2010 Financial Report

The Rozsa Center for the Performing Arts gives Michigan Tech and the local communities a world-class venue for performances, lectures, and much more.

MICHIGAN TECHNOLOGICAL UNIVERSITY

1885 – 2010

Michigan Tech

Celebrating 125 Years

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THE MICHIGAN TECH PLAN

MISSION
We prepare students to create the future.

VISION
Michigan Tech will grow as a premier technological research university of international stature, delivering education, new knowledge, and innovation for the needs of our world.

GOALS
Michigan Tech will enrich lives and improve our world through interdisciplinary endeavors that span engineering, sciences and arts, technology, forestry, and business. Society demands sustainable economic prosperity, improved health and safety, ethical conduct, and responsible use of natural resources. Michigan Tech will be a leader in responding creatively to these challenges in Michigan, the nation, and the world. We will attract exceptional faculty, staff, and students who understand, develop, apply, manage, and communicate science and technology – all with the goal of a prosperous, sustainable world.

Our success will be measured by the national and international impact of our research and scholarly activities, and by the leadership, service and reputation of our faculty, staff, and graduates. Michigan Tech will be respected and recognized by leaders in science and engineering, government, business, and society for our ability to educate, advance knowledge, innovate, and foster economic growth.

Goal 1: *Attract, retain, and support a world-class and diverse student population.*
Goal 2: *Deliver a distinctive and rigorous discovery-based learning experience grounded in science, engineering, technology, sustainability, the business of innovation, and an understanding of the social and cultural contexts of our contemporary world.*
Goal 3: *Establish world-class research, scholarship, innovation, and creative work that promotes sustainable economic and social development in Michigan, the nation, and the world.*

LETTER FROM THE PRESIDENT

The last academic year continued Michigan Tech's good news concerning the three major goals from our Strategic Plan: *people; distinctive education; and research, scholarship, and creativity.* Given the tough economic times, and the effect on the state of Michigan and the Midwest especially, we do our best to move toward the goals by strategically investing available resources in high-priority, high-impact initiatives.

This fall, we expect to meet our enrollment goals of undergraduate and graduate students, including continued success in the recruitment and enrollment of women and minorities. Although we are improving, we will continue to make these priority areas in our enrollment efforts. In addition, graduate enrollment is of particular importance in terms of advancing higher levels of education and research, where grad students work side by side with faculty mentors.

Our Strategic Faculty Hiring Initiative—which focuses on academic areas of great future importance—is paying dividends with the impressive research and scholarship funds our new faculty have brought to campus. The impetus is now on next-generation energy systems and health: basic sciences, technologies, and medical informatics. We expect great results from these areas.

The latest examples of distinctive education can be found in our new degree programs. The PhD in Environmental and Energy Policy and the PhD in Geophysics grow from our long tradition of excellence in those areas, with a new emphasis on sustainability and environmental awareness.

Historically, PhD students and faculty in the geological and mining engineering and sciences department have been heavily involved in research and mitigation of environmental disasters and recently have shared their expertise regarding Haiti and Iceland. Tech faculty also made their expertise available for the gulf oil spill disaster.

New facilities are essential to the University's growth and the Keweenaw Research Center will enhance the lives of students, faculty, and staff, as well as enhancing our ability to make an impact on issues of national importance. The Residential Apartment Building gives students yet another way to build community.

The creative spark that ignites our research has never been better. Faculty and students are investigating DNA, an invisibility cloak, remote sensing, aerospace (see page 6), nanotubes, intelligent molecules, and hybrid poplars for conversion to biodiesel fuel, to name but a sampling of their fascinating work.

The students at all levels in the University are the ultimate beneficiaries of this intense study. They learn the latest information from world-renown faculty, and their diplomas are enhanced accordingly when they leave our campus to create the future.

Sincerely

Glenn D. Mroz
President

ADMINISTRATIVE OFFICERS

BOARD OF CONTROL

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2010	Russell A. Gronevelt, Chair	Dr. Ruth A. Reck
2012	Martha K. Richardson, Vice Chair	Dr. Kathryn Clark
2014	Lenora Ashford	Stephen J. Hicks
2016	Thomas L. Baldini	Paul G. Ollila

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UNIVERSITY UPDATE

Great Lakes Research Center: An Investment in the State, the Nation and the World's Freshwater Resources

Michigan Tech President Glenn D. Mroz was vacationing on his boat in Lake Superior a couple summers ago when he heard his phone ring. As it turned out, the person on the other end of the line was State Rep. Mike Lahti (D-Hancock). The state didn't have enough money in its capital outlay budget to fund the University's top-priority request, he told Mroz. Was there a less expensive project the University could put forward? "He said, 'I could give you a couple minutes to think about it,'" Mroz recalled; the budget was being divvied up as they spoke, and time was running out.

Mroz pondered for a moment, and, realizing the opportunity he'd been given, suggested the Great Lakes Research Center. With help from State Senator Mike Prusi (D-Ishpeming), the state later agreed to provide 74 percent of the cost of the $25.3 million facility. Michigan Tech's share is 26 percent, approximately $6.6 million.

The center was an obvious choice for state funding, said Mroz, considering that it will house research and education on one of the world's most precious and increasingly rare resources. "I taught hydrology and watershed management for 25 years," Mroz said. "I used to tell my students, 97 percent of the water in the world is salt." Most of the rest is tied up in glaciers. Of the tiny remainder, about 20 percent is found in the Great Lakes, and half of that total is contained in Lake Superior.

“When Charlie Kerfoot [biological sciences professor W. Charles Kerfoot, who helped spearhead the effort] told us he wanted us to do the Great Lakes Research Center, it was not a hard sell,” said Mroz.

Lahti spoke at the ground breaking ceremony, noting that the new center would have other benefits as well. “This is an investment in our state and in the economic recovery of the nation," he said.

Such an investment relies on Michigan Tech's reputation for quality, which is due to the excellence of its faculty and staff, Mroz added. In particular, he cited the efforts of Kerfoot and Professor Emeritus Robert Baillod for their work to make the center a reality.

The center was designed by FTC&H of Grand Rapids. It will include aquatic laboratories, a hydraulics lab, coastal research instrumentation, boathouse facilities, offices and conference rooms, providing a home at Michigan Tech for interdisciplinary research and education related to the Great Lakes.

It will also house a research and educational partnership between Michigan Tech and the US Army Corps of Engineers' Research and Development Center Environmental Laboratory in Vicksburg, Miss. The Vicksburg lab is the Corps of Engineers' water resources research facility.

Construction is expected to be completed in about 18 to 24 months under the direction of general contractor Granger Construction Company, of Lansing.

NEW AEROSPACE CENTER ON CAMPUS

Michigan Tech, which has been establishing a highly regarded academic program in space technology, now boasts a new center focused on satellites. The Michigan/Air Force Center of Excellence in Electric Propulsion will focus on satellite thrusters. It has received $1 million in funding for five years.

The aerospace center is housed in Michigan Tech's Department of Mechanical Engineering-Engineering Mechanics. "This is a major accomplishment," said William Predebon, chair of mechanical engineering. "It puts us on the national map."

Six universities comprise the center: Michigan Tech, the University of Michigan (which administers the program), Penn State, the University of Washington, the University of California Los Angeles and Colorado State University.

Lyon (Brad) King, associate professor of mechanical engineering-engineering mechanics, was instrumental in attracting the funding for the center from the Air Force Research Lab and the Air Force Office of Scientific Research. King says that the Air Force, not NASA, is the nation's largest supporter of university research in space propulsion. "They're number one," he notes, "in both investment dollars and the number of devices they launch and use."

King will oversee work on plasma space propulsion systems—thrusters that maintain an orbit or move satellites from one orbit to another. Currently, 250 of the 3,000 space craft in orbit use some type of plasma thruster.

Satellites can be mighty or tiny—the size of a school bus or the size of a cell phone. Likewise, thrusters range from rockets to devices that are the size of a thumb. In his work, King will address thrusters on both the "mega-" and "nano-" scale.

Traditional thrusters burn fuel as a propellant. Plasma thrusters use solar arrays to generate electric and magnetic forces that propel ionized gases. Plasma thrusters are 10 to 100 times more efficient than chemical thrusters.

Tech's new center has two charges:

- research that advances the science
- and application that improves the technology

"The Air Force is letting us work on high-risk, high-payoff technology," King explains. "High risk means that some promising ideas may turn out not to be technically feasible after we examine them more closely. The high payoff is that we might make revolutionary advances to the state of the art. They understand that to make the great breakthroughs, we may have to kiss some frogs and go down some dead ends. They are giving us the academic and creative freedom to do that. Some ideas won't pan out. Hopefully, we'll have stories that start out as napkin sketches and become successes that attract further funding."

King anticipates involving Tech faculty from other disciplines. The center also will support three PhD students.

ENROLLMENT

Admission is open to all students on a competitive basis. The University's entering freshmen consistently have average ACT scores greater than the national average. The following tables show that about 36% of accepted students enroll at the University. Michigan residents account for 67% of the University's enrollment.

Accepted Students* Summer and Fall Terms					
	2009	2008	2007	2006	2005
Freshman	3,456	3,781	3,485	3,115	3,326
Transfer Students	403	352	470	358	337
Graduate Students	1,217	962	701	608	677
Total	**5,076**	**5,095**	**4,656**	**4,081**	**4,340**

Average ACT Scores for Incoming Freshmen, Fall		
	MTU	Natl
2009	26.0	21.1
2008	25.6	21.1
2007	25.6	21.2
2006	25.2	21.1
2005	25.1	20.9

Enrollment has been a priority of the University and is a part of our Strategic Plan.

Selected Enrollment Data* Summer and Fall Terms					
	2009	2008	2007	2006	2005
New Freshman	1,160	1,365	1,223	1,169	1,327
New Transfer Students	236	216	229	218	213
Graduate Students	443	265	233	276	252
Total	**1,839**	**1,846**	**1,685**	**1,663**	**1,792**

Enrollment by Residency*

	2009	2008	2007	2006	2005
Resident	4,782	4,652	4,441	4,260	4,241
Non-Resident	1,457	1,526	1,599	1,611	1,551
International	892	819	647	577	596
Total	**7,131**	**6,997**	**6,687**	**6,448**	**6,388**

Full-Time Equivalent Students by Residency*					
	2009	2008	2007	2006	2005
Resident	4,410	4,315	4,114	3,973	3,964
Non-Resident	1,378	1,433	1,495	1,523	1,484
International	848	780	619	530	572
Total	**6,636**	**6,528**	**6,228**	**6,026**	**6,020**

**Does not include Distance Learning*

DEGREES AWARDED

The University awards four levels of degrees, including associate, bachelor's, master's, and doctoral/professional degrees. Listed below is a five-year history of degrees awarded.

