

**BOARD OF REGENTS**  
EASTERN MICHIGAN UNIVERSITY

SECTION: 22

DATE:

January 18, 2005

**RECOMMENDATION**

**STATE OF MICHIGAN  
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)  
FOR FISCAL 2004**

**ACTION REQUESTED**

It is recommended that the Board of Regents receive, approve and place on file the fiscal 2004 State of Michigan Comprehensive Annual Financial Report (CAFR).

**STAFF SUMMARY**

The State of Michigan requires component universities to restate their annual audited financial statements into the State format for inclusion in the State financial statements. This also requires that our external auditors express an opinion on the validity and accuracy of the revised financial statements. PricewaterhouseCoopers has issued an unqualified opinion on EMU's CAFR.

**FISCAL IMPLICATIONS**

None.

**ADMINISTRATIVE RECOMMENDATION**

The proposed Board action has been reviewed and is recommended for Board approval.

\_\_\_\_\_  
University Executive Officer

\_\_\_\_\_  
Date

# **Eastern Michigan University**

**Crosswalks for the State of Michigan  
Comprehensive Annual Financial Report  
June 30, 2004**

# Eastern Michigan University

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June 30, 2004

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## Report of Independent Auditors

To the Board of Regents of  
Eastern Michigan University

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Eastern Michigan University as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004, which expressed an unqualified opinion on the statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information (as listed in the table of contents) is presented for purposes of additional analysis, as required by the State of Michigan for the purpose of conforming the University's financial statements to the State of Michigan Comprehensive Annual Financial Report format, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board or Regents of Eastern Michigan University, the administration, the State of Michigan Department of Management and Budget and the State of Michigan Office of the Auditor General for the purpose of conforming the University's financial statements to the State of Michigan Comprehensive Annual Financial Report format and is not intended to be and should not be used by anyone other than those specified parties or for any other purpose.

August 20, 2004

5.

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**University and Foundation**  
**Combining Statement of Net Assets**  
**June 30, 2004**

	EMU University	EMU Foundation	Eliminations	University Combined
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 52,490,144	\$ 2,468,852	\$ -	\$ 54,958,996
Accounts receivable, net	25,143,665	328,598	(734,340)	24,737,923
Appropriation receivable	13,354,676	-	-	13,354,676
Inventories	691,594	29,179	-	720,773
Deposits and prepaid expenses	1,180,055	-	-	1,180,055
Accrued interest receivable	390,724	89,510	-	480,234
Total current assets	93,250,858	2,916,139	(734,340)	95,432,657
<b>Noncurrent assets</b>				
Student loans receivable	10,945,410	-	-	10,945,410
Long term investments	41,595,517	35,182,332	-	76,777,849
Capital assets, net	289,514,207	2,379,711	-	291,893,918
Other	1,659,382	1,923,940	-	3,583,322
Total noncurrent assets	343,714,516	39,485,983	-	383,200,499
Total assets	436,965,374	42,402,122	(734,340)	478,633,156
<b>Liabilities</b>				
<b>Current liabilities</b>				
Current portion of long-term debt	3,064,778	46,773	-	3,111,551
Accounts payable	9,581,124	1,522,463	(734,340)	10,369,247
Accrued payroll, taxes & benefits	12,396,073	-	-	12,396,073
Unearned fees and deposits	7,357,484	-	-	7,357,484
Insurance and other claims payable	2,826,711	-	-	2,826,711
Total current liabilities	35,226,170	1,569,236	(734,340)	36,061,066
<b>Noncurrent liabilities</b>				
Accrued compensated absences	6,775,490	-	-	6,775,490
Long term debt	135,496,750	2,260,969	-	137,757,719
Long term unearned fees	660,000	-	-	660,000
Total noncurrent liabilities	142,932,240	2,260,969	-	145,193,209
Total liabilities	178,158,410	3,830,205	(734,340)	181,254,275
<b>Net assets</b>				
Invested in capital assets, net of related debt	192,513,141	-	-	192,513,141
Restricted, expendable	38,623,261	37,196,834	-	75,820,095
Unrestricted	27,670,562	1,375,083	-	29,045,645
Total net assets	\$ 258,806,964	\$ 38,571,917	\$ -	\$ 297,378,881

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

6.

