the investment committee, which recommends changes to the Board of Trustees. The net appreciation on investments of donor-restricted endowments available for authorization for expenditure approximates \$32,295,000 at June 30, 2008, and \$39,978,000 at June 30, 2007. The net appreciation is a component of restricted, expendable net assets. The yields of the endowment investments were as follows:

	June 30	
	2008	2007
Interest and Dividends	4.4%	4.8 %
Net Realized and Unrealized Gains	-11.8%	13.8 %
Total Return	<u>-7.4%</u>	<u>18.6 %</u>

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

Credit Risk

The university's investment policy requires that all bond investments have a Standard and Poor's or a Moody's Investors Service rating of A or better. Debt investments held by the university as of June 30, 2008, that mature June 30, 2009, or later, were rated by Moody's with a rating of Aaa. The following tables list the university's investments by category showing the investment's rating and scheduled maturity at June 30, 2008, and June 30, 2007.

CENTRAL MICHIGAN UNIVERSITY

NOTE B--CASH AND CASH EQUIVALENTS, ENDOWMENTS AND OTHER LONG-TERM INVESTMENTS—continued

Investment Type	Rating	Fair Market Value	Investment Maturities (in Years) at June 30, 2008			
			Less Than 1	1 - 5	6 - 10	More Than 10
Investments:						
Government Securities-US Sponsored	Moody's Aaa	\$ 59,137,800	\$ 58,619,108			\$ 518,692
Corporate bonds and notes	Moody's Aaa	1,998,886			\$ 269,529	1,729,357
Bond Mutual funds	Moody's Aaa	98,174,244	98,174,244			
Total Investments		159,310,930	\$ 156,793,352	\$	\$ 269,529	\$ 2,248,049
Real Estate Investments	N/A	1,423,886				
Equities	N/A	1,119,202				
Equities - Foreign	N/A	18,086,645				
Equity Mutual Funds	N/A	70,984,857				
Life Insurance Policies	N/A	496,369				
Cash Equivalents	N/A	677,452				
Investments Reported as						
"Cash" on Statements of Net Assets		(4,941,441)				
Total Investments		\$ 247,157,900				
<u>As Reported on the Statement of Net Assets</u>						
Current investments:						
Cash and cash equivalents		\$ 17,165,959				
Noncurrent restricted investments:						
Restricted cash and cash equivalents		5,429				
Noncurrent investments:						
Endowment investments		76,868,395				
Other long-term investments		153,118,117				
Total noncurrent investments		229,986,512				
Total Investments		\$ 247,157,900				

CENTRAL MICHIGAN UNIVERSITY

NOTE B--CASH AND CASH EQUIVALENTS, ENDOWMENTS AND OTHER LONG-TERM INVESTMENTS—continued

Investment Type	Rating	Fair Market Value	Investment Maturities (in Years) at June 30, 2007			
			Less Than 1	1 - 5	6 - 10	More Than 10
Investments:						
Commercial paper	Moody's P-1	\$ 21,499,333	\$ 21,499,333			
Government Securities-US Backed	Moody's Aaa	3,742,852			\$ 2,855,910	\$ 886,942
Government Securities-US Sponsored	Moody's Aaa	57,220,319	48,105,463			9,114,856
Corporate bonds and notes	Moody's Aaa	9,033,040		\$ 922,289	2,866,167	5,244,584
Mutual funds	Moody's Aaa	63,646,651	63,646,651			
Other investments	Moody's Aaa	274,297				274,297
Total Investments		155,416,492	\$ 133,251,447	\$ 922,289	\$ 5,722,077	\$ 15,520,679
Real Estate Investments	N/A	1,423,886				
Equities	N/A	1,202,403				
Equities - Foreign	N/A	17,444,904				
Equity Mutual Funds	N/A	80,975,139				
Life Insurance Policies	N/A	512,218				
Cash Equivalents	N/A	2,370,230				
Investments Reported as						
"Cash" on Statements of Net Assets		(2,950,056)				
Total Investments		\$ 256,395,216				
As Reported on the Statement of Net Assets						
Current investments:						
Cash and cash equivalents		\$ 27,730,750				
Noncurrent restricted investments:						
Restricted cash and cash equivalents		6,790,603				
Noncurrent investments:						
Endowment investments		82,421,949				
Other long-term investments		139,451,914				
Total noncurrent investments		221,873,863				
Total Investments		\$ 256,395,216				

CENTRAL MICHIGAN UNIVERSITY

NOTE B--CASH AND CASH EQUIVALENTS, ENDOWMENTS AND OTHER LONG-TERM INVESTMENTS—continued

Interest Rate Risk

The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Deliberate management of the asset mix among classes of investments is a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is a highly desirable objective. The university's general policy shall be to diversify investments within both equity and fixed income securities so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. Accordingly, the university did not have investments in any one issuer that represented 5% or more of total investments at June 30, 2008 or June 30, 2007.

Foreign Currency Risk

The university's holding in foreign investments was made primarily in equities, which approximated \$25.7 million at June 30, 2008, and \$29 million at June 30, 2007.

Custodial Credit Risk

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the university's name. The carrying amount of deposits, excluding those classified as investments, was \$(4,941,441) at June 30, 2008, and \$(2,950,056) at June 30, 2007. The deposits were reflected in the accounts of the banks at \$821,813 at June 30, 2008, and \$2,170,077 at June 30, 2007. Of the bank balance, \$578,318 at June 30, 2008, and \$1,866,317 at June 30, 2007, were uninsured and uncollateralized.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The university had custodial credit risk of \$218.8 million at June 30, 2008, and \$221.2 million at June 30, 2007, in its investment portfolios.

CENTRAL MICHIGAN UNIVERSITY

NOTE C--ACCOUNTS RECEIVABLE AND LOANS RECEIVABLE

Accounts receivable relate to several transactions including state appropriations, student tuition and fee billings and auxiliary enterprise sales, such as food service, bookstore and residence halls. In addition, receivables arise from grant awards, financial aid, and SBA revenues. The receivables are shown net of allowance for doubtful accounts.