Degrees Awarded					
	2009	**2008**	**2007**	**2006**	**2005**
Associate	23	20	26	24	28
Bachelor	1,073	1,146	966	1,008	1,048
Masters	169	196	184	203	185
Doctorate	57	54	65	41	44
Total	**1,322**	**1,416**	**1,241**	**1,276**	**1,305**

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis section of the Michigan Technological University (the "University") annual financial report provides an overview of our financial activities during the fiscal years ended June 30, 2010, 2009, and 2008. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis, which includes the Michigan Tech Fund whenever appropriate. Responsibility for the completeness and fairness of this information rests with University 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 generally accepted accounting principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented to focus on the University as a whole. The financial statements report information about the University using accrual accounting methods similar to those used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

REPORTING ENTITY

The University's supporting organization, the Michigan Tech Fund (the "Fund"), is an independent nonprofit corporation formed for the exclusive benefit of the University. In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39-*Determining Whether Certain Organizations are Component Units.* Under this GASB pronouncement, the Fund is considered a discretely presented component unit of the University.

CONDENSED STATEMENTS OF NET ASSETS

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

Condensed Statements of Net Assets As of June 30	2010	2009	2008
Assets			
Current assets	$ 40,100,788	$ 36,306,073	$ 35,403,901
Noncurrent assets:			
Capital assets, net	241,689,069	224,310,713	222,248,552
Other	20,166,676	19,877,176	20,530,106
Total assets	**$ 301,956,533**	**$ 280,493,962**	**$ 278,182,559**
Liabilities			
Current liabilities	$ 26,634,623	$ 21,290,679	$ 20,904,346
Noncurrent liabilities	74,332,274	58,417,766	52,990,515
Total liabilities	**$ 100,966,897**	**$ 79,708,445**	**$ 73,894,861**
Net assets			
Invested in capital assets, net of related debt	$ 168,775,108	$ 169,130,442	$ 172,203,024
Restricted for expendable purposes	23,776,567	21,770,345	22,603,437
Unrestricted	8,437,961	9,884,730	9,481,237
Total Net Assets	**$ 200,989,636**	**$ 200,785,517**	**$ 204,287,698**

Changes from 2009 to 2010

Current assets increased by $3.8 million, mainly as a result of an increase in cash and cash equivalents of $3.6 million. This increase in cash is the result of unspent bond proceeds as construction of the student apartment building continues. Accounts receivable increased by $158,000 as increases in receivables for research were offset by decreases in receivables from student billings and state appropriations.

Capital assets increased by $17.4 million. Asset additions during the year totaled $29.5 million and the depreciation charge for the year was $11.9 million. Much of the capital additions for fiscal 2010 remain in construction in progress at the end of the fiscal year as both the Keweenaw Research Center ("KRC") facility and the student apartment building are expected to be completed for Fall 2010.

Other noncurrent assets increased by $290,000 as a decrease of $662,000 in student loans receivable was offset by an increase in investment values of $951,000.

Current liabilities increased by $5.3 million. Accounts payable increased by $4.0 million mainly due to payments accrued, and contractor's retainage, of ongoing construction projects. Other accrued liabilities increased by $651,000, deferred revenues decreased by $629,000, and the current portion of noncurrent liabilities increased by $953,000. Current payments of long-term debt increased by $379,000 as serial payments on the 2009 series bonds will begin in fiscal year 2010-2011.

Noncurrent liabilities increased by $15.9 million as additional bonds were issued to finance the construction of the student apartment building and the KRC facility.

Total net assets increased by $204,000. The University's investment in capital assets, net of related debt, decreased by $355,000. This is a result of the depreciation charge plus new debt issued being greater than newly acquired assets plus construction in progress. Restricted net assets increased by $2.0 million while unrestricted net assets decreased by $1.4 million. The University maintains its internal accounting records on a fund basis. The June 30, 2010 unrestricted reserves of $8.4 million consist of reserves in designated funds and auxiliary funds and deficits in the general fund, retirement and insurance fund and the plant renewal and replacement fund.

Changes from 2008 to 2009

Current assets increased by $900,000 for the period ended June 30, 2009. Current assets are principally comprised of cash, accounts receivable, inventories and deposits. Cash reserves remain very stable, increasing by only $269,000. Accounts receivable increased by $1.3 million primarily due to billings for construction costs, scholarships and health care refunds due to the University. Inventories were virtually unchanged and deposits decreased by $610,000 as a result of a change to the third party administrator of the University health care plan.

Capital assets increased by $2.1 million as several facility construction projects began during fiscal 2009 across the University. Construction in progress increased by $2.1 million; meaning that other asset additions were equal to the annual depreciation charge of $11.5 million.

Other noncurrent assets decreased by $650,000, primarily as a result of a decrease in the value of investments of $670,000.

Current liabilities increased by $386,000 over the period ended June 30, 2008. Accounts payable decreased by $680,000, other accrued liabilities increased by $1.0 million (payroll related), deferred revenue increased by $600,000 (research advanced receipts) and the current portion of long term debt decreased by $500,000.

Noncurrent liabilities increased by $5.4 million as a result of additional bonds issued to fund the construction in the newly acquired Michigan Tech Lakeshore Center (formerly the UPPCO building), the remodeling of the Memorial Union Ballrooms and construction at the Keweenaw Research Center.

Total net assets decreased by $3.5 million. The University's investment in capital assets, net of related debt, decreased by $3.1 million. This is a result of the depreciation charge plus new debt issued being greater than newly acquired assets plus construction in progress. Restricted net assets decreased by $800,000 while unrestricted net assets increased by $400,000. The June 30, 2009 unrestricted reserves of $9.9 million consist of reserves in designated funds and auxiliary funds and deficits in the general fund, retirement and insurance fund and the plant renewal and replacement fund.

NET ASSETS

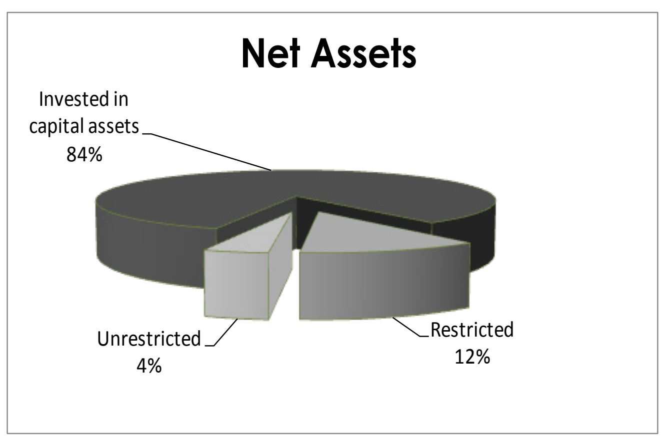
Net assets represent the residual interest in the University's assets after liabilities are deducted. The composition of the University's net assets is summarized as follows:

Net Assets Summary As of June 30			
	2010	2009	2008
Invested in capital assets, net of related debt	**$ 168,775,108**	**$ 169,130,442**	**$ 172,203,024**
Restricted - expendable			
Gifts and sponsored programs	2,692,577	2,821,642	2,933,113
Capital projects and debt service	7,303,870	5,261,326	6,006,472
Student loans	13,780,120	13,687,377	13,663,852
Total restricted net assets	**23,776,567**	**21,770,345**	**22,603,437**
Unrestricted net assets			
Capital projects & repairs	(2,343,381)	(1,171,495)	(1,179,793)
Auxiliary enterprises	8,109,036	9,408,680	9,210,497
Designated for departmental use	17,669,080	17,622,936	14,459,317
Uncommitted	(14,996,774)	(15,975,391)	(13,008,784)
Total unrestricted net assets	**8,437,961**	**9,884,730**	**9,481,237**
Total net assets	**$ 200,989,636**	**$ 200,785,517**	**$ 204,287,698**

Net assets invested in capital assets, net of related debt, represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The net decrease reflects the University's continued usage of its capital assets in accordance with its long-range capital plan. Recent additions of buildings and renovations have been financed projects resulting in no increase to the amount of net assets invested in capital assets, net of related debt.

Expendable restricted net assets represent assets whose use is restricted by a party independent of the University. This includes restrictions related to gifts, research contracts, grants, outstanding debt and the student-loan programs.

Unrestricted net assets represent net assets of the University that have not been restricted by parties independent of the University. This includes designated funds that the Board of Control and management have designated for specific purposes, such as public service activities or academic and research initiatives. Unrestricted net assets also include amounts that have been contractually committed for goods and services that have not been received by fiscal year-end.



CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred during the year. In accordance with GASB reporting principles, activities are reported as either operating or nonoperating. GASB 35 classifies state appropriations and gifts as nonoperating revenues, which will always result in operating deficits for the University.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets Year ended June 30			
	2010	**2009**	**2008**
Operating revenues			
Tuition and fees, net	$ 65,590,647	$ 63,396,990	$ 54,820,288
Grants and contracts	42,899,049	40,873,477	42,416,148
Educational activities	4,790,916	4,607,805	4,626,843
Auxiliary activities	28,302,646	28,727,171	27,389,058
Total operating revenues	**141,583,258**	**137,605,443**	**129,252,337**
Operating expenses	210,515,343	204,315,702	195,669,108
Operating loss	**(68,932,085)**	**(66,710,259)**	**(66,416,771)**
Nonoperating revenues and expenses			
Federal Pell grants	6,035,503	3,931,592	3,229,124
State appropriations	47,870,800	49,518,500	49,028,200
Capital grants and gifts	15,335,072	13,614,648	11,672,592
Other nonoperating revenues and expenses, net	(105,171)	(3,856,662)	(2,312,684)
Net nonoperating revenues	**69,136,204**	**63,208,078**	**61,617,232**
Net increase (decrease) in net assets	204,119	(3,502,181)	(4,799,539)
Net assets			
Beginning of year	200,785,517	204,287,698	209,087,237
End of year	**$ 200,989,636**	**$ 200,785,517**	**$ 204,287,698**

Changes from 2009 to 2010

Operating revenues increased by a total of $4.0 million. Tuition and fees, net of scholarship allowance, increased by $2.2 million (3.5%), grants and contract revenues increased by $2.0 million (5.0%) and auxiliary revenues decreased by $424,000 (1.5%).

Operating expenses increased by $6.2 million. Salary and benefit costs increased by $6.1 million or 4.6%. A breakdown of these costs shows that salary costs increased by $6.7 million (7.0%) and benefit costs decreased by $670,000 (1.8%). This is a result of a compensation shift whereby funds spent on benefits (primarily health care and retirement funding) were shifted to employee salaries to give employees more flexibility in the management of their total compensation package. Supplies and services decreased by $1.3 million (2.8%), utilities decreased by $326,000 (3.7%), and annual depreciation increased by $444,000. Student financial support increased by $1.3 million or 20.5% because there is increased demand for financial aid as tuition increases, state support for students decreases and the Michigan economy remains weak.