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Combining Balance Sheet**  
**June 30, 2004**

	University Combined	Adjustments and Reclassifications			SOMCAFR Format
		Debit	Credit		
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 54,958,996	\$ -	\$ 54,958,996	1	\$ -
Accounts receivable, net	24,737,923	-	24,737,923	2	-
Appropriation receivable	13,354,676	-	13,354,676	3	-
Inventories	720,773	-	720,773	4	-
Deposits and prepaid expenses	1,180,055	-	1,180,055	5	-
Accrued interest receivable	480,234	-	480,234	6	-
Total current assets	95,432,657	-	95,432,657		-
Student loans receivable, net	10,945,410	-	10,945,410	7	-
Long-term investments	76,777,849	-	76,777,849	8	-
Capital assets, net	291,893,918	-	291,893,918	9	-
Other	3,583,322	-	3,583,322	10	-
Total noncurrent assets	383,200,499	-	383,200,499		-
Total assets	\$ 478,633,156	\$ -	\$ 478,633,156		\$ -
<b>Liabilities</b>					
<b>Current liabilities</b>					
Current portion of long-term debt	\$ 3,111,551	\$ 3,111,551	11	\$ -	\$ -
Accounts payable and accrued liabilities	10,369,247	10,369,247	12	-	-
Accrued payroll, taxes and fringe benefits	12,396,073	12,396,073	13	-	-
Unearned fees and deposits	7,357,484	7,357,484	14	-	-
Insurance and other claims payable	2,826,711	2,826,711	15	-	-
Total current liabilities	36,061,066	36,061,066		-	-
<b>Noncurrent liabilities</b>					
Accrued compensated absences	6,775,490	6,775,490	16	-	-
Long-term debt	137,757,719	137,757,719	17	-	-
Long-term unearned fees and deposits	660,000	660,000	18	-	-
Total noncurrent liabilities	145,193,209	145,193,209		-	-
Total liabilities	181,254,275	181,254,275		-	-
<b>Net assets</b>					
Invested in capital assets, net of related debt	192,513,141	192,513,141	19	-	-
Restricted, expendable	75,820,095	75,820,095	20	-	-
Unrestricted	29,045,645	29,045,645	21	-	-
Total net assets	297,378,881	297,378,881		-	-
Total liabilities and net assets	\$ 478,633,156	\$ 478,633,156	\$ -	\$ -	

Note: Reference numbers refer to adjustments and reclassifications on the combining balance sheet on page 4 and the schedule of crosswalk references for adjustments and reclassifications – combining balance sheet on pages 5 and 6.

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

7.

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Combining Balance Sheet**  
**June 30, 2004**