	June 30	
	2008	2007
Tuition, fees, room and board	\$ 9,686,110	\$ 10,176,715
Contracts and grants	1,686,762	1,416,501
Sales and services	349,470	205,814
Pledges	5,316,354	4,823,588
Capital asset related	105,000	299,323
Agency activities	<u>1,344,595</u>	<u>1,351,417</u>
Total	<u>18,488,291</u>	<u>18,273,358</u>
State appropriations-SBA	2,654,383	
State appropriations-operations	14,898,381	6,435,390
State appropriations-charter schools	36,905,921	36,178,230
Loans receivable	<u>8,690,856</u>	<u>8,372,733</u>
Total Receivable	<u>\$ 81,637,832</u>	<u>\$ 69,259,711</u>

Accounts receivable and student loans are recorded net of the allowance for uncollectible accounts of \$2,886,772 and \$186,000 at June 30, 2008, and \$2,039,439 and \$186,000 at June 30, 2007, respectively.

Based on Senate Bill 905, PA 273 of 1998, state appropriations are recorded principally on the accrual basis, when earned. During fiscal year 2007, the State delayed the August 2007 payment of \$7,489,400 through Executive Order 2007-3, section 106 of 2007 PA17; as a result the university appropriately excluded the amount from its June 30, 2007 receivable balance. During fiscal year 2008, the State reinstated and paid the delayed payment to the university. The university has appropriately recorded the amount as revenue in the current fiscal year. The university also recorded State appropriations receivable of \$14,898,381 at June 30, 2008, and \$6,435,390 at June 30, 2007. Charter schools appropriations receivable was recorded for \$36,905,921 at June 30, 2008, and \$36,178,230 at June 30, 2007.

During the fiscal year, the university received \$209,414,000 (\$213,334,000 in fiscal year 2007) of state appropriations, which were forwarded to fifty-eight charter schools.

CENTRAL MICHIGAN UNIVERSITY

NOTE D--CAPITAL ASSETS

	Beginning Balance <u>July 1, 2007</u>	Additions	Reductions	Ending Balance <u>June 30, 2008</u>
Land	\$ 10,874,636	\$ 186,172		\$ 11,060,808
Land Improvements	18,272,445	2,238,917	\$ 561,748	19,949,614
Infrastructure	11,088,067	1,920,000		13,008,067
Buildings	425,857,129	25,000,206	14,188	450,843,147
Leasehold improvements	95,759			95,759
Furniture and equipment	68,771,282	3,405,499	3,512,107	68,664,674
Library materials	54,218,076	3,861,407		58,079,483
Capitalized collections	1,667,839	70,078		1,737,917
Intangible assets	305,612	336,016		641,628
Construction in progress	<u>30,467,499</u>	<u>(973,541)</u>	<u>2,276,832</u>	<u>27,217,126</u>
TOTAL	<u>621,618,344</u>	<u>36,044,754</u>	<u>6,364,875</u>	<u>651,298,223</u>
Less accumulated depreciation:				
Land Improvements	11,540,353	2,137,424	561,748	13,116,029
Infrastructure	3,729,895	525,550		4,255,445
Buildings	149,785,116	10,923,337	5,957	160,702,496
Leasehold improvements	10,374	9,576		19,950
Furniture and equipment	45,868,220	4,203,491	3,176,662	46,895,049
Library materials	40,627,051	3,280,063		43,907,114
Intangible assets	<u>102,848</u>	<u>18,980</u>		<u>121,828</u>
TOTAL	<u>251,663,857</u>	<u>21,098,421</u>	<u>3,744,367</u>	<u>269,017,911</u>
CAPITAL ASSETS, NET	<u>\$ 369,954,487</u>	<u>\$ 14,946,333</u>	<u>\$ 2,620,508</u>	<u>\$ 382,280,312</u>

Construction in progress primarily consists of the construction cost for the Education Building of \$15.5 million and other projects, including maintenance and remodeling approximating \$6.9 million.

The university entered into lease agreements with the SBA and the State of Michigan during prior fiscal years for the Park Library, Music Building, Dow Science II Building and the Health Professions Building. The projects were financed with SBA Revenue Bonds and state appropriations. The buildings are recorded as assets of the university.

The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan, pursuant to the lease agreement between the SBA, the State of Michigan, and the university. During the lease term, the SBA will hold title to the facilities; the State of Michigan will make all annual lease payments to the SBA from operating appropriations; and the university will pay all operating and maintenance costs of the facilities. At the expiration of the leases, the SBA has agreed to sell each facility to the university for the sum of one dollar.

Funds needed to complete construction projects will be provided by current unrestricted university net assets or by future state appropriations, gifts, grants, SBA monies or bond funds. Funds required to complete the projects in process approximate \$55.5 million as of June 30, 2008 (\$68.6 million as of June 30, 2007).

CENTRAL MICHIGAN UNIVERSITY

NOTE E--ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year and amount payable to charter schools.

	2008	2007
Salaries and wages	\$ 6,133,208	\$ 6,093,102
Benefits	1,171,866	1,104,367
Supplies	12,885,072	13,164,728
Charter Schools	36,905,921	36,178,230
Total	<u>\$ 57,096,067</u>	<u>\$ 56,540,427</u>

NOTE F--LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt and other obligations consist of the following as of June 30, 2008:

	Interest Rate	Fiscal Year Maturity	July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Current Portion
General Revenue Bonds, Series 1990	7.30-7.35%	2012-2016	\$ 5,841,971	\$ 435,029		\$ 6,277,000	
General Revenue Bonds, Series 1998							
Series Bonds	4.35-4.85%	2009-2014	9,380,000		\$ 1,165,000	8,215,000	\$ 1,225,000
Term Bonds	4.80-5.00%	2015-2028	29,010,000			29,010,000	
General Revenue Bonds, Series 2002A	Various	Refinanced May 08	22,000,000		22,000,000		
General Revenue Bonds, Series 2002B	Various	Refinanced May 08	22,750,000		22,750,000		
General Revenue Bonds, Series 2002A-Fixed Rate							
Series Bonds	2.75%	2009	1,000,000		500,000	500,000	500,000
Term Bonds	5.05%	2017-2033	20,900,000			20,900,000	
General Revenue Bonds, Series 2003A	3.00-5.00%	2009-2011	6,315,000		1,495,000	4,820,000	1,540,000
General Revenue Bonds, Series 2005							
Series Bonds	3.00-5.00%	2009-2020	10,145,000		625,000	9,520,000	640,000
Term Bonds	4.375-5.00%	2021-2035	21,675,000			21,675,000	
General Revenue Bonds, Series 2006							
Series Bonds	3.50-5.00%	2009-2023	11,590,000		530,000	11,060,000	550,000
Term Bonds	4.375-4.50%	2024-2036	17,325,000			17,325,000	
General Revenue Bonds, Series 2008A	Various	2009-2033		43,025,000		43,025,000	2,130,000
		Total	177,931,971	43,460,029	49,065,000	172,327,000	6,585,000
Compensated Absences			3,914,056	317,860		4,231,916	
Federal portion of Perkins Loan Program			6,744,748		118,749	6,625,999	
Retirement Service Award Program			4,664,692	2,324,856	447,333	6,542,215	
Other Liabilities			535,519			535,519	
Total long-term debt and other obligations			<u>\$ 193,790,986</u>	<u>\$ 46,102,745</u>	<u>\$ 49,631,082</u>	<u>\$ 190,262,649</u>	<u>\$ 6,585,000</u>