Net nonoperating revenues increased by $5.9 million. Federal Pell grants increased by $2.1 million as increased Pell funding was a significant priority in federal economic recovery legislation. State appropriations decreased by $1.6 million, but this decrease was offset by $1.3 million in state stabilization funds received as federal pass-through funding from the state ARRA funding. Gifts to the University, including gifts of capital assets, increased by $1.7 million. Investments showed a gain of $1.2 million in fiscal year 2010, in contrast to the investment loss of $686,000 in fiscal year 2009.

The net result of operations for the year was an increase in net assets of $204,000.

Changes from 2008 to 2009

For the year ended June 30, 2009, operating revenues increased by $8.3 million. Tuition and fees, net of scholarship allowance, increased by $8.6 million or 15.6% due to increased tuition rates and increased enrollment. Grants and contract revenues decreased by $1.5 million or 3.6%. Auxiliary activities increased by $1.3 million or 4.9%.

Operating expenses increased by $8.6 million. Of this amount salary and benefit costs increased by $7.0 million or 5.6%. Operating supplies increased by $600,000 or 1.4%. University provided student financial support increased by $750,000 or 13.8% as the commitment to enrollment support is strengthened. Of special interest is that utility costs increased by only $270,000 or 3.2% indicating that efforts of conservation across the campus are paying dividends.

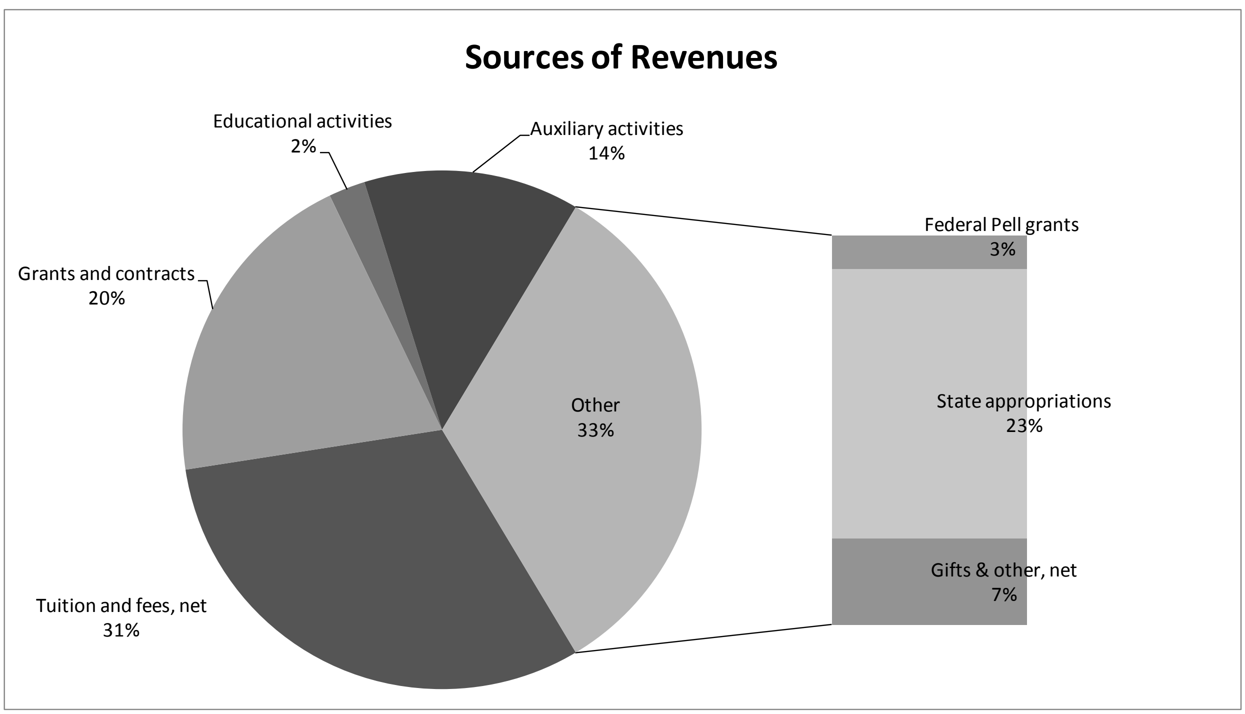
Net nonoperating and other revenues increased by $1.6 million. Federal Pell grants increased by $700,000. Gifts to the University increased by $1.9 million. State appropriations increased by $500,000. These revenue increases were offset by the increased expenses of interest on capital debt of $500,000 and disposal of capital assets of $400,000. Investments suffered greater losses this year in the amount of $600,000.

The net result of operations for the year was a decrease in net assets of $3.5 million.

Revenue Diversification

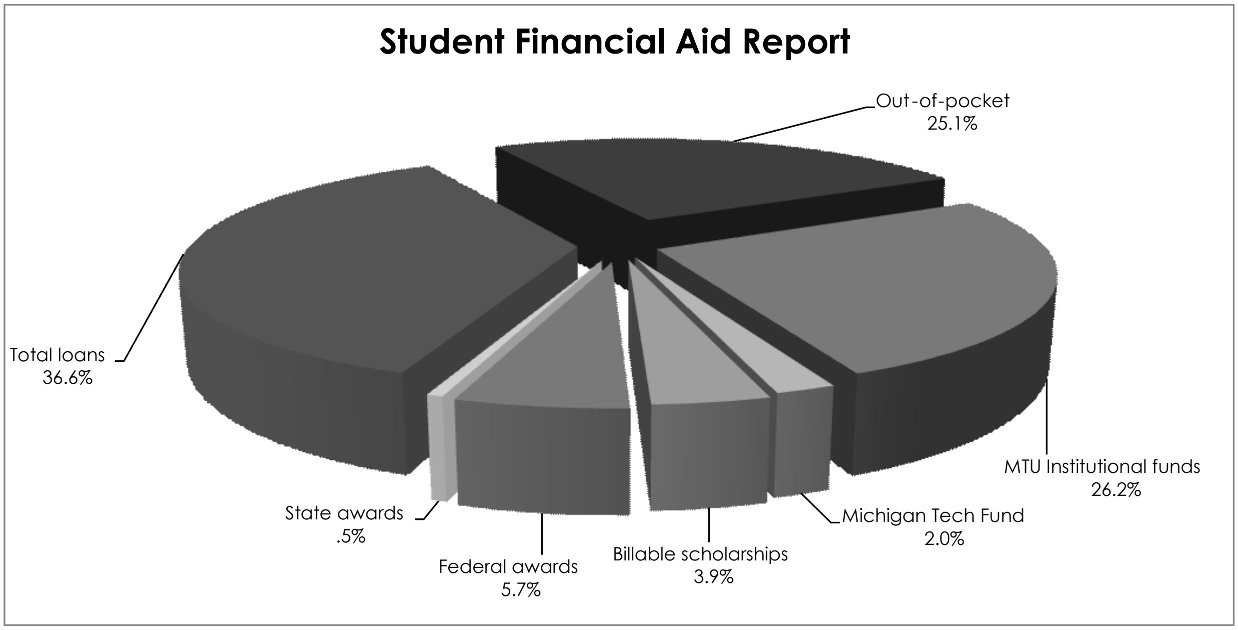
One of the University's greatest financial strengths is its diverse streams of revenues. In order to supplement student tuition, the University continues to aggressively increase funding from other sources consistent with its mission.

The following graph illustrates the fiscal year 2010 revenues by source:



TUITION AND FEES REVENUE

The University provides students with the opportunity to obtain a quality education at a price that is subsidized by state funding. For fiscal year 2010, the University implemented a 5.69% average increase in tuition and mandatory fees for Michigan undergraduates and graduate students saw a 6.86% increase in tuition and mandatory fees. The following graph identifies the source of funds used to pay student tuition and fees for the fiscal year ended June 30, 2010. The graph shows that 38% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

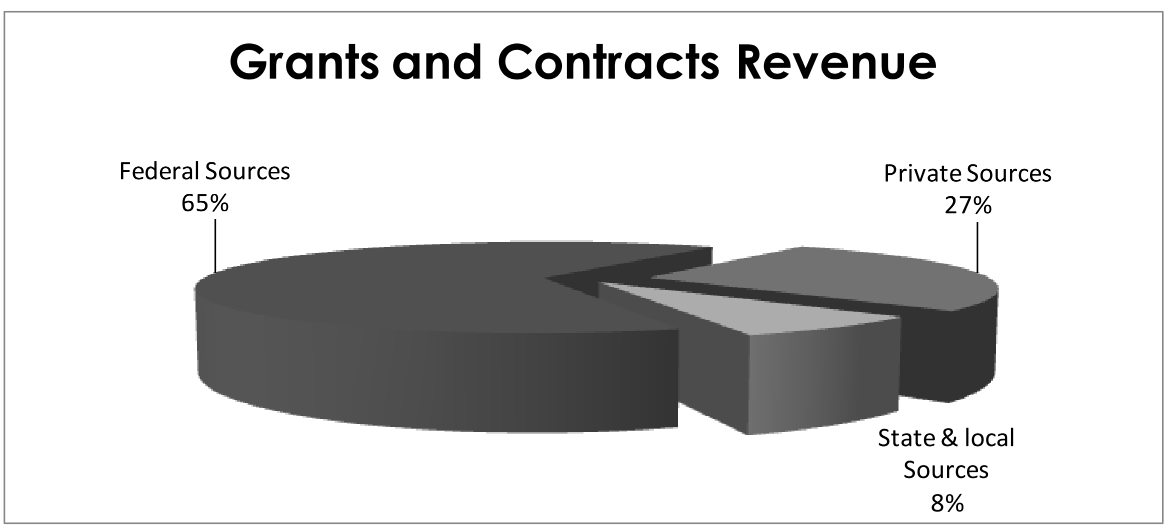


GRANT AND CONTRACT REVENUE

The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were $58.7 and $53.3 million dollars of research and sponsored programs awards in fiscal years 2010 and 2009, respectively. The University currently has 23 interdisciplinary research institutes and centers that have enabled the University to continue to increase its awards. The University also operates off-campus research facilities in Hancock, MI and Ann Arbor, MI.

Grants and Contracts Revenue Year ended June 30	2010	2009	2008
Federal sources			
Department of Agriculture	$ 2,273,438	$ 2,261,653	$ 2,359,755
Department of Defense	7,601,392	6,713,247	9,613,753
Department of Education	2,036,102	1,234,250	1,660,372
Department of Energy	4,197,431	4,814,197	5,084,644
Department of Interior	597,926	414,968	404,985
Department of Transportation	866,759	850,781	783,717
Environmental Protection Agency	65,483	94,280	129,334
National Aeronautics Space Administration	1,054,346	679,530	700,926
National Science Foundation	7,400,441	7,481,401	6,206,004
Health & Human Services	1,525,436	702,813	863,838
Other federal sources	257,256	324,345	200,034
Total federal sources	27,876,010	25,571,465	28,007,362
Non-federal sources			
State and local	3,384,630	3,834,922	3,207,487
Private	11,638,409	11,467,090	11,201,299
Total non-federal sources	15,023,039	15,302,012	14,408,786
Total all sources	$ 42,899,049	$ 40,873,477	$ 42,416,148

The following graphic illustrates the fiscal year 2010 grant and contract revenue by source.