	University Combined	Adjustments and Reclassifications			SOMCAFR Format
		Debit	Credit		
<b>Assets</b>					
<b>Current assets</b>					
Cash	\$ -	\$ 54,958,996	1	\$ -	\$ 54,958,996
Due from primary government	-	18,361,825	22	-	18,361,825
Due from federal	-	2,478,606	23	-	2,478,606
Inventories	-	720,773	4	-	720,773
Other current assets	-	18,912,457	24	-	18,912,457
Total current assets	-	95,432,657		-	95,432,657
<b>Restricted assets</b>					
Mortgages and loans receivable	-	10,945,410	7	-	10,945,410
Investments	-	76,777,849	8	-	76,777,849
<b>Capital assets</b>					
Land and other nondepreciable assets	-	10,640,361	25	-	10,640,361
Buildings, equipment and other depreciable assets	-	444,407,070	26	-	444,407,070
Less: Accumulated depreciation	-	(198,916,779)	27	-	(198,916,779)
Infrastructure (included with buildings, equipment and other)	-	25,300,294	28	-	25,300,294
Construction in progress	-	10,462,972	29	-	10,462,972
Total capital assets	-	291,893,918		-	291,893,918
Other noncurrent assets	-	3,583,322	10	-	3,583,322
Total noncurrent assets	-	383,200,499		-	383,200,499
Total assets	\$ -	\$ 478,633,156		\$ -	\$ 478,633,156
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and other liabilities	\$ -	\$ -	\$ 24,012,456	30	\$ 24,012,456
Due to primary government	-	-	538,364	31	538,364
Bonds and notes payable	-	-	3,111,020	32	3,111,020
Interest payable	-	-	1,041,211	33	1,041,211
Deferred revenue	-	-	7,357,484	14	7,357,484
Current portion of other long-term obligations	-	-	531	34	531
Total current liabilities	-	-	36,061,066		36,061,066
<b>Long-term liabilities</b>					
Deferred revenue	-	-	660,000	18	660,000
Bonds and notes payable	-	-	137,757,719	17	137,757,719
Noncurrent portion of other long-term obligations	-	-	6,775,490	16	6,775,490
Total long-term liabilities	-	-	145,193,209		145,193,209
Total liabilities	-	-	181,254,275		181,254,275
<b>Net assets</b>					
Invested in capital assets, net of related debt	-	-	192,513,141	19	192,513,141
<b>Restricted for</b>					
Construction and debt service	-	-	22,934,395	35	22,934,395
Other purposes	-	-	15,688,866	37	15,688,866
Funds held as permanent investments	-	-			
Nonexpendable	-	-	38,571,917	36	38,571,917
Unrestricted	-	-	27,670,562	38	27,670,562
Total net assets	-	-	297,378,881		297,378,881
Total liabilities and net assets	\$ -	\$ -	\$ 478,633,156		\$ 478,633,156

Note: Reference numbers refer to adjustments and reclassifications on the combining balance sheet on page 3 and the schedule of crosswalk references for adjustments and reclassifications – combining balance sheet on pages 5 and 6.

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

8.

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Schedule of Crosswalk References for Adjustments and Reclassifications –**  
**Combining Balance Sheet**  
**June 30, 2004**

A Reclassify University financial data into the specified format to be used in the state's CAFR statements (no adjustments necessary)		
B Reclassify amounts due from primary government		
State Appropriation receivable	\$ 13,354,676	3
State grants and contracts receivable	346,274	
Charter School receivable from Michigan Dept of Treasury	4,660,875	
Amounts due from primary government	\$ 18,361,825	22
C Amounts due from federal agencies	\$ 2,478,606	23
D Reclassify receivables and other current assets		
Accounts receivable	\$ 24,737,923	2
Less: State grants and contracts receivable	(346,274)	
Less: Charter school receivable from Michigan Dept of Treasury	(4,660,875)	
Less: Federal receivable	(2,478,606)	
Net accounts receivable	17,252,168	
Deposits and prepaid expenses	1,180,055	5
Accrued interest receivable	480,234	6
Other current assets	\$ 18,912,457	24
E Capital assets		
Land and other non-depreciable assets	\$ 10,640,361	25
Buildings, equipment, and other depreciable assets	444,407,070	26
Less: Accumulated depreciation	(198,916,779)	27
Infrastructure (included with buildings, equipment and other)	25,300,294	28
Construction in progress	10,462,972	29
	\$ 291,893,918	9
F Reclassify accounts payable and other liabilities		
Accounts payable and accrued expenses	\$ 10,369,247	12
Payroll taxes and accrued fringe benefits	12,396,073	13
Insurance and other claims payable	2,826,711	15
Less: Interest payable	(1,041,211)	
Less: Amounts due to primary governments	(538,364)	
Accounts payable and other liabilities	\$ 24,012,456	30
G Components of amounts due to primary governments		
MPSERS	\$ 475,952	
Michigan income tax withholding	5,170	
Sales tax payable	3,272	
Use tax payable	226	
MIP	(43,349)	
MESC	97,093	
Amount due to primary government	\$ 538,364	31
H Current liabilities, bonds and notes payable		
Less: Current portion of other long term obligations	\$ 3,111,551	11
	(531)	34
	\$ 3,111,020	32
I Components of restricted expendable net assets		
Less: Capital projects and debt service	\$ 75,820,095	20
Less: Permanently restricted	(22,934,395)	
Restricted-expendable	(38,571,917)	
Less: Loan fund	1,375,083	
Less: Other	(12,305,725)	
	(3,383,141)	
	\$ -	