CENTRAL MICHIGAN UNIVERSITY

NOTE F--LONG-TERM DEBT AND OTHER OBLIGATIONS—continued

On May 1, 2008, the university issued \$43,025,000 in General Revenue Bonds, Series 2008A. Proceeds from this issuance were \$43,025,000 of principal. The proceeds from the sale of the bonds were used to retire the 2002 Select Auction Variable Rate Securities (SAVRS) Series A and B bonds, however, the university retained the related swaps and these swaps are now designated as a hedge against the General Revenue Bonds, Series 2008A as a means to fix the variable rate bond, and minimize long-term interest rate risk. The bonds mature in the year 2009 through 2033.

Under the March 2002 swap, the university pays the counterparty a fixed payment of 4.44% and receives a variable payment of 67% of the London Interbank Offered Rate (LIBOR) (1.6624% at June 30, 2008). The notional amount of the swap at June 30, 2008 is \$22,000,000. The swap agreement matures on October 1, 2032. No amounts were paid or received when the swap was initiated.

Under the October 2000 swap, the university pays the counterparty a fixed payment of 5.49% and receives a variable payment of the lesser of the BMA Index or 65% of LIBOR (1.6128% at June 30, 2008). The notional amount of the swap at June 30, 2008 is \$20,710,000. The related swap agreement matures on October 1, 2015. The university received \$756,000 from the counterparty at the execution of the swap agreement.

On January 1, 2006, the university issued \$28,915,000 in General Revenue Bonds, Series 2006. Proceeds from this issuance were \$29,378,888, consisting of principal amount of the bonds (\$28,915,000), less original issue discount of \$423,466 and investment earnings of \$887,354. The proceeds from the sale of the bonds were used to fund the design, acquisition, construction, furnishing and equipping of a new College of Education and Human Services Facility, the expansion, improvement and upgrade of university energy facilities and the infrastructure, design, acquisition, construction, furnishing and equipping of the Beaver Island Research Station. The bonds mature in the year 2009 through 2036.

On January 1, 2005, the university issued \$31,820,000 in General Revenue Bonds, Series 2005. Proceeds from this issuance were \$33,182,498, consisting of principal amount of the bonds (\$31,820,000), net original issue premium of \$391,927 and investment earnings of \$970,571. The proceeds from the sale of the bonds were used to fund the acquisition, construction, furnishing and equipping of two new residence hall facilities, a hall kitchen and the installation of a fire suppression sprinkler system. The bonds mature in the year 2009 through 2035.

On February 1, 2003, the university issued \$11,815,000 in General Revenue Bonds, Series 2003A. Proceeds from this issuance were \$12,263,206, consisting of principal amount of the bonds (\$11,815,000), plus original issue premium of \$448,206. The proceeds from the sale of the bonds refunded the portion of the Board's General Revenue and Refunding Bonds, Series 1993 maturing on October 1 in the year 2003 to 2010, inclusive. \$12,095,894 was deposited with an escrow agent and was used for the bond redemption on March 14, 2003.

In March 2002, the university issued \$44,400,000 in General Revenue Bonds, Series 2002A, Select Auction Variable Rate Securities (SAVRS). During the SAVRS rate period, interest on the SAVRS accrued at the SAVRS rate for each auction rate period and was payable in arrears. These bonds were used to fund new capital projects. On February 11, 2003, the university converted \$22,400,000 of the \$44,400,000 to fixed rate bonds. On May 1, 2008, the variable portion of this bond was refinanced with proceeds from the General Revenue Bonds, Series 2008A issue.

On December 19, 2002, the university refinanced \$30,450,000 of the General Revenue and Refunding Bonds, Series 1992 (now Series 2002B), maturing in the year 2003 through 2016. On May 1, 2008, the variable rate bond was refinanced with proceeds from the General Revenue Bonds, Series 2008A issue.

As of June 30, 2008, the swap agreements were in a negative position of \$3,314,590 and \$2,130,620, respectively. As long as the variable rate portion of the swap being received by the university is less than the fixed rate being paid, the university will continue to be in a negative position on the swap. That is, the university will be paying more in interest expense than had it not entered into the swap agreements. However, the university believes that the variable rate it receives on the swap agreements will eventually exceed the 4.44% and 5.49% fixed rates the university pays and the swap will reduce its overall interest expense in the future.

CENTRAL MICHIGAN UNIVERSITY

NOTE F--LONG-TERM DEBT AND OTHER OBLIGATIONS—continued

The university is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations, whenever the swap has a positive fair value. As of June 30, 2008, the university was not exposed to credit risk because the swap agreements had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the university would be exposed to credit risk in the amount of the derivative's fair value. However, as of June 30, 2008, Standard & Poor's and Fitch Ratings both rated one of the counterparties to the swap agreements AAA.

The swaps expose the university to basis risk, which is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instruments are based on different indexes. As these rates change, the overall synthetic rate on the bonds will change. The synthetic rates on the swaps were 4.23% and 5.33% at June 30, 2008, when associated with the General Revenue Bonds, Series 2008A.

The swap agreements use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Master Agreement also includes additional termination events. If the swaps are terminated, the variable rate bonds would no longer carry a synthetic interest rate and the university may be required to pay an amount equal to the swaps fair value, if it is negative.

General Revenue Bond Series 1990 are capital appreciation bonds recorded in the preceding table at their accreted year-end book value. The table, which follows, summarizes capital appreciation bonds at June 30, 2008.