CONDENSED STATEMENTS OF CASH FLOWS

Another way to assess the financial health of an institution is to look at its Statement of Cash Flows. Its primary purpose is to provide relevant information about sources and uses of cash of an entity during a period. The Statements of Cash Flows also help users assess:

- ➤an entity's ability to generate future net cash flows
- ➤its ability to meet its obligations as they come due
- ➤its needs for external financing

The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

Condensed Statements of Cash Flows Year Ended June 30			
	2010	**2009**	**2008**
Cash (used in) provided by			
Operating activities	$ (55,875,854)	$ (54,209,270)	$ (54,501,136)
Noncapital financing activities	65,076,130	65,027,823	61,245,186
Capital and related financing activities	(5,901,982)	(10,504,853)	(7,627,410)
Investing activities	322,163	(44,969)	1,094,966
Net increase in cash and cash equivalents	**3,620,457**	**268,731**	**211,606**
Cash and cash equivalents - beginning of the year	15,888,797	15,620,066	15,408,460
Cash and cash equivalents - end of the year	**$ 19,509,254**	**$ 15,888,797**	**$ 15,620,066**

Changes from 2009 to 2010

Cash used in operations increased by $1.7 million. Significant changes in cash provided by operations include an increase from tuition and fees of $2.1 million, a decrease from auxiliary and educational activities of $241,000 and an increase from grants and contracts of $1.5 million. The most significant changes in cash used in operations include an increase in payments to employees and employee benefits of $5.6 million, a decrease in payments to suppliers and utilities of $1.8 million and an increase in payments to students of $1.3 million.

Cash provided by noncapital financing activities was nearly unchanged. Gifts to the University decreased by $2.1 million and Pell grants increased by $2.0 million. For fiscal year 2010, state appropriations decreased by $1.3 million but were offset by receipt of $1.4 million of state stabilization funds (as provided by the federal ARRA legislation).

Net cash used in capital and related financing activities decreased by $4.6 million. During fiscal year 2010 there was an increase in cash provided by the issuance of debt of $1.7 million and cash received for capital grants and gifts increased by $950,000. Uses of cash for capital financing activities decreased by $1.9 million as purchases of capital assets increased by $8.6 million and principal paid on capital debt decreased by $10.5 million.

Cash provided by investing activities increased by $367,000 although there was very little investment activity during the year other than the receipt and reinvestment of dividends from the investment portfolio and the receipt of interest from the student loan program.

Overall, cash and cash equivalents increased by $3.6 million for the year ended June 30, 2010.

Changes from 2008 to 2009

Overall, cash used in operations decreased by $300,000. The most significant changes in cash provided by operations include an increase from tuition and fees of $8.4 million, an increase from auxiliary and educational activities of $1.2 million and a decrease from grants and contracts of $1.0 million. The most significant changes in cash used in operations include an increase in payments to employees and employee benefits of $6.1 million, an increase in payments to suppliers and utilities of $1.9 million and an increase in payments to students of $600,000.

Cash provided by noncapital financing activities increased by $3.8 million. Gifts to the University increased by $1.8 million, state appropriations increased by $1.3 million and Pell grants increased by $700,000.

Net cash used in capital and related financing activities increased by $2.9 million. During fiscal year 2009 there was an increase in cash provided by the issuance of debt of $15.4 million. Uses of cash for capital financing activities increased by $18.3 million as funds provided by capital appropriations decreased by $2.6 million, purchases of capital assets increased by $5.3 million and principal paid on capital debt increased by $10.4 million.

Cash used in investing activities increased by $1.1 million as net proceeds from the sale and purchase of investments decreased by $600,000 and interest on investments decreased by $500,000.

Overall, cash and cash equivalents increased by $269,000 for the year ended June 30, 2009.

BOARD APPROVES BUDGET AND TUITION FOR 2010-11

The Michigan Technological University Board of Control approved an operating budget of nearly $159 million for fiscal year 2011, which began July 1, 2010, a 2.8 percent increase over this year's operating budget.

The budget includes the following increases in tuition and mandatory fees:

- 5.9 percent ($22.50 per credit hour) for resident undergraduates, a total increase of $338 per semester for a typical full-time course load.
- 3.9 percent ($30.50 per credit hour) for non-resident undergraduates, a total increase of $458 per semester.
- 4.6 percent ($30 per credit hour) for graduate students, a total increase of $360 per semester.

The budget is based on an expected 3.1 percent decline in State of Michigan appropriations from $49.3 million this year to $47.9 million next year. Should the Legislature not impose the appropriations cut, Michigan Tech President Glenn D. Mroz is authorized by the Board of Control to reduce tuition and fees.

"State higher education appropriations have decreased nearly 14 percent in the past decade, despite the fact that the University's full-time enrollment has increased nearly 13 percent," said President Mroz. "We are committed to providing an absolutely first-rate technological education, but that necessitates raising tuition and fees, though we have kept the increase under 6 percent."

Mroz offered further thoughts on the economic situation. "We realize these are tough times and that tuition increases put students in a bind, especially after the loss of state aid such as the Michigan Promise Grants and Merit Awards. We helped students through those losses by cutting costs and raising scholarship gifts from alumni. Now we are increasing institutional financial aid by $2.5 million because even more students are in need of help. "

“The Board has given the go-ahead to lower tuition if state appropriations are not cut as expected,” he said. “Regardless of how that turns out, our objective is clear. We want our students to be able to thrive in a competitive world. They depend on Michigan Tech to deliver an education that will provide them with a competitive advantage for many years to come.”

Cost-containment measures are reflected in the new budget. “Campus-wide, the University is focusing on new revenue sources and cost savings that will enable us to invest in things that enhance our students’ education,” said David Reed, vice president for research. “That includes savings found through streamlining business processes, while also seeking new revenue sources. We will continue to pursue our strategic goals of hiring the best people, offering distinctive programs and pursuing innovative research.

For example, we are growing the faculty and replacing retiring or departing faculty members with hires in key strategic areas such as energy and health care. In these times, this requires realigning our expenditures to invest in such strategic priorities. And, while this budget does not include an across-the board salary increase, we are recognizing the outstanding performance of faculty and staff by providing for salary adjustments for promotion and retention.”

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INDEPENDENT AUDITORS' REPORT

October 11, 2010

Board of Control
Michigan Technological University
Houghton, Michigan

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of ***Michigan Technological University*** (the "University"), a component unit of the State of Michigan, as of June 30, 2010 and 2009 and for the years then ended, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Michigan Tech Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of ***Michigan Technological University*** as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows of the University for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The Management Discussion and Analysis presented on pages 9 through 19 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplemental information. However, we did not audit the information and express no opinion on it.

Rehmann Robson

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET ASSETS

	June 30	
	2010	**2009**
Assets		
Current assets:		
Cash and cash equivalents	$ 19,509,254	$ 15,888,797
Accounts receivable, net	19,049,864	18,891,279
Other assets	1,541,670	1,525,997
Total current assets	**40,100,788**	**36,306,073**
Noncurrent assets:		
Student loans receivable, net of allowance	12,647,300	13,309,009
Investments	6,540,832	5,589,623
Capital assets, net of accumulated depreciation	241,689,069	224,310,713
Goodwill	978,544	978,544
Total noncurrent assets	**261,855,745**	**244,187,889**
Total assets	**$ 301,956,533**	**$ 280,493,962**
Liabilities		
Current liabilities		
Accounts payable	$ 9,041,480	$ 5,050,904
Other accrued liabilities	10,173,501	9,522,563
Deferred revenue	2,520,184	3,148,776
Current portion of long-term debt	1,533,860	1,154,945
Current portion of noncurrent liabilities	3,365,598	2,413,491
Total current liabilities	**26,634,623**	**21,290,679**
Noncurrent liabilities		
Funds held for others	687,900	713,500
Insurance and benefit reserves	1,964,561	2,146,523
Other liabilities	100,000	600,000
Long-term debt, net of current portion	71,579,813	54,957,743
Total noncurrent liabilities	**74,332,274**	**58,417,766**
Total liabilites	**100,966,897**	**79,708,445**
Net assets		
Invested in capital assets, net of related debt	168,775,108	169,130,442
Restricted for expendable purposes	23,776,567	21,770,345
Unrestricted	8,437,961	9,884,730
Total net assets	**200,989,636**	**200,785,517**
Total liabilities and net assets	**$ 301,956,533**	**$ 280,493,962**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2010	**2009**
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $31,503,176 and $25,748,938 in 2010 & 2009, respectively)	$ 65,590,647	$ 63,396,990
Federal grants and contracts	27,876,010	25,571,465
State and local grants and contracts	3,384,630	3,834,922
Nongovernmental grants and contracts	11,638,409	11,467,090
Educational activities	4,790,916	4,607,805
Departmental activities	8,839,366	9,316,594
Student resident fees	19,463,280	19,410,577
Total operating revenues	**141,583,258**	**137,605,443**
Expenses		
Operating expenses		
Compensation and benefits	138,367,699	132,297,278
Supplies and services	44,336,200	45,601,765
Student financial support	7,487,868	6,211,465
Utilities	8,421,166	8,747,453
Depreciation	11,902,410	11,457,741
Total operating expenses	**210,515,343**	**204,315,702**
Operating loss	**(68,932,085)**	**(66,710,259)**
Nonoperating revenues (expenses)		
Federal Pell grants	6,035,503	3,931,592
Federal grants, other	1,586,774	-
State appropriations	47,870,800	49,518,500
Gifts	9,533,412	11,663,306
Investment gain (loss), net of investment expense	1,234,866	(686,066)
Interest on capital asset-related debt	(2,672,320)	(2,582,943)
Loss on disposal of capital assets	(254,491)	(587,653)
Net nonoperating revenues	**63,334,544**	**61,256,736**
Loss before other revenues	**(5,597,541)**	**(5,453,523)**
Other revenues		
Capital grants and gifts	5,801,660	1,951,342
Net increase (decrease) in net assets	**204,119**	**(3,502,181)**
Net assets		
Beginning of year	200,785,517	204,287,698
End of year	**$ 200,989,636**	**$ 200,785,517**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2010	**2009**
Cash flows from operating activities		
Student tuition and fees	$ 65,503,404	$ 63,377,514
Grants and contracts	42,119,200	40,617,159
Payments to employees	(101,980,734)	(95,209,143)
Payments for benefits	(34,709,950)	(35,859,251)
Payments to suppliers	(44,301,393)	(46,030,163)
Payments for utilities	(8,618,455)	(8,647,237)
Payments for financial aid	(7,487,868)	(6,211,465)
Loans issued to students	(996,000)	(1,515,507)
Collection of loans to students	1,657,708	1,500,845
Departmental activities	8,681,752	9,369,260
Educational activities	4,843,756	4,415,494
Student resident fees	19,464,349	19,446,218
Other (payments) receipts	(51,623)	537,006
Net cash used in operating activities	**(55,875,854)**	**(54,209,270)**
Cash flows from noncapital financing activities		
Federal Pell grants	5,978,719	3,935,162
Federal grants, other	1,586,774	-
State appropriations	48,170,373	49,429,355
Gifts and grants for other than capital purposes	9,533,412	11,663,306
William D. Ford direct lending cash received	31,647,227	27,633,358
William D. Ford direct lending cash disbursed	(31,840,375)	(27,633,358)
Net cash provided by noncapital financing activities	**65,076,130**	**65,027,823**
Cash flows from capital and related financing activities		
Capital grants and gifts received	2,613,224	1,658,839
Proceeds from sale of capital assets	279,584	109,091
Purchases of capital assets	(23,341,515)	(14,735,398)
Proceeds on issuance of debt	18,235,000	16,495,059
Principal paid on capital debt and leases	(1,234,015)	(11,686,904)
Interest paid on capital debt and leases	(2,454,260)	(2,345,540)
Net cash used in capital and related financing activities	**(5,901,982)**	**(10,504,853)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	-	5,300,000
Purchase of investments	(149,577)	(5,971,585)
Income on investments	471,740	626,616
Net cash provided by (used in) investing activities	**322,163**	**(44,969)**
Net increase in cash and cash equivalents	3,620,457	268,731
Cash and cash equivalents - beginning of year	15,888,797	15,620,066
Cash and cash equivalents - end of year	**$ 19,509,254**	**$ 15,888,797**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (continued)