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



9.

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Schedule of Crosswalk References for Adjustments and Reclassifications –**  
**Combining Balance Sheet**  
**June 30, 2004**

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J	Construction and debt service			
	Plant fund	\$	21,893,184	
	Debt service		<u>1,041,211</u>	33
	Total construction and debt service	\$	<u>22,934,395</u>	35
K	Permanently restricted			
	Restricted - expendable	\$	37,196,834	
	Other	\$	<u>1,375,083</u>	
		\$	<u>38,571,917</u>	36
L	Restricted for other purposes			
	Student loan fund	\$	12,305,725	
	Other		<u>3,383,141</u>	
		\$	<u>15,688,866</u>	37
M	Long-term liabilities, bonds and notes payable	\$	<u>137,757,719</u>	17
	Noncurrent portion of other long-term obligations	\$	<u>6,775,490</u>	16
N	Unrestricted	\$	29,045,645	21
	Less: Restricted expendable		<u>(1,375,083)</u>	
		\$	<u>27,670,562</u>	38

Note: Reference numbers refer to adjustments and reclassifications on the combining balance sheet on pages 3 and 4.

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

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**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Statement of Current Funds Revenues, Expenses,**  
**Transfers and Changes in Net Assets**  
**Year Ended June 30, 2004**

	EMU University	EMU Foundation	Eliminations	University Combined	
<b>Operating revenues</b>					
Student tuition and fees	\$ 134,718,682	\$ -	\$ -	\$ 134,718,682	39
Scholarship allowances	(16,870,461)	-	-	(16,870,461)	40
Net student tuition and fees	117,848,221	-	-	117,848,221	
Federal grants and contracts	6,852,174	-	-	6,852,174	41
Federal financial aid	13,564,595	-	-	13,564,595	42
State grants and contracts	832,073	-	-	832,073	43
State financial aid	2,440,368	-	-	2,440,368	44
Nongovernmental grants and contracts	5,215,990	1,850,000	(1,850,000)	5,215,990	45
Departmental activities	5,789,737	-	-	5,789,737	46
Auxiliary activities, less internal service billings of \$3,448,788 and \$3,494,214 in 2004 and 2003, respectively	35,096,710	1,863,347	-	36,960,057	47
Other	1,330,660	79,824	-	1,410,484	48
<b>Total operating revenues</b>	<b>188,970,528</b>	<b>3,793,171</b>	<b>(1,850,000)</b>	<b>190,913,699</b>	
<b>Operating expenses</b>					
Instruction	91,445,321	-	-	91,445,321	49
Research	4,948,175	-	-	4,948,175	50
Public service	11,612,772	-	-	11,612,772	51
Academic support	22,184,900	-	-	22,184,900	52
Student services	25,048,906	-	-	25,048,906	53
Institutional support	31,445,325	2,800,257	(1,850,000)	32,395,582	54
Scholarships and fellowships	14,104,740	-	-	14,104,740	55
Operation and maintenance of plant	19,111,838	-	-	19,111,838	56
Auxiliary activities, less internal service billings of \$3,448,788 and \$3,494,214 in 2004 and 2003, respectively	31,817,606	1,848,017	-	33,665,623	57
Depreciation	15,502,637	-	-	15,502,637	58
Capital additions, net	(6,052,767)	-	-	(6,052,767)	59
Other	271,942	113,545	-	385,487	60
<b>Total operating expenses</b>	<b>261,441,395</b>	<b>4,761,819</b>	<b>(1,850,000)</b>	<b>264,353,214</b>	
<b>Operating loss</b>	<b>(72,470,867)</b>	<b>(968,648)</b>	<b>-</b>	<b>(73,439,515)</b>	
<b>Nonoperating revenues (expenses)</b>					
State appropriations	74,929,604	-	-	74,929,604	61
Gifts	2,988,334	2,722,407	(2,860,074)	2,850,667	62
Investment income					
Restricted	-	4,223,008	-	4,223,008	63
Unrestricted	1,429,044	615,623	-	2,044,667	64
Interest expense	(7,619,601)	-	-	(7,619,601)	65
Contributions to EMU	-	(3,299,430)	3,299,430	-	66
Other	439,356	26,015	(439,356)	26,015	67
<b>Net nonoperating revenues before     capital items</b>	<b>72,166,737</b>	<b>4,287,623</b>	<b>-</b>	<b>76,454,360</b>	
Capital gifts	809,703	-	-	809,703	68
Additions to permanent endowments	-	2,405,220	-	2,405,220	69
<b>Total net nonoperating revenues     (expenses)</b>	<b>72,976,440</b>	<b>6,692,843</b>	<b>-</b>	<b>79,669,283</b>	
<b>Increase in net assets</b>	<b>505,573</b>	<b>5,724,195</b>	<b>-</b>	<b>6,229,768</b>	
<b>Net assets</b>					
Beginning of year	258,301,391	32,847,722	-	291,149,113	
End of year	\$ 258,806,964	\$ 38,571,917	\$ -	\$ 297,378,881	