<u>Maturity Date</u>	<u>Accreted Value</u>	<u>Ultimate Maturity Value</u>
10-1-2011	\$ 1,447,715	\$ 1,820,000
10-1-2012	1,342,796	1,820,000
10-1-2013	1,246,803	1,820,000
10-1-2014	1,160,159	1,820,000
10-1-2015	1,079,527	1,820,000
Total	\$ <u>6,277,000</u>	\$ <u>9,100,000</u>

CENTRAL MICHIGAN UNIVERSITY

NOTE F--LONG-TERM DEBT AND OTHER OBLIGATIONS—continued

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest (using June 30, 2008 rates) amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	Principal	Interest	Interest Rate Swaps, Net	Total
2009	\$ 6,585,000	\$ 6,076,216	\$ 1,348,601	\$ 14,009,817
2010	6,365,000	6,033,436	1,263,780	13,662,216
2011	6,670,000	5,829,616	1,173,754	13,673,370
2012	6,687,715	6,028,311	1,078,475	13,794,501
2013	6,852,796	5,975,069	977,557	13,805,422
2014-2018	30,351,489	26,775,604	3,463,175	60,590,268
2019-2023	25,615,000	19,786,495	2,740,969	48,142,464
2024-2028	32,650,000	13,479,772	2,278,485	48,408,257
2029-2033	41,740,000	6,167,353	884,505	48,791,858
2034-2036	8,810,000	535,988		9,345,988
Total	\$ 172,327,000	\$ 96,687,860	\$ 15,209,301	\$ 284,224,161

In October 1998, the university issued \$40,000,000 in General Revenue Bonds with an average yield of 5.07%. A portion of the proceeds was used to refund and defease the portion of the Board's General Revenue Bonds, Series 1997 maturing on October 1, 2007 through October 1, 2027. The principal amount of the refunded bonds is \$32,610,000. The university purchased U.S. Treasury securities that were deposited in an irrevocable escrow fund with an escrow agent to provide for all future debt service payments on the refunded bonds. The bonds are considered to be defeased and the liability relating to those bonds has been removed from the financial statements. The remaining proceeds will be used to finance various capital projects. The outstanding balance for these defeased bonds as of June 30, 2008, and 2007, was \$31,680,000 and \$32,610,000, respectively.

The Retirement Service Award program, Federal Perkins loans to students, compensated absences, and other liabilities have been determined to be primarily long-term liabilities.

NOTE G--RETIREMENT PLANS

The university has established retirement plans for all qualified employees. Full-time faculty and professional administrators have the option to participate in the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and/or Fidelity Investment Tax Exempt Services Company. The university contributes 12% of each qualified employee's pay to these defined contribution plans. For new hires on or after January 1, 1996, the university contributes 10% for all salaried employees and 6-8% for hourly staff. University contributions begin immediately for all employees.

CENTRAL MICHIGAN UNIVERSITY

NOTE G--RETIREMENT PLANS—continued

Hourly employees hired prior to January 1, 1996, and other eligible employees choosing this option participate in the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit plan through the State of Michigan. The university contribution rate was 5.84% of employees' pay at June 30, 2008, and 6.38% at June 30, 2007, which was actuarially determined by the plan's actuaries. Employees starting between January 1, 1990, and December 31, 1995, are required to contribute between 3.0% and 4.3% of their annual pay. The university is required to pay a monthly supplemental contribution for retiree health care benefits, which aggregated to \$4,181,914 during the 2007-2008 university fiscal year (\$4,536,929 during the 2006-2007 university fiscal year). Employees hired on or after January 1, 1996 cannot participate in MPERS, unless they previously were enrolled in the plan at Central Michigan University, or one of the other six universities that are part of MPERS. MPERS issues an annual financial report that includes financial statements and required supplementary information. The report may be obtained at Michigan Public School Employees' Retirement System, P.O. Box 30673, Lansing, Michigan 48909-8103. Separate pension information related to the university's employees included in this plan is not available.

Contributions and covered payroll under all plans in fiscal year 2008 are summarized as follows:

	TIAA-CREF and Fidelity	MPERS	University Total
University contributions	\$ 10,952,598	\$ 1,452,608	\$ 12,405,206
Required employee contributions		454,369	454,369
Covered payroll	105,665,652	24,276,608	129,942,260
Total payroll			157,572,650

The university's contributions, which equaled required contributions, to MPERS totaled \$1,555,385 in fiscal year 2007 and \$1,563,213 in fiscal year 2006. Required employee contributions were \$467,512 in fiscal year 2007 and \$470,105 in fiscal year 2006.

The university also sponsors the Retirement Service Award program covering certain employees hired before a specific date in 1976 and certain maintenance and food service employees. The plan provides for distributions to qualifying employees at retirement based principally on length of service and salary at retirement. Assets and liabilities of \$4,424,332 for fiscal year 2007-2008 (\$3,079,686 for fiscal year 2006-2007) related to this program are included in the university statement of net assets. The assets are included with the university's cash and cash equivalents. The corresponding liabilities have been included with long-term debt and other long-term obligations in the statement of net assets. During fiscal year 2008, the university updated and recorded the expected liability for this program.

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This Statement established standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities. The total estimated actuarial liability at June 30, 2008, was approximately \$3,600,000; the university recorded a liability for the estimated implicit employer subsidy of \$500,000 for fiscal year 2008 on certain employees not covered under MPERS.

CENTRAL MICHIGAN UNIVERSITY

NOTE H--CONTINGENCIES AND COMMITMENTS

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

NOTE I--PLEDGES

The university receives pledges of financial support from corporations, foundations and individuals. The change in pledges has been recorded as gifts and certain pledges are recorded at present value using a discount rate of 3%. The present value of pledges outstanding is approximately \$5,316,000 at June 30, 2008, and \$4,824,000 at June 30, 2007.

NOTE J--LEASE COMMITMENTS

The university has entered into various operating leases, primarily for extended degree program facilities. The following is a schedule of the university's aggregate minimum rental commitment for operating leases of real and personal property for each of the succeeding five years ending June 30 and thereafter:

2009	\$	2,454,396
2010		2,157,833
2011		1,837,311
2012		1,648,176
2013		1,380,526
2014-2023		<u>4,462,348</u>
Total	\$	<u>13,940,590</u>

NOTE K--LIABILITY AND PROPERTY INSURANCE

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

CENTRAL MICHIGAN UNIVERSITY

NOTE L--AFFILIATED ORGANIZATIONS

The Central Michigan University Research Corporation (CMURC) was formed as an independent 501(c)(3) nonprofit corporation on February 15, 2002. The corporation's sole member is Central Michigan University. The purpose for which the corporation was formed is to solicit, collect, receive and administer funds exclusively for the support of the scientific, literary and educational programs of the university as permitted to be carried on by an organization exempt from federal income taxation. The university has contributed \$2,700,000 in support of this endeavor. Fiscal year 2008 is the seventh year of the commitment. At June 30, 2008, and 2007, the net assets of CMURC were \$102,191 and \$208,779, respectively.