	Year Ended June 30	
	2010	**2009**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (68,932,085)	$ (66,710,259)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	11,902,410	11,457,741
Changes in operating assets and liabilities:		
Receivables, net	5,201	(872,741)
Other assets	(15,673)	643,872
Student loans receivable	661,709	(14,660)
Accounts payable	155,095	(319,016)
Other accrued liabilities	650,938	1,014,670
Deferred revenue	(547,994)	513,538
Insurance and benefit reserves	270,145	83,585
Funds held for others	(25,600)	(6,000)
Net cash used in operating activities	**$ (55,875,854)**	**$ (54,209,270)**

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

MICHIGAN TECH FUND
STATEMENTS OF NET ASSETS

		June 30		
		2010		2009
Assets				
Current assets:				
Cash and cash equivalents	$	5,299,043	$	9,841,214
Amount due from Michigan Technological University		500,000		-
Pledges receivable, net		1,755,751		1,354,841
Other assets		97,529		134,912
Total current assets		**7,652,323**		**11,330,967**
Noncurrent assets:				
Investments		80,912,107		71,185,941
Pledges receivable, net of current portion		1,908,799		1,648,052
Amount due from Michigan Technological University, net of current portion		100,000		600,000
Beneficial interest in charitable remainder trusts		4,171,681		3,597,274
Cash surrender value, life insurance		896,443		863,054
Captial assets, net of accumulated depreciation		16,189		22,818
Total noncurrent assets		**88,005,219**		**77,917,139**
Total assets	**$**	**95,657,542**	**$**	**89,248,106**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	518,896	$	747,059
Deferred revenue		1,000,000		1,000,000
Annuity obligations		318,623		348,950
Total current liabilities		1,837,519		2,096,009
Annuity and pooled income obligations		3,912,985		3,855,597
Total liabilities		**5,750,504**		**5,951,606**
Net assets				
Nonexpendable		57,341,376		52,910,391
Expendable		33,206,552		31,665,114
Unrestricted deficit		(640,890)		(1,279,005)
Total net assets		**89,907,038**		**83,296,500**
Total liabilities and net assets	**$**	**95,657,542**	**$**	**89,248,106**

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

MICHIGAN TECH FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2010	**2009**
Revenues		
Operating revenues		
Gifts and contributions	$ 5,942,970	$ 6,055,012
Other operating revenues	109,424	238,737
Total operating revenues	**6,052,394**	**6,293,749**
Operating expenses	944,102	968,595
Operating revenue	**5,108,292**	**5,325,154**
Nonoperating revenues (expenses)		
Investment income (loss), net of investment expense	7,594,471	(15,711,302)
Distributions to Michigan Tech University	(10,544,644)	(14,089,005)
Net nonoperating expenses	**(2,950,173)**	**(29,800,307)**
Income (loss) before other revenues	**2,158,119**	**(24,475,153)**
Other revenues		
Additions to permanent endowments	4,452,419	1,247,079
Net increase (decrease) in net assets	6,610,538	(23,228,074)
Net assets		
Beginning of year	83,296,500	106,524,574
End of year	**$ 89,907,038**	**$ 83,296,500**

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

NOTES TO THE FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Reporting Entity
Michigan Technological University (the "University" or "Primary Institution") is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Control is appointed by the Governor of the State of Michigan. 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, grants from various state agencies, State Building Authority (SBA) revenues, and payments to the state retirement program for University employees.

As required by Governmental Accounting Standards Board (GASB) No. 39, the University's basic financial statements include the financial statements of both the University and its component unit, the Michigan Tech Fund (the "Fund"), which is a legally separate tax-exempt component unit of the University. The Fund acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Fund's Board of Trustees includes members of the University's Board of Control, certain officers of the University, and other community representatives elected by the Fund board. Although the University does not necessarily control the timing or amount of receipts from the Fund, the majority of resources, or income earned thereon, and the Fund's holdings and investments are restricted by the donors to the activities of the University. Because these restricted resources held by the Fund can be used only by, or for the benefit of, the University, the Fund is considered a component unit of the University. The Fund's financial statements are reported separately to emphasize that a) it is legally separate from the University and b) its assets are not necessarily available to satisfy all liabilities of the University. However, the Fund's financial activities are summarized with those of the University in the notes to the financial statements. Complete financial statements for the Fund can be obtained from the office at 1400 Townsend Drive, Houghton, MI 49931.

Basis of Presentation
The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Accounting,* the University follows all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

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

The Fund's financial statements are prepared in accordance with the accounting standards established by the FASB. Accordingly, a reporting model different from that of the University is used.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the allowance for doubtful accounts receivable, useful lives of depreciable capital assets, accrued compensated absences, the other post employment benefit liability and insurance claims incurred but not reported.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The University and the Fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories included in other current assets are recorded at the lower of cost or market determined on a first-in, first-out basis.

Investments

The University policy is to record investments at fair value.

Fund investments in marketable securities, including hedge funds, are carried at quoted fair market value whenever possible. Private equity and limited partnerships which do not have readily determinable market values as of June 30 are valued based on available partner capital account balances as reported by the partnerships to the Fund. The partnership valuations involve assumptions and methods that are reviewed by the Fund. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity and limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by a custodial institution responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment consulting firm to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced quarterly, when necessary. The Fund's Investment and Finance Committee of the Board of Trustees oversees investment activity and makes recommendations to the Board of Trustees concerning any changes in investments or asset allocation adjustments. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) to departmental funds based on an average of each fund's beginning and ending monthly balances.

Capital Assets
The University currently uses a $5,000 capitalization threshold for capital assets acquired, with an estimated useful life in excess of one year. Physical properties are stated at cost when purchased. Other acquisitions are stated at appraised value on date of receipt. Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property, generally as follows:

Classification	Life
Land improvements and infrastructure	20 years
Buildings	40 years
Computer equipment	5 years
Equipment	7 years
Library books	5 years

Goodwill
On September 30, 2007 the University purchased from the Altarum Institute of Ann Arbor the assets of its Environmental and Emerging Technologies Division (EETD) for a price of $1.4 million. The University renamed EETD as the Michigan Tech Research Institute (MTRI). The purchase price exceeded the net value of the assets and liabilities assumed. The excess of $978,544 was considered goodwill. The University does not amortize goodwill. Management will annually analyze the goodwill for impairment. At June 30, 2010, management's assessment of MTRI concludes that the operation of this facility is achieving the results anticipated and, therefore, there is no impairment of goodwill.

Revenue Recognition
Revenues are recognized when earned. State appropriation revenue is recognized in the period for which it is appropriated. Restricted grant revenue is recognized only to the extent expended. Restricted and unrestricted resources are allocated to the appropriate departments within the University which are responsible for adhering to any donor restrictions.

Classification of Revenues
The University and the Fund classify revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues
Operating revenues of the Primary Institution include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) auxiliary enterprises; (3) most federal, state, and local grants and contracts and federal appropriations; and (4) interest on institutional student loans. Operating revenues of the Fund consist of gifts, grants, and fundraising activities in support of the Fund and University programs.

Nonoperating Revenues
Nonoperating revenues of the Primary Institution include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* Nonoperating revenues of the Fund consist of investment income, net of investment expense.

Classification of Expenses

Expenses are recognized when the service is provided or when materials are received. The University and the Fund have classified expenses as either operating or nonoperating expenses according to the following criteria:

Operating Expenses
Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expense related to University capital assets.

Nonoperating Expenses
Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and other expenses that are defined as nonoperating expenses by *GASB No. 9* and *GASB No. 35*. Nonoperating expenses of the Fund consist of investment loss, net of investment expenses and distributions made to the University.

Income Taxes

The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is, therefore, exempt from federal income taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. No such taxes were incurred for either fiscal year 2010 or 2009.

The Fund is exempt from federal income taxes under Internal Revenue Code section 501(c)(3).

Net Assets

The University's and Fund's net assets are classified as follows:

Invested in capital assets, net of related debt
Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted for nonexpendable purposes
Net assets from contributions and other inflows of assets that represent permanent endowments. Use of these contributions is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Fund.

Restricted for expendable purposes
Net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the University or Fund pursuant to those stipulations or that expire by the passage of time.

Unrestricted
Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the University's Board of Control or may otherwise be limited by contractual agreements with outside parties.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

(2) CASH AND INVESTMENTS

Authorizations

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and cash equivalents. The University investment policies are governed and authorized by University Bylaws and the Board of Control.

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.

Credit risk

Investment policies for cash and cash equivalents, as set forth by the Board of Control, authorize the University to invest, with limitations, in commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services. Investments may also be made in securities of the U.S. Treasury and federal agencies, and in time savings accounts. University policies regarding investments and marketable securities, as set forth by the Board of Control, authorize the University to invest in U.S. Treasury obligations; commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services; or federal agency securities certificates of deposit issued by FDIC insured banks; or an NCUA credit union member; or Eurodollar time deposits in Tier 1, 2, or 3 banks.

Custodial credit risk: deposits

For deposits, custodial credit risk is present if the University's deposits would not be covered by depository Insurance or collateralized by the bank. State law does not require and the University does not have a policy for deposit custodial credit risk. Deposits were reflected in the accounts of the banks at $20,431,130 and $17,064,440 as of June 30, 2010 and 2009, respectively. There were no bank deposit balances exposed to custodial credit risk because they were uninsured or uncollateralized, as of June 30, 2010 and 2009, respectively.