Note: Reference numbers refer to adjustments and reclassifications on the schedule of crosswalk references for adjustments and reclassifications – statement of activities on page 9.

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

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Statement of Activities**  
**Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	General Revenues						
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions		Interest and Investment Earnings	Payments from State of Michigan	Other	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year	
Primary Government												
Governmental Activities												
Eastern Michigan University	\$ (271,972,815) (O) & (V)	\$ 174,162,610 (P)	\$ 19,141,839 (Q)	\$ 809,703 (R)	\$ (77,858,663)	\$ 2,044,667 (S)	\$ 78,202,045 (T)	\$ 3,841,719 (U)	\$ 6,229,768	\$ 291,149,113	\$ 297,378,881	

Note: Reference letters refer to adjustments and reclassifications on the crosswalk references for adjustments and reclassifications – statement of activities on page 9.

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

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Schedule of Crosswalk References for Adjustments and Reclassifications –**  
**Statement of Activities**  
**Year Ended June 30, 2004**

<b>O</b>			
	Instruction	\$ 91,445,321	49
	Research	4,948,175	50
	Public service	11,612,772	51
	Academic support	22,184,900	52
	Student services	25,048,906	53
	Institutional support	32,395,582	54
	Scholarships and fellowships	14,104,740	55
	Operation and maintenance of plant	19,111,838	56
	Auxiliary activities, less internal service billings of \$3,494,213 and \$3,439,286 in 2004 and 2003, respectively	33,665,623	57
	Depreciation	15,502,637	58
	Capital additions, net	(6,052,767)	59
	Interest expense	7,619,601	65
		<u>\$ 271,587,328</u>	
<b>P</b>			
	Student tuition and fees	\$ 134,718,682	39
	Scholarship allowances	(16,870,461)	40
	Federal financial aid	13,564,595	42
	Departmental activities	5,789,737	46
	Auxiliary activities, less internal service billings of \$3,494,213 and \$3,439,286 in 2004 and 2003, respectively	36,960,057	47
		<u>\$ 174,162,610</u>	
<b>Q</b>			
	Federal grants and contracts	\$ 6,852,174	41
	Nongovernmental grants and contracts	5,215,990	45
	Restricted investment income	4,223,008	63
	Gifts	2,850,667	62
	Contributions to EMU	-	66
		<u>\$ 19,141,839</u>	
<b>R</b>			
	Capital gifts	\$ 809,703	68
<b>S</b>			
	Investment income		
	Unrestricted	\$ 2,044,667	64
<b>T</b>			
	State appropriations	\$ 74,929,604	61
	State grants and contracts	832,073	43
	State financial aid	2,440,368	44
		<u>\$ 78,202,045</u>	
<b>U</b>			
	Other revenue	\$ 1,410,484	48
	Other revenue	26,015	67
	Additions to permanent endowments	2,405,220	69
		<u>\$ 3,841,719</u>	
<b>V</b>			
	Other expenses	\$ 385,487	60