The Charter Schools Development & Performance Institute d/b/a National Charter Schools Institute (NCSI), a Michigan nonprofit corporation, was formed on November 29, 2001. The institute incorporated as a private tax-exempt corporation with the primary goal to facilitate the development and performance of charter schools in Michigan and throughout the nation, and to pursue multiple related objectives in support of charter schools. There are two classes of members of the corporation, Category A and Category B. The Category A members consist of persons who are the president or members of the Board of Trustees of Central Michigan University. Category B members of the corporation consist of individuals serving as members of the Board of Trustees of the corporation. The university transferred \$500,000 to the NCSI for the years ended June 30, 2008 and 2007, respectively. At June 30, 2008 and 2007, the net assets of the NCSI were \$747,507 and \$753,781.

Although both entities meet the GASB 14 requirements as component units, the university has excluded the amounts from the financial statements, due to immateriality. Should the operations of either of these entities become material; the university will discretely present the entity in the financial statements in the applicable year.

Central Michigan University
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Federal Agencies / Grant Name	Project Period	Federal or Pass Through Number	Federal Catalogue Number	Expenditures
Major Programs				
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Work Study 2008	1-Jul-07 - 30-Sep-08	P033A001985	84.033	\$ 904,082
Science and Mathematics Access to Retain Talent Grant 2008	1-Jul-07 - 30-Sep-08	P376S070222	84.376	108,000
Academic Competitiveness Grant 2008	1-Jul-07 - 30-Sep-08	P375A070222	84.375	333,345
Federal Perkins Loan Program - Loan & Loan Guarantees			84.038	1,334,794
William D. Ford Federal Direct Loan Program - 2008			84.268	128,674,388
William D. Ford Federal Direct Loan Program - 2007			84.268	364,724
Federal Supplemental Educational Opportunity Grants 2008	1-Jul-07 - 30-Sep-08	P007A961985	84.007	475,998
Federal Pell Grant Program 2008	1-Jul-07 - 30-Sep-08	P063P000825	84.063	13,492,959
Federal Pell Grant Program 2007	1-Jul-06 - 30-Sep-07	P063P060222	84.063	32,990
Total Student Financial Assistance Cluster				<u>145,721,280</u>
Total Major Programs				145,721,280
Corporation for National and Community Services				
Passed Through Michigan Campus Compact				
STRUTS: Strengthen Teen Resilience Under Tough Situations	1-Sept-07 - 31-Aug-08	BF07-01	94.005	5,307
Total Corporation for National and Community Service				<u>5,307</u>
National Institute of Health				
Structural and Mechanistic Analysis	1-Oct-05 - 30-Jun-08	5R01GM067788-13	93.859	47,370
Genetic and Molecular Analysis	1-Aug-06 - 31-Jul-09	1R15GM078157-01	93.859	51,744
Raman Imaging of Bone Tissue and Mineral-Passed Through University of Michigan	1-Dec-05 - 30-Nov-07	1R01AR047969-04	93.846	915
Flu Vaccine Study Year 3-Passed Through University of Michigan	1-Aug-06 - 31-Jul-07	A1057853	93.856	9,103
Protein Simulations with Fast Polarizable Force Field	1-Mar-07 - 29-Feb-08	1R01GM074624-01A2	93.859	127,564
Protein Simulations with Fast Polarizable Force Field Year 2	1-Mar-08 - 28-Feb-09	5R01GM074624-02	93.859	78,319
Examining Tau Proteolysis in Neurodegenerative Disease	1-Mar-08 - 28-Feb-11	1R15AG032105-01	93.866	9,789
Single Subject Design in Biomedicine	1-Dec-07 - 30-Nov-08	7G13LM009372-02	93.879	9,646
Total National Institute of Health				<u>334,450</u>
U.S. Department of Health and Human Services				
Function and Expression of Connexins	1-Feb-07 - 1-Jan-10	1R15HL087261-01	93.390	39,160
Conduct Disordered Preschooler Year 3	1-Jan-07 - 31-Dec-08	1R34MH070483-01A1	93.242	156,491
Neuro in Parkinsonism	15-May-05 - 30-Apr-09	1R15NS051270-01	93.853	38,776
Collaborative Child Care Project-Passed Through EightCap, Inc.	1-Jan-07 - 31-Dec-07		93.CON	51,383
Collaborative Child Care Project Year 2-Passed Through EightCap, Inc.	1-Jan-08 - 31-Dec-08		93.CON	69,538
Total U.S. Department of Health and Human Services				<u>355,348</u>
U.S. Department of Education				
Passed Through Michigan Department of Education				
Math Academy	29-Jul-05 - 30-Jun-07	060290-594	84.367	40,495
Improving Teacher Quality	29-Jul-05 - 30-Jun-07	060290-594	84.367	4,582
Michigan Geography and History Project	1-Sep-07 - 30-June-09	080290-0327	84.367	22,808
Rural K-12 Writing Project	1-Sep-07 - 30-June-09	080290-0135	84.367	83,341
HSHS Math Professional Learning Community	1-Sep-07 - 30-June-09	080290-0198	84.367	83,383
Career and Technical Teacher Education Program Improvement	1-July-07 - 30-June-08	V048A070022	84.048	6,501
Total Assistance Passed Through Michigan Department of Education				<u>241,110</u>

See Notes to Schedule of Expenditures of Federal Awards.