Custodial credit risk: investments

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 risks because their existence is not evidenced by securities that exist in physical or book-entry form. The University, therefore, has no custodial credit risk in its investment portfolio.

Concentration of credit risk

The University investments are in mutual funds; accordingly, no concentration of credit risk is considered to exist.

Foreign currency risk

The University has no foreign investments.

Investments and Investment Income

The University's investments at June 30, 2010 are as follows:

Investment Portfolio 2010					
Investment type		Fair Value	Interest Rate	Maturity Date	Rating
Mutual fund cash reserve	$	1,170,949	0.15%	N/A	N/A
Mutual equity index fund		6,540,832	N/A	N/A	N/A
		7,711,781			
Less investments reported as "cash and cash equivalents" on the accompanying Statement of Net Assets		(1,170,949)			
Total investments	**$**	**6,540,832**			

The University's investments at June 30, 2009 were as follows:

Investment Portfolio 2009					
Investment type		Fair Value	Interest Rate	Maturity Date	Rating
Mutual fund cash reserve	$	1,169,210	1.40%	N/A	N/A
Mutual equity index fund		5,589,623	N/A	N/A	N/A
		6,758,833			
Less investments reported as "cash and cash equivalents" on the accompanying Statement of Net Assets		(1,169,210)			
Total investments	**$**	**5,589,623**			

The University's net investment gain or loss is comprised of the following for the years ended June 30, 2010 and 2009.

Investment Income (Loss) Year ended June 30				
		2010		**2009**
Investment income (loss)				
Interest	$	281,919	$	521,819
Dividends		151,316		141,370
Net increase (decrease) in the fair value of investments		801,631		(1,339,176)
Subtotal		**1,234,866**		**(675,987)**
Investment expenses		**-**		**(10,079)**
Net investment income (loss)	**$**	**1,234,866**	**$**	**(686,066)**

The annualized returns (losses) on investments and marketable securities for the University, excluding the base cash pool reserve for the years ended June 30, 2010 and 2009, are as follows:

Annual Return		
	2010	**2009**
Intermediate fixed income	0.2%	1.4%
Equity investments	17.0%	(15.2%)

The fair value of the Fund's investments at June 30, 2010 and 2009 are categorized as follows:

Michigan Tech Fund - Investment Portfolio		
	2010	**2009**
Marketable securities		
Equities	$ 253,170	$ 339,763
Mutual funds - equities	40,359,102	36,445,505
Mutual funds - fixed income	24,384,871	20,341,837
Corporate bonds and notes	35,901	33,172
US government obligations	1,023,797	1,024,841
Total marketable securities	**66,056,841**	**58,185,118**
Alternative investments		
Hedge funds	4,596,947	3,336,553
Real estate and natural resources	3,209,309	2,974,040
Private equity	7,000,010	6,670,230
Total alternative investments	**14,806,266**	**12,980,823**
Closely held stock	49,000	20,000
Total investments	**$ 80,912,107**	**$ 71,185,941**

At June 30, 2010, the Fund's remaining future capital commitments for investment in limited partnerships (alternative investments) are approximately $2,300,000.

The Fund's net investment return (loss) is comprised of the following for the years ended June 30, 2010 and 2009:

Michigan Tech Fund - Investment Return (Loss)		
	2010	**2009**
Interest and dividends	$ 1,671,158	$ 1,889,253
Capital gain distributions	2,045	302,901
Net (loss) gain on sales of investments	(1,940,436)	1,530,547
Net unrealized gain (loss) on investments	8,106,055	(19,196,933)
Asset-based management and administrative fees	(244,351)	(237,070)
Total investment return (loss)	**$ 7,594,471**	**$ (15,711,302)**

(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30, 2010 and 2009.

Accounts Receivable		
	2010	2009
Student tuition and fees	$ 453,167	$ 423,104
State appropriations		
Operating	8,703,789	9,003,362
Capital	721,608	262,892
Grants and contracts	8,039,473	7,626,865
Auxiliary activities	479,947	321,164
Other	717,002	1,319,014
Less allowance for doubtful accounts	(65,122)	(65,122)
Accounts receivable, net	**$ 19,049,864**	**$ 18,891,279**

In addition, the University has student loans receivable in the amount of $12,647,300 and $13,309,009, recorded net of an allowance for uncollectible accounts of $169,461 for both years, at June 30, 2010 and 2009, respectively.

(4) CAPITAL ASSETS

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2010:

Changes in Capital Assets 2010	Beginning Balance	Net Additions	Disposals	Ending Balance
Nondepreciable capital assets				
Land	$ 9,089,086	$ -	$ -	$ 9,089,086
Mineral collections	5,049,143	327,778	-	5,376,921
Timber holdings	368,394	-	-	368,394
Construction in progress	3,955,321	21,657,547	(5,710,104)	19,902,764
Cost of nondepreciable capital assets	**18,461,944**	**21,985,325**	**(5,710,104)**	**34,737,165**
Depreciable capital assets				
Land improvements	1,323,100	304,165	-	1,627,265
Infrastructure	4,909,955	138,994	-	5,048,949
Buildings	299,791,696	5,266,946	(441,258)	304,617,384
Equipment	35,814,628	7,391,680	(553,015)	42,653,293
Library books	1,008,002	158,250	-	1,166,252
Cost of depreciable capital assets	**342,847,381**	**13,260,035**	**(994,273)**	**355,113,143**
Total cost of capital assets	**361,309,325**	**35,245,360**	**(6,704,377)**	**389,850,308**
Less: accumulated depreciation				
Land improvements	683,234	69,851	-	753,085
Infrastructure	1,396,601	287,429	-	1,684,030
Buildings	113,906,322	7,032,916	(323,523)	120,615,715
Equipment	20,424,457	4,367,494	(416,260)	24,375,691
Library books	587,998	144,720	-	732,718
Total accumulated depreciation	**136,998,612**	**11,902,410**	**(739,783)**	**148,161,239**
Capital assets, net	**$ 224,310,713**	**$ 23,342,950**	**$ (5,964,594)**	**$ 241,689,069**

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2009:

Changes in Capital Assets 2009	Beginning Balance	Net Additions	Disposals	Ending Balance
Nondepreciable capital assets				
Land	$ 9,113,443	$ -	$ (24,357)	$ 9,089,086
Mineral collections	4,702,611	346,532	-	5,049,143
Timber holdings	368,394	-	-	368,394
Construction in progress	1,867,133	5,077,921	(2,989,733)	3,955,321
Cost of nondepreciable capital assets	**16,051,581**	**5,424,453**	**(3,014,090)**	**18,461,944**
Depreciable capital assets				
Land improvements	1,323,100	-	-	1,323,100
Infrastructure	4,848,127	134,008	(72,180)	4,909,955
Buildings	293,665,451	6,345,725	(219,480)	299,791,696
Equipment	31,638,557	5,068,024	(891,953)	35,814,628
Library books	882,923	125,079	-	1,008,002
Cost of depreciable capital assets	**332,358,158**	**11,672,836**	**(1,183,613)**	**342,847,381**
Total cost of capital assets	**348,409,739**	**17,097,289**	**(4,197,703)**	**361,309,325**
Less: accumulated depreciation				
Land improvements	617,079	66,155	-	683,234
Infrastructure	1,121,281	276,871	(1,551)	1,396,601
Buildings	106,943,988	7,026,532	(64,198)	113,906,322
Equipment	17,036,713	3,942,311	(554,567)	20,424,457
Library books	442,126	145,872	-	587,998
Total accumulated depreciation	**126,161,187**	**11,457,741**	**(620,316)**	**136,998,612**
Capital assets, net	**$ 222,248,552**	**$ 5,639,548**	**$ (3,577,387)**	**$ 224,310,713**

Construction in Progress

One of the critical factors in continuing the quality of the University's academic programs, research programs, and residential life is the development and renewal of its capital assets. The University continues to implement its long range capital plan to modernize its complement of older facilities balanced with new construction. Construction in progress reflects multiyear projects which, once completed and placed into service, are categorized as buildings, land improvements, and infrastructure. At June 30, 2010 and 2009, respectively, construction in progress consisted of several building renovation projects and the initial costs of three new buildings as detailed below.

Construction in Progress
As of June 30

Project	2010	2009
Seaman Mineral Museum	$ 1,555,726	$ 1,555,726
Lakeshore building renovation	33,210	333,122
Ice arena suites	-	361,657
KRC office & lab building	2,078,896	554,718
Great Lakes Research Center	879,300	320,678
Student apartment building	14,911,624	611,920
Other projects	444,008	217,500
Total	**$ 19,902,764**	**$ 3,955,321**

The funding for the capital projects in progress as of June 30, 2010 and the expected sources of financing for these projects is as follows:

Construction Costs & Financing
As of June 30, 2010

	Seaman Mineral Museum	Lakeshore Building Renovation	Keweenaw Research Center	Great Lakes Research Center	Student Apartment Building	Other Projects	Total
Estimated cost of construction	$ 3,000,000	$ 35,000	$ 2,100,000	$ 25,337,000	$ 16,000,000	$ 1,000,000	$ 47,472,000
Less: costs incurred to date	(1,555,726)	(33,210)	(2,078,896)	(879,300)	(14,911,624)	(444,008)	(19,902,764)
Estimated cost to complete	**$ 1,444,274**	**$ 1,790**	**$ 21,104**	**$ 24,457,700**	**$ 1,088,376**	**$ 555,992**	**$ 27,569,236**
Expected sources of financing:							
Federal funds	1,444,274	1,790	-	-	-	-	1,446,064
State funds	-	-	-	18,750,000	-	-	18,750,000
Bond proceeds	-	-	21,104	-	1,088,376	475,000	1,584,480
University funds & gifts	-	-	-	5,707,700	-	80,992	5,788,692
Estimated financing	**$ 1,444,274**	**$ 1,790**	**$ 21,104**	**$ 24,457,700**	**$ 1,088,376**	**$ 555,992**	**$ 27,569,236**

(5) LINE OF CREDIT

The University has two unused line of credit arrangements with one bank, under which it may borrow up to $10 million under each agreement, for a total of $20 million. These agreements are set at variable rates of interest, based on the 30 day London Interbank Offered Rate ("LIBOR") plus 150 basis points. There are no restrictive covenants associated with these lines of credit.

(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30, 2010 and 2009.