Note: Reference numbers refer to adjustments and reclassifications on the statement of current funds revenues, expenses, transfers and changes in net assets on page 7. Reference letters refer to adjustments and reclassifications on the statement of activities on page 8.

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

**Eastern Michigan University**  
**State Universities Component Units – Eastern Michigan University**  
**Notes to Combined Financial Statements**  
**June 30, 2004**

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**1. Significant Accounting Policies**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), in the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities, and the Manual for Uniform Financial Reporting – State of Michigan Colleges and Universities, as revised. The University's fiscal year end is June 30.

The University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in 2004. As such, the Eastern Michigan University Foundation (the "Foundation") financial statements and footnotes have been discretely incorporated into the University's financial statements, footnotes and management's discussion and analysis.

**State Appropriations**

The University recognizes state appropriations on the accrual basis. Other state appropriations are recognized as funds are allotted by the state.

**2. Cash, Pooled Investments and Investments**

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and investments. Cash and investments are held by financial institutions on behalf of the University. The GASB's Statement 3 requires certain disclosures regarding policies and practices with respect to deposits, investments, and the custodial credit risk associated with them.

**Deposits**

In accordance with the GASB's Statement 3, deposits are classified into three categories of custodial credit risk, as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.)

Cash is generally uninsured and uncollateralized and the University uses a zero balance account in its cash management system. Accordingly, any outstanding checks are reflected as negative cash in its disbursement accounts. At year-end, the carrying amount of component unit deposits excluding those classified as investments, was \$54,958,996. The deposits were reflected in the accounts of the banks at \$24,088,106.

Of the bank balance, \$622,353 was covered by federal depository insurance or by collateral held by an agent in our name (GASB credit risk category #1) and \$23,465,753 was uninsured and uncollateralized (GASB credit risk category #3).

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**Eastern Michigan University**  
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**Investments**

In accordance with the GASB's Statement 3, investments are classified into three categories of custodial credit risk as follows:

Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's names.

Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

Certain types of investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Investments are carried at fair value. The following table shows the carrying amounts of investments, by investment type and in total.

	<b>GASB Category 1</b>	<b>GASB Category 2</b>	<b>GASB Category 3</b>	<b>Carrying Value</b>	<b>Market Value</b>
Government securities	\$ 3,637,917	\$ -	\$ -	\$ 3,637,917	\$ 3,637,917
Corporate bonds & notes	-	2,923,111	-	2,923,111	2,923,111
Equities	-	27,374,692	-	27,374,692	27,374,692
Real estate	-	650,000	-	650,000	650,000
Venture capital & leveraged buyouts	-	33,234	-	33,234	33,234
Mutual funds	-	42,158,895	-	42,158,895	42,158,895
	<u>\$ 3,637,917</u>	<u>\$ 73,139,932</u>	<u>\$ -</u>	<u>76,777,849</u>	<u>\$ 76,777,849</u>
Less: Investments reported as cash on statement of net assets				<u>-</u>	
Total investments per statement of net assets				<u>\$ 76,777,849</u>	
As reported on the Statement of Net Assets					
Noncurrent restricted investments				<u>76,777,849</u>	
Total investments				<u>\$ 76,777,849</u>	