Central Michigan University
Schedule of Expenditures of Federal Awards (continued)

Federal Agencies / Grant Name	Project Period	Federal or Pass Through Number	Federal Catalogue Number	Expenditures
U.S. Department of Education (continued)				
GEAR UP-Passed Through Michigan Department of Career Development				
Gear Up 2008	21-Jul-07 - 20-Jul-08		84.334	\$ 68,221
Gear Up	21-Jul-06 - 20-Jul-07	P.L.105-245	84.334	1,220
Total Assistance for Catalogue Number 84.334				69,441
TRIO Cluster				
Upward Bound II Year 4	1-Sep-06 - 31-Aug-07	P047A03568-06	84.047A	80,401
CMU/Northern High School Upward Bound 2008	1-Sep-07 - 31-Aug-08	P047A070680	84.047	128,472
McNair Phase II Year 4	1-Oct-06 - 30-Sep-07	P217A030206-04	84.217A	71,274
CMU's Ronald E. McNair Post Baccalaureate Ach. Prog.	1-Oct-07 - 30-Sep-08	P217A070175	84.217	160,815
Total TRIO Cluster				440,962
Other U.S. Department of Education				
Deaf-Blind Child Services Year 3	1-Oct-06 - 30-Sep-07	H326C040009-06	84.326	76,782
Deaf-Blind Child Services Year 4	1-Oct-07 - 30-Sept-08	H326C040009-07	84.326C	202,184
Info Resources Non CM Year 4	1-Oct-06 - 30-Sep-07	P031A030100-04	84.031A	14,471
Info Resources CM Year 4	1-Oct-06 - 30-Sep-07	P031A030100-04	84.031A	4,460
Info Resources Non CM Year 5	1-Oct-07 - 30-Sept-08	P031A030100-07	84.031A	25,265
Info Resources CM Year 5	1-Oct-07 - 30-Sept-08	P031A030100-07	84.031A	51,240
Total Other U.S. Department of Education				374,402
Passed Through Alpina-Montmorensy-Alcona Educational District				
Turning Points	1-Apr-5 - 30-Jun-07	05339-U215X040118	84.XXX	23,978
Total Assistance Passed Through Alpina-Montmorensy-Alcona Educational District				23,978
Passed Through Kalamazoo RESA				
Southwest MI Consortium on Teaching American History	1-Sept-07 - 1-Sept-08		84.CON	16,215
Total Assistance Passed Through Kalamazoo RESA				16,215
Passed Through Grand Valley State University				
A Hands-On, Investigative, Science Experience	7-Sept-07 - 15-May-08	FIE U215K050182	84.CON	4,343
Total Assistance Passed Through Grand Valley State University				4,343
Passed Through Corporation for Public Broadcasting				
Ready to Lead in Lit 2	1-Sep-06 - 31-Aug-07	9757	Unknown	7,228
Ready to Lead in Lit 3	1-Oct-07 - 30-Sep-08	9757	Unknown	15,000
Total Assistance Passed Through Corporation for Public Broadcasting				22,228
Passed Through Wayne Regional Education Service Agency/MI Department of Education				
Building High School Mathematics and Science Success	1-Oct-07 - 31-Dec-08		84.CON	5,394
Total Assistance Passed Through Wayne Regional Education Service Agency/MI Department of Education				5,394
Total U.S. Department of Education				1,198,073
U.S. Department of Energy				
Comp Nanophotonics	15-Sep-03 - 14-Nov-07	DE-FG02-03ER15489	81.049	3,100
Comp Nanophotonics Year 4	15-Nov-06 - 14-Nov-08	DE-FG02-03ER15489	81.049	95,530
Building a Universal Nuclear Energy Density Functional-Passed Through University of Washington	01-Dec-06 - 30-Nov-08	371972	81.049	83,501
Total U.S. Department of Energy				182,131

See Notes to Schedule of Expenditures of Federal Awards.

Central Michigan University
Schedule of Expenditures of Federal Awards (continued)

Federal Agencies / Grant Name	Project Period	Federal or Pass Through Number	Federal Catalogue Number	Expenditures
Environmental Protection Agency				
Passed Through Great Lakes Commission				
Report for G.L. Coastal Wetlands Consortium Science Committee	2-July-07 - 31-Dec-07	GLCWC2007-#14	66.000	\$ <u>16,214</u>
Total Great Lakes Commission				16,214
Passed Through Michigan Department of Environment Quality				
Prep. of Manual and Guidance Doc. for Wetland Bioass. in MI	1-Jan-06 - 30-Sept-08	07-WL-002	66.461	17,836
Technical Ass. In Rapid Wetland Monitoring and Assessment	1-Nov-07 - 30-Sept-08	08-WL-001	66.461	<u>13,579</u>
Total Michigan Department of Environment Quality				<u>31,415</u>
Total Environmental Protection Agency				47,629
U.S. Department of Veterans Affairs				
VA Small Business/Self-Employment Consulting	1-Dec-06 - 30-Oct-07		64.CON	24,585
Small Business/Self-Employment Consulting Services	1-Oct-07 - 30-Sep-08		64.CON	<u>13,027</u>
Total U.S. Department of Veterans Affairs				37,612
U.S. Small Business Administration				
Passed Through CMU Research Corporation				
Dendrimer-Based MRI Contrast Agent	16-Sep-06 - 17-Sep-08	SBAHQ-06-I-0102	59.000	<u>77,740</u>
Total U.S. Small Business Administration				77,740
Research and Development Cluster				
National Science Foundation				
RUI Investigation of the Neutron Drip Line	15-Jul-06 - 30-Jun-09	PHY-0555439	47.049	10,409
Acquisition of a Cluster of Advanced Computers	1-Sep-06 - 31-Mar-08	PHY-0619407	47.049	7,406
Analyzing the Euglenoid Plastid Genome	1-Oct-06 - 30-Sep-09	EF-0629233	47.074	64,571
Water Analysis W Ion	15-Jul-04 - 30-Jun-07	411143	47.076	7,806
Hypersaline Environment	1-Jan-05 - 31-Mar-08	0433040	47.050	22,642
Pre-Service Teachers	1-Jun-05 - 31-May-07	ESI-0455797	47.076	2,035
Pre-Service Teachers	1-Jun-07 - 30-May-08	ESI-0455797	47.076	97,485
Weather Tracker Learning	1-Sep-04 - 31-Aug-08	0410608	47.076	697
Microbiology Equipment	1-Aug-04 - 31-Aug-07	0420911	47.074	6,630
Vitus Smart 3-D Scan	1-Sep-04 - 31-Aug-08	04224	47.041	34,863
CAA:Rhizosphere Influence	1-Mar-06 - 28-Feb-09	IOB-0542309	47.074	39,435
REU Site in Algebra, Combinations, Matrix Theory	1-May-06 - 30-Apr-09	DMS-0552594	47.049	57,298
Periodic Patterns & Relationships of Well-Defined Nano	01-June-07 - 31-May-08	CBET-0707510	47.041	9,836
Problems on Sivev Methods in Number Theory	01-July-07 - 30-June-10	DMS-0700193	47.049	44,519
Effects of CO2-H2O Fluids on Deformation of Quartzite/Marble	01-July-07 - 30-June-09	EAR-0711299	47.050	33,094
Children's Eyewitness Testimony & Source Monitoring	1-Aug-07 - 31-July-10	SES-071889	47.075	46,375
Extremely Acid Lakes and Groundwaters in West Australia	1-Jan-08 - 31-Dec-08	EAR-0719822	47.050	19,510
Panel Exam of the Efficient Cartel Hyp: National Recovery Act	1-Jan-08 - 31-Dec-08	SES-0718380	47.075	26,181
Workshop on a National Plan for Preserving Astronomical	1-Sep-07 - 31-Aug-08	AST-0733796	47.049	<u>13,285</u>
Total National Science Foundation				544,077

See Notes to Schedule of Expenditures of Federal Awards.