Accounts Payable and Other Accrued Liabilities				
		2010		2009
Accounts payable				
Vendors for supplies and services	$	3,745,810	$	3,654,177
Employee benefits		890,009		608,485
Construction payables		4,405,661		788,242
Total	**$**	**9,041,480**	**$**	**5,050,904**
Other accrued liabilities				
Payroll and payroll taxes		5,588,159	$	5,146,500
Accrued compensated absences		3,885,952		3,633,355
Deposits payable		699,390		742,708
Total	**$**	**10,173,501**	**$**	**9,522,563**

(7) NONCURRENT LIABILITIES

Noncurrent Liabilities
As of June 30, 2010

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue bonds, 2003	$ 4,400,000	$ -	$ 105,000	$ 4,295,000	$ 105,000
General revenue bonds, 2004A	30,845,000	-	700,000	30,145,000	715,000
General revenue bonds, 2006	2,890,000	-	50,000	2,840,000	50,000
General revenue bonds, 2008	15,880,000	-	95,000	15,785,000	100,000
General revenue bonds, 2009A/2009B	-	18,235,000	-	18,235,000	350,000
Total bonds payable	**54,015,000**	**18,235,000**	**950,000**	**71,300,000**	**1,320,000**
Bond premium	1,455,718	-	79,070	1,376,648	-
Capital lease	641,970	-	204,945	437,025	213,860
Total debt	**56,112,688**	**18,235,000**	**1,234,015**	**73,113,673**	**1,533,860**
Other liabilities					
Insurance and post employment benefits	3,304,915	2,908,644	2,453,402	3,760,157	2,865,598
Funds held for others	713,500	190,350	215,950	687,900	-
Other liabilities	600,000	-	-	600,000	500,000
Postemployment benefit health care	1,255,099	-	185,097	1,070,002	-
Total	**$ 61,986,202**	**$ 21,333,994**	**$ 4,088,464**	**79,231,732**	**$ 4,899,458**
Due within one year				(4,899,458)	
Total noncurrent liabilities				**$ 74,332,274**	

Noncurrent Liabilities
As of June 30, 2009

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
Refunding bonds	$ 220,000	$ -	$ 220,000	$ -	$ -
Variable rate demand	10,000,000	-	10,000,000	-	-
General revenue bonds, 2003	4,500,000	-	100,000	4,400,000	105,000
General revenue bonds, 2004A	31,525,000	-	680,000	30,845,000	700,000
General revenue bonds, 2006	2,940,000	-	50,000	2,890,000	50,000
General revenue bonds, 2008	-	15,880,000	-	15,880,000	95,000
Total bonds payable	**49,185,000**	**15,880,000**	**11,050,000**	**54,015,000**	**950,000**
Bond premium	878,727	615,059	38,068	1,455,718	-
Capital lease	840,805	-	198,835	641,970	204,945
Total debt	**50,904,532**	**16,495,059**	**11,286,903**	**56,112,688**	**1,154,945**
Other liabilities					
Insurance and post employment benefits	3,521,332	2,277,312	2,493,729	3,304,915	2,413,491
Funds held for others	719,500	713,500	719,500	713,500	-
Other liabilities	1,000,000	-	400,000	600,000	-
Postemployment benefit health care	955,099	300,000	-	1,255,099	-
Total	**$ 57,100,463**	**$ 19,785,871**	**$ 14,900,132**	**61,986,202**	**$ 3,568,436**
Due within one year				(3,568,436)	
Total noncurrent liabilities				**$ 58,417,766**	

Bonds

The principal and interest on bonds are payable only from certain general revenues. The obligations are generally callable. Premiums on bonds payable are recorded in total and amortized over the life of the bonds using straight line amortization.

Outstanding Balances on University Issued Bonds As of June 30			
		Outstanding	
	Total issued	2010	2009
General revenue bond series 2003, (2% – 5%) final maturity 2033	$ 4,900,000	$ 4,295,000	$ 4,400,000
General revenue bond series 2004, (2% – 4.49%) final maturity 2034	32,850,000	30,145,000	30,845,000
General revenue bond series 2006, (4% – 5%) final maturity 2036	2,990,000	2,840,000	2,890,000
General revenue bond series 2008, (3% – 5.25%) final maturity 2038	15,880,000	15,785,000	15,880,000
General revenue bond series 2009A/2009B, (2.58%-6.69%), final maturity 2039	18,235,000	18,235,000	-
Total bonds payable	**74,855,000**	**71,300,000**	**54,015,000**
Plus: unamortized net premium	1,651,732	1,376,648	1,455,718
Bonds payable, net	**$ 76,506,732**	**$ 72,676,648**	**$ 55,470,718**

All bonds of the University have received an underlying rating of A1 from Moody's.

During fiscal year 2003, the University issued $4.9 million of General Revenue Bonds, Series 2003 (GRB). These bonds bear interest at 2% to 5% and mature at various dates from October 2004 through October 2033. The funds were used to complete three building projects on campus: residence hall life safety improvements, University electrical distribution system replacement, and Wadsworth Hall renovation planning. The GRB issue is collateralized with a $5-million letter of credit through XL Capital Assurance Inc. The letter would only be used if the University is unable to make payments on the bonds. The bonds are rated Aaa by Moody's and Aaa by Standard & Poor's due to a municipal bond insurance policy

During fiscal year 2004, the University's Board of Control approved the renovation of Wadsworth Hall. In conjunction with this approval, the University issued $32.9 million of General Revenue Bonds to facilitate this project. These bonds bear interest at 2% to 4.49% and mature at various dates from October 2006 through October 2034. The bonds are rated Aaa by Moody's and Aaa by Standard & Poor's due to a municipal bond insurance policy.

During fiscal year 2006, the University's Board of Control approved the issuance of bonds for the general campus renovation project and the addition of a child care center. On July 19, 2006, the University issued $2.99 million of General Revenue Bonds, Series 2006. These bonds bear interest at an average rate of 4.7% and mature at various dates from October 2007 through October 2036. These General Revenue Bonds are limited obligations of the bond payable from and secured solely by an irrevocable pledge of General Revenues as provided in the Indenture. These bonds are rated Aaa by Moody's due to a municipal bond insurance policy.

During fiscal year 2009, the University's Board of Control approved the issuance of General Revenue Bonds, Series 2008 in the amount of $15.88 million. The proceeds of this bond issue were used to refund the $10 million of Series 1998 bonds outstanding with the remainder funding the remodeling of the Michigan Tech Lakeshore Center building, remodeling of the Memorial Union ballroom and providing initial construction funds for the Keweenaw Research Center. These bonds bear fixed interest rates at 3.0% to 5.25% and mature at various dates from October 2009 through October 2038. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

During fiscal year 2010, the University's Board of Control approved the issuance of General Revenue Bonds, Series 2009A and 2009B. The combined amount of bonds issued was $18.235 million. Series 2009A, in the amount of $17.885 million, was issued as taxable Build America Bonds. Under this federal program, thirty-five percent of the interest related to this bond issue shown in the principal and interest amounts due as shown below are anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of $3.580 million with maturities of October 2011 through October 2019 and interest rates ranging from 2.58% to 5.30%. Two term bonds totaling $14.305 million were also issued in this series. The first term bond in the amount of $5.650 million matures in October 2029 and bears an interest rate of 6.44%. The second term bond in the amount of $8.655 million matures in October 2039 and bears an interest rate of 6.69%. Series 2009B, issued as a tax-exempt bond in the amount of $350,000 matures October 2010 and bears an interest rate of 3.0%. The proceeds of this bond issue were used to construct a student residential facility and for the construction of a new facility at the Keweenaw Research Center. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

Principal and Interest Amounts Due on Bonded Debt For Fiscal Years Ending June 30			
Fiscal Year	**Principal**	**Interest**	**Total**
2011	$ 1,320,000	$ 3,573,646	$ 4,893,646
2012	1,380,000	3,532,445	4,912,445
2013	1,430,000	3,486,971	4,916,971
2014	1,470,000	3,435,422	4,905,422
2015	1,520,000	3,380,809	4,900,809
Total 5 years	**7,120,000**	**17,409,293**	**24,529,293**
2016 to 2020	17,940,000	14,927,967	32,867,967
2021 to 2025	10,330,000	11,319,288	21,649,288
2026 to 2030	13,065,000	8,232,403	21,297,403
2031 to 2035	16,240,000	4,294,268	20,534,268
2036 to 2040	6,605,000	996,327	7,601,327
Total bonds	**$ 71,300,000**	**$ 57,179,546**	**$ 128,479,546**

Capital and Operating Lease Obligations

The University previously entered into a capital lease for the purchase of $1.069 million of computer equipment. The lease has a fixed interest rate of 4.4% for the term of the contract. Annual payments for principal and interest of $232,871 began in August 2007.

Scheduled Maturities of Capital Leases For Fiscal Years Ending June 30			
Fiscal Year	**Principal**	**Interest**	**Total**
2011	$ 213,860	$ 19,011	$ 232,871
2012	223,165	9,706	232,871
Total lease payments	**$ 437,025**	**$ 28,717**	**$ 465,742**

Commitments and related rental expenses for the University under operating leases with initial or remaining noncancelable lease terms in excess of one year as of and for the years ended June 30, 2010 and 2009 are insignificant.

Other Liabilities

The University received a $1 million loan from the Fund that was used to purchase MTRI. The repayment agreement states that the University shall deliver no less than (i) a cumulative total of $400,000 to the Fund by September 30, 2008; (ii) a cumulative total of $900,000 to the Fund by September 30, 2010, and (iii) a cumulative total of $1,000,000 to the Fund by September 30, 2011. The first payment of $400,000 was made timely. The unpaid balance of $600,000 is recorded as a liability of the University at June 30, 2010. Of this amount, $500,000 is included in current portion of long-term debt and was paid, as required, on September 30, 2010.

(8) SELF-INSURANCE

The University is essentially self-insured for medical benefits claims, unemployment compensation, and workers' compensation. Stop loss coverage has been purchased by the University for the employees' health benefits. Liabilities for estimates of losses retained by the University under self-insurance programs have been determined and accrued on the accompanying statements of net assets. Changes in the estimated liability for self-insured plans during the past two fiscal years are as follows:

Self-Insured Claims Liability

	Medical Benefits	Unemployment Comp	Worker's Comp	Total
Claims liability - July 1, 2008	$ 1,432,794	$ 50,000	$ 427,454	$ 1,910,248
Claims incurred, including changes in estimates	13,982,983	163,087	170,750	14,316,820
Less: claims paid	(13,980,633)	(102,614)	(238,704)	(14,321,951)
Claims liability - June 30, 2009	**1,435,144**	**110,473**	**359,500**	**1,905,117**
Claims incurred, including changes in estimates	14,527,612	179,555	(34,365)	14,672,802
Less: claims paid	(14,310,670)	(159,528)	(108,861)	(14,579,059)
Claims liability - June 30, 2010	**$1,652,086**	**$ 130,500**	**$216,274**	**$1,998,860**

Health Care Plan

Plan Description

The University offers active employees a choice between a self-funded preferred provider health care plan (Husky Care PPO) and a self-funded high deductible health savings account (Husky Care HSA). Both plans are administered by Aetna with health savings account deposits managed at JP Morgan Chase.