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**Eastern Michigan University**  
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**3. Capital Assets**

The following table summarizes, by major class of asset, the recorded costs of capital assets as of June 30, 2004:

	Amount
<b>Classification</b>	
Land and other nondepreciable assets	\$ 10,589,978
Buildings, equipment, and other depreciable assets	469,757,747
Construction in progress	10,462,972
Total	490,810,697
Less: Accumulated depreciation	(198,916,779)
Capital assets, net	<u>\$ 291,893,918</u>

**4. Notes and Bonds Payable**

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The following table summarizes debt service requirements for the succeeding years ended June 30:

	Principal	Interest	Total
2005	\$ 3,111,020	\$ 7,010,924	\$ 10,121,944
2006	4,481,604	6,855,440	11,337,044
2007	3,956,131	6,641,872	10,598,003
2008	3,997,491	6,454,019	10,451,510
2009	6,337,493	6,262,687	12,600,180
	<u>21,883,739</u>	<u>33,224,942</u>	<u>55,108,681</u>
2010-2014	19,640,000	27,652,319	47,292,319
2015-2019	23,675,000	21,870,198	45,545,198
2020-2024	28,415,000	16,095,627	44,510,627
2025-2029	30,400,000	8,524,111	38,924,111
2030-2034	16,855,000	2,048,094	18,903,094
Total	<u>\$ 140,868,739</u>	<u>\$ 109,415,291</u>	<u>\$ 250,284,030</u>

The following table summarizes the defeased bonds outstanding at June 30, 2004:

1992 issue	\$ 569,000
2000 issue	2,600,000
2001 issue	39,560,361
Total defeased bonds	<u>\$ 42,729,361</u>

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The following table summarizes bonds defeased during the fiscal year:

	Defeased Amount	Average Interest Rate
1992 issue	\$ 195,000	5.71 %
2000 issue	290,000	6.17 %
2001 issue	286,304	4.72 %
	<u>\$ 771,304</u>	

**5. Retirement Plans**

Through December 31, 1995, the University offered participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees Retirement System (MPERS) and the Teachers Insurance and Annuities Association – College Retirement Equities Fund (TIAA – CREF). As of January 1, 1996 the University no longer offered participation in MPERS due to the Michigan Public Act 272 of 1995 which enabled the University to withdraw from MPERS.

MPERS is a cost sharing multiple-employer noncontributory defined benefit retirement plan through the Michigan State Employees' Retirement Plan ("Plan"). The cost of the plan allocated to the University, all of which was contributed, was approximately \$4,592,000 for the year ended June 30, 2004. Covered payroll was approximately \$21,376,000 for the year ended June 30, 2004.

TIAA-CREF is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract. For the year ended June 30, 2004, the University contributed approximately \$9,255,000 to the TIAA-CREF plan. Covered payroll was approximately \$90,632,000 for the year ended June 30, 2004.

The University has no liability beyond its own contribution under the TIAA-CREF program.

**6. Liability and Property Insurance**

The University participates in the Michigan Universities Self-Insurance Corporation (MUSIC), which provides indemnity to members against comprehensive general liability, errors and omissions and property losses commonly covered by insurance. MUSIC also provides risk management and loss control services and programs.

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

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits.



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Liabilities for estimates of losses retained by the University under MUSIC and claims incurred but not reported under self-insurance programs have been established in the operating funds.

**7. Commitments**

Certain University facilities, including the Bruce T. Halle Library, John W. Porter College of Education, Boone Hall, Everett L. Marshall College of Health and Human Services Building and the William H. Smart Physical Plant have been or are scheduled to be financed in whole or in part by State Building Authority ("SBA") bond issues which are secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements between the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to the respective buildings, the State of Michigan will make all lease payments to the SBA and the University will pay all operating and maintenance costs. At the expiration of the individual leases, the SBA has agreed to sell each building to the University for one dollar.