Central Michigan University
Schedule of Expenditures of Federal Awards (continued)

Federal Agencies / Grant Name	Project Period	Federal or Pass Through Number	Federal Catalogue Number	Expenditures
Research and Development Cluster (continued)				
Passed Through Michigan State University				
Nuclear Structure, Nuclear Astrophysics	01-June-06 - 30-Nov-08	PHY-0555366	47.049	\$ 39,760
NIRT: Structure of Nanocrystals Year 4	1-Aug-06 - 31-Jul-08	612037CMU	47.049	18,335
Nuclear Structure and Astrophysics and Mesoscopic	1-May-08 - 30-Apr-09	PHY-0758099	47.049	3,170
Total Assistance Passed Through Michigan State University				61,265
Passed Through Iowa State University				
Mixed Glass Former Cation	15-Aug-07 - 31-Jul-08	NSF/DMR-0710564	47.049	75,419
Total Assistance Passed Through Iowa State University				75,419
Passed Through University of Richmond				
Long Term Undergraduate Research	1-Oct-06 - 30-Sep-10	DMS-0636528	47.049	67,244
Total Assistance Passed Through University of Richmond				67,244
Passed Through University Corporation for Atmospheric Research				
Use of IDV and GEMPAK in Undergrad Research & Education	23-July-07 - 23-July-08	S07-56295	47.050	6,856
Total Assistance Passed Through University Corporation for Atmospheric Research				6,856
Total Research and Development Cluster				754,861
National Endowment for Humanities				
Other National Endowment for Humanities				
Michigan Newspaper Project Phase 2	1-Jul-04 - 30-Jun-07	PA-24048-02	45.149	8,548
Suffrage in the Classroom	01-Jul-06 - 31-Jul-07	EZ-50124-05	45.163	2,493
Writing Africa: Comparative African and Western	1-Oct-06 - 30-Sep-08	FV50127-06	45.163	88,315
Balancing Acts: Congressional Power Executive Privilege	1-Jul-06 - 31-Dec-07		45.160	811
Total Other National Endowment for Humanities				100,167
Passed Through Michigan Humanities Council				
Up North with the Hemingway's - The Nick Adams Stories	15-Jun-07 - 30-Jun-08	2688 H 07	45.129	32,065
MiHIA Regional Health Information Exchange Planning Project	1-Oct-07 - 30-Sep-08	20072914	45.CON	115,678
The Will at Idlewild: Classical Connections to African American Literature	15-May-08 - 31-May-09	2725 H 08	45.129	12,355
Total Assistance Passed Through Michigan Humanities Council				160,098
Total National Endowments for Humanities				260,265
U.S. Department of Justice				
Violence Against Women	1-Sep-05 - 28-Feb-08	2005-WA-AX-0028	16.525	64,315
Total U.S. Department of Justice				64,315
U.S. Department of Interior				
Passed Through U.S. Fish & Wildlife Services				
Avian Collisions	1-Sep-03 - 31-Aug-09	2002-0379-000	15.FFB FWS	12,948
Pop Monitoring of Breeding Waterbirds & Research	11-May-07 - 01-May-08	98210-7-G018	15.647	3,014
Creating Snags for Multi-Species Con. in Kirtland's Warbler Habitat	19-Nov-07 - 30-Sep-08	315108M028	15.CON	452
Total Assistance Passed Through U.S. Fish & Wildlife Services				16,414
Passed Through Michigan Department of Natural Resources				
Study of Wolf Range Behavior-Passed Through Little Traverse Bay Bands Odawa Indians	9-Jan-06 - 30-Sep-08	W305021	15.639	17,389
Molecular-Black Bear-Passed Through Little Traverse Bay Bands Odawa Indians	1-May-05 - 31-Dec-07	L3-04-014	15.638	2,005
Total Assistance Passed Through Michigan Department of Natural Resources				19,394

See Notes to Schedule of Expenditures of Federal Awards.

Central Michigan University
Schedule of Expenditures of Federal Awards (continued)