Funding Policy

For participants choosing Husky Care PPO, the contribution requirements of the plan participants are established annually by the University. Illustrative premiums are established which estimate the annual costs on a pay-as-you-go funding basis. As of January 1, 2009 participating employees were required to pay 10% of the illustrative premium to continue to receive health care benefits. As of January 1, 2010 plan participants are required to pay 15% of the illustrative premium.

Participants in the Husky Care HSA are covered for catastrophic medical expenses by a high deductible PPO health care plan. To fund the medical costs of this type of plan, employees may deposit pre-tax earnings into a health savings account. The University also contributes funds to these accounts on behalf of the participating employee. Funds deposited into a health savings account are owned exclusively by the employee, even after the employee is no longer employed by the University. The cost of the high deductible health care policy is paid by the University.

Liability and Property Insurance

The University participates with eleven other Michigan universities in the Michigan Universities Self-Insurance Corporation ("MUSIC"). MUSIC's purpose is to provide indemnity to members against auto, comprehensive general liability, errors and omissions, and property losses commonly covered by insurance. Premiums are assessed annually for (1) insurance risks retained by MUSIC, (2) costs related to excess coverage, and (3) general and administrative expenses. MUSIC also provides risk-management and loss control services and programs.

Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer of losses, and commercial carriers covering the third layer. Comprehensive general liability coverage is provided on a per-occurrence basis; errors and omissions coverage is provided on a claims-made basis. In the event of excess assets, MUSIC will return the surplus, credit the surplus toward future payments, or provide for increased coverage. Recommended reserves for both MUSIC and each member are actuarially determined on an annual basis. MUSIC will be self-sustaining through member payments and will purchase commercial coverage for claims in excess of established annual limits for each line of coverage. Members may fund their respective reserves as they deem appropriate.

(9) POST EMPLOYMENT BENEFITS

Retirement Plans

The University offers participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees' Retirement System (MPSERS) and the Teachers Insurance and Annuities Association College Retirement Equities Fund (TIAA-CREF).

MPSERS is a noncontributory defined benefit cost-sharing multiple-employer retirement plan through the Michigan Public School Employees' Retirement System Plan (the "plan"). Benefit provisions and contribution requirements of MPSERS are established and may be amended by state statute. Due to State of Michigan House Bill HB4047, University employees hired after December 31, 1995 can no longer participate in this retirement plan, unless they were previously enrolled in the plan at the University or one of the other six universities that are part of MPSERS.

During fiscal year 1997, the University implemented the funding policy changes finalized by MPSERS. An actuarial valuation was prepared for MPSERS that separated the plan into two components—University members and all other members. The valuation determined the University members' portion of plan assets and unfunded actuarial accrued liability (UAAL).

Beginning October 1, 2010, the University is required to contribute 4.11% (4.58% during the period of October 1, 2009 through September 30, 2010) of MPSERS covered payroll for normal pension costs and 9.73% (7.72% during the period of October 1, 2009 through September 30, 2010) for the unfunded pension liability. University costs of the MPSERS pension contributions are summarized below.

The University also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating universities. Participating universities are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS. The University's contributions to the MPSERS healthcare plan are summarized in the Retirement Plan Contributions table.

Additional pension data for MPSERS is contained in MPSERS' Comprehensive Annual Financial Report, which may be obtained by writing to the Office of Retirement Systems, P.O. Box 30170, Lansing, MI 48901.

The TIAA-CREF plan is a defined contribution retirement plan. All employees who work at least 3/4 time are eligible to participate in the TIAA-CREF plan. For employees hired between December 31, 1995 and December 31, 2007, employer contributions began two years after date of hire or age 35 whichever is sooner. For employees hired on or after January 1, 2008, employer contributions begin immediately and employee benefits vest immediately. Plan participants maintain individual investment accounts with TIAA-CREF, the plan administrator, or with Fidelity Investments. Employees participating in the TIAA-CREF plan may choose to invest retirement funds in either, or both, TIAA-CREF or Fidelity Investments. Employees may also deposit supplemental retirement funds into a 403(b) and/or a 457(b) plan up to permissible limits. The University contributes a specified percentage of employee wages and has no liability beyond its own contribution. University contributions to this program are summarized in the Retirement Plan Contributions table.

Prior to January 1, 2010, the University would contribute 10.55% of participating employee's salary to the employee's investment account and would then match up to an additional 2% of employee's voluntary contribution. On January 1, 2010, participating employees were given a choice between a 5-5-5 plan or a 0-7.5-7.5 plan. Under the 5-5-5 plan, the University will contribute 5% of an employee's base salary and will then match up to 5% of base salary contributed by a participating employee. Employees choosing this plan also received a 2% salary increase. Employees choosing the 0-7.5-7.5 plan receive no base contribution from the University but receive a matching contribution of up to 7.5% of base salary along with a 4.5% increase in base salary. Employees hired after January 1, 2010 will participate in the 0-7.5-7.5 plan. This shift in compensation structure was intended to maintain both total compensation to the employee and total compensation costs of the University. The result is greater flexibility to the employee on whether compensation is received currently, or deferred for retirement.

Retirement Plan Contributions			
	2010	**2009**	**2008**
MPSERS normal pension costs	$ 1,511,610	$ 1,556,759	$ 1,230,063
MPSERS unfunded pension costs	554,560	667,895	654,386
MPSERS retiree health insurance	2,602,717	2,643,206	2,312,717
Total University contributions to MPSERS	**4,668,887**	**4,867,860**	**4,197,166**
Payroll covered under MPSERS	12,161,500	12,178,994	12,128,241
University contributions to TIAA-CREF	**7,176,430**	**7,922,430**	**7,464,435**
Payroll covered under TIAA-CREF	67,877,796	63,454,913	59,407,899

Retirement Supplemental Voluntary Plan

During 2002, the University adopted the Retirement Supplemental Voluntary Plan (RSVP) to facilitate the voluntary retirement of eligible employees. The RSVP is not an early retirement program. The decision to retire is left to the discretion of the individual employee, and remains entirely voluntary. However, if an employee decides to retire, the RSVP provides several retirement options: a monetary option; a phased retirement option; a combination of the monetary and phased retirement options; and a program for employment after retirement. The University recognizes the related costs in the year the employee decides to retire.

Employee Severance Plan

During 2003, the University adopted the Employee Severance Plan (ESP) to facilitate the voluntary retirement of eligible employees. The decision to retire was voluntary and left to the discretion of the individual employee. Under this plan, the employee receives a fixed payment over 10 years, beginning in fiscal year 2004. The net present value of the ESP liability was $624,000 and $832,000 at June 30, 2010 and 2009, respectively.

Health Care Plan

Plan Description

The University currently offers retirees a self-funded preferred provider health care plan (MTU-PPO) administered by Aetna. The University follows the COBRA regulations for its terminated employee's health care plan. MTU-PPO provides medical, dental, and vision insurance benefits to eligible participants in the TIAA-CREF plan.

Funding Policy

The contribution requirements of the plan members are established annually by the University. The required contribution is based on annual projected pay-as-you go financing requirements. Prior to 2007, the University utilized its COBRA rates as the full cost value of early retiree medical and dental benefits. Depending upon specific fiscal years of retirement these non-Medicare retirees paid a certain percentage of this COBRA rate. Even for those early retirees where their contribution requirement was 100% of the COBRA rate, there was an implied subsidy as the age adjusted full cost for pre-Medicare eligible retirees is significantly higher. Beginning in 2007, the University began a seven year phase out of the subsidy implied when utilizing the COBRA rates so that beginning January 1, 2014 retiree contributions will be established on the expected full cost of the retiree medical and dental plans (pre-Medicare and Medicare eligible populations).

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the years ending June 30, 2010 and 2009 respectively:

OPEB Cost and Obligation		2010		2009
Annual required contribution	$	577,592	$	1,077,244
Interest on net OPEB obligation		51,311		37,570
Adjustment to annual required contribution		(74,183)		(54,318)
Annual OPEB cost		**554,720**		**1,060,496**
Contributions made		-		-
Total benefits paid (pay-as-you go)		(767,490)		(716,985)
(Decrease) increase in net OPEB obligation		**(212,770)**		**343,511**
Net OPEB obligation - beginning of year		1,282,772		939,261
Net OPEB obligation - end of year	**$**	**1,070,002**	**$**	**1,282,772**

The University's historical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Historical Annual OPEB Cost and Net OPEB Obligation			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$ 1,602,227	41.4%	$ 939,261
June 30, 2009	$ 1,060,496	67.6%	$ 1,282,772
June 30, 2010	$ 554,720	138.4%	$ 1,070,002

Funded Status and Funding Progress
The University has not prefunded any of its OPEB liability, nor does it presently intend to prefund its OPEB liability. Therefore, as of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded.

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets* a	Actuarial Accrued Liability (AAL) Unit credit b	Unfunded AAL (UAAL) (b-a)	Funded Ratio a/b	Covered Payroll c	UAAL as a percent of covered payroll (b-a)/c
June 30, 2008	$ -	$ 18,907,897	$ 18,907,897	0.0%	$ 60,405,618	31.3%
June 30, 2009	$ -	$ 15,089,017	$ 15,089,017	0.0%	$ 60,406,000	25.0%
June 30, 2010	$ -	$ 10,219,329	$ 10,219,329	0.0%	$ 67,114,000	15.2%

*Actuarial value of assets are $0 because the University has not prefunded this OPEB liability.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuations performed for the University utilize the unit credit actuarial cost method. The initial valuations included an annual healthcare cost trend rate of 11% which was then reduced by 1% per year to an ultimate rate of 5% by fiscal year 2014. The trend rate assumption was reset to an initial rate of 11% for medical (7% for dental) in 2010 grading down by 1% per year to an ultimate rate of 5% for medical (4% for dental). The assumptions also included a 4% salary scale assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. For actuarial purposes, the University has chosen a thirty year amortization period, so the remaining amortization period at June 30, 2010, was twenty-seven years. However, with the implementation of the seven year phased elimination of the retiree health care subsidy, the University's actual amortization period decreases accordingly.

(10) COMMITMENTS AND CONTINGENCIES

The University has internally funded reserves for certain employee benefits. Accrued liabilities are generally based on actuarial valuations and represent the present value of unpaid expected claims, including estimates of claims incurred but not reported.

In the normal course of business, the University is named party to various legal actions. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, management believes the resolution of these matters will not have a material adverse effect on the University's financial position or results of operations.

Certain employees of the University are covered under the MPSERS retirement plan. As of June 30, 2010 and June 30, 2009 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is not determinable at June 30, 2010 and June 30, 2009. While the University has continued to pay the required monthly payments as determined by MPSERS, it is management's position that the University is not responsible for any shortfall in the fund as a result of changes in benefits made by MPSERS.

The University receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. University administration believes there is no liability for reimbursement which may arise as the result of audits.

(11) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The University's operating expenses by functional classification were as follows for years ended June 30:

Operating Expenses by Natural and Functional Classification

2010

	Compensation and