Federal Agencies / Grant Name	Project Period	Federal or Pass Through Number	Federal Catalogue Number	Expenditures
U.S. Department of Interior (continued)				
Passed Through Applied Sciences, Inc. Nanofiber Additions for Tailoring Vibration Damping	20-Jan-06 - 24-Sep-06	NNL06AA33P	43.CON	\$ 24
Total Assistance Passed Through Applied Sciences, Inc.				<u>24</u>
Total U.S. Department of Interior				<u>35,832</u>
U.S. Department of Transportation				
Passed Through Michigan Office of Highway Safety Planning Michigan Model Booster Safety/ Safety Belt Revision, K-6	1-Oct-06 - 30-Sep-07	OP-07-06	20.602	13,973
Total U.S. Department of Transportation				<u>13,973</u>
U.S. Department of Commerce				
National Telecommunications and Information Administration Public Telecommunications Program	1-Oct-01 - 31-May-08	26-01-N02244	11.550	230,986
Total National Telecommunications and Information Administration				<u>230,986</u>
Passed Through National Oceanic and Atmospheric Administration Genetic Pollution-Passed Through Michigan Sea Grant	1-Mar-05 - 28-Feb-08	NA050AR4171045	11.417	30,276
Development of an Index of Susceptibility of Great Lakes	1-July-07 - 30-Sep-08	07-309-08	11.419	20,706
A Proposal for a UCAR Visiting Scientist Position at COMET	01-Mar-07 - 01-Sep-07	S07-62789	11.467	2,244
Influence of Convection of Conveyor Belts	01-Mar-07 - 31-Aug-08	S07-62782	11.467	6,187
Total Assistance Passed Through National Oceanic and Atmospheric Administration				<u>59,413</u>
Economic Development Administration Nanotech Wetlab Year 1	19-Oct-04 - 18-Dec-08	06-01-04949	11.300	133,100
Total Economic Development Administration				<u>133,100</u>
Total U.S. Department of Commerce				<u>423,499</u>
North Pacific Research Board				
Ringed Seal Population	1-Sep-06 - 31-Aug-08	631	11.472	10,184
Total North Pacific Research Board				<u>10,184</u>
U.S. Department Of Agriculture				
Digital Transition	1-Mar-04 - 28-Feb-09	MI-1601-A27	10.861	111,711
Child and Adult Care Food Program 2007-Passed Through Michigan Department of Education	1-Oct-06 - 30-Sep-07	370000012	10.558	4,375
Total Assistance for Catalogue Number 10.861 and 10.558				<u>116,086</u>
Passed Through United Dairy Industry United Dairy Industry	1-Oct-03 - 31-Dec-9999	621-421	10.551	4,180
Total Assistance Passed Through United Dairy Industry				<u>4,180</u>
Total U.S. Department of Agriculture				<u>120,266</u>
U.S. Department of Defense				
Passed Through CMU-RC Develop and Synthesize Priostar Dendritic Polymers	1-Sept-07 - 31-Aug-09	ER-1599	12.CON	68,242
Total U.S. Department of Defense				<u>68,242</u>
				<u>\$ 149,711,007</u>

See Notes to Schedule of Expenditures of Federal Awards.

Central Michigan University

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

- Note 1:** The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. This schedule does not include matching expenditures by the University or other nonfederal entities.
- Note 2:** As defined in OMB Circular A-133, Student Financial Assistance Programs are considered to be a cluster of programs and, accordingly, have been classified as one program for testing purposes.
- Note 3:** Under the William D. Ford Federal Direct Loan Program, students and parents borrow funds directly from the federal government; the University is responsible for verifying student eligibility, electronically transmitting the loan records to the federal processor, and distributing the loan funds directly to the student account or parent borrower. For the year ended June 30, 2008, Direct Student Loans totaled \$109,813,442 (\$54,325,627 subsidized and \$55,487,815 unsubsidized) and Direct Parent Loans for Undergraduate Students totaled \$19,225,670. These amounts were excluded from total federal expenditures when determining the dollar threshold for Type A and Type B programs.
- Note 4:** The University utilizes the services of University Accounting Services, Inc. to administer the repayment of Federal Perkins loans and perform certain due diligence procedures. The University Accounting Services, Inc. Compliance Attestation Examination of Title IV Student Financial Assistance Programs report for the fiscal year ended June 30, 2008 was received and reviewed. No significant items of noncompliance or control weaknesses were noted. There were \$8,876,857 of Federal Perkins Loans (CFDA Number 84.038) outstanding as of June 30, 2008.

Total program disbursements under the Federal Perkins Loans program for the year ended June 30, 2008 were as follows:

Student Loans Awarded	\$1,334,794
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The amount shown as Federal Perkins Loan Program loans and loan guarantees represents the amounts loaned by the University during the year less the current year Federal contribution.

- Note 5:** The following administrative cost allowance was received by the University:

Federal Perkins Loan Program	\$162,042
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Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Central Michigan University
Mt. Pleasant, Michigan

We have audited the financial statements of Central Michigan University (CMU) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 29, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CMU's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CMU's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CMU's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CMU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, Management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Andrews Hooper & Pavlik P.L.C.

Saginaw, Michigan
August 29, 2008



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Trustees
Central Michigan University
Mt. Pleasant, Michigan

Compliance

We have audited the compliance of Central Michigan University (CMU) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. CMU's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of CMU's Management. Our responsibility is to express an opinion on CMU's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CMU's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CMU's compliance with those requirements.

In our opinion, CMU complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

We did not audit CMU's compliance with the requirements governing computer operations, accuracy of FISAP data, due diligence, and repayment records for CMU's Federal Perkins Loan Program. Those requirements govern functions performed by University Accounting Service, Inc.

University Accounting Service, Inc.'s compliance with the requirements governing the functions it performs for Central Michigan University was examined by another auditor, whose report was furnished to us. Based on our review of the other auditor's report, we have determined that all of the compliance requirements that are applicable to CMU's Federal Perkins Loan Program are addressed either in our report or the report of the other auditor. Based on our review of the other auditor's report, we have determined that it does not contain any findings of noncompliance pertaining to the services that University Accounting Service, Inc. performs for Central Michigan University.

Internal Control Over Compliance

The Management of CMU is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, and contracts and grants applicable to federal programs. In planning and performing our audit, we considered CMU's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CMU's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The internal control policies and procedures relating to computer operations, accuracy of FISAP data, due diligence, and repayment records for CMU's Federal Perkins Loan Program are performed at University Accounting Service, Inc. For these control categories, other auditors obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation and assessed control risk. The other auditor's report has been furnished to us; however, the scope of our work did not extend to these internal control policies and procedures established and maintained at University Accounting Service, Inc.

This report is intended solely for the information and use of the Board of Trustees, Management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Andrews Hooper & Pavlik P.L.C.

Saginaw, Michigan
August 29, 2008

Central Michigan University
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness identified?	_____ Yes	<u> X </u> No	
Significant deficiency identified not considered to be material weakness?	_____ Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness identified?	_____ Yes	<u> X </u> No	
Significant deficiency identified not considered to be material weakness?	_____ Yes	<u> X </u> None reported	
Type of auditor’s report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	<u> X </u> No	

Identification of major programs:

CFDA Number

84.033
 84.376
 84.375
 84.038
 84.268
 84.007
 84.063

Name of Federal Program or Cluster

Student Financial Assistance:
 Federal Work Study
 Science and Mathematics Access to Retain Talent Grant
 Academic Competitiveness Grant
 Federal Perkins Loan Program
 William D. Ford Federal Direct Loan Program
 Federal Supplemental Educational Opportunity Grants
 Federal Pell Grant Program

Central Michigan University

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results (continued)

Federal Awards (continued)

Dollar threshold used to distinguish between Type A and Type B programs: \$620,157

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statements Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

None.

Central Michigan University
Summary Schedule of Prior Audit Findings
Year ended June 30, 2008

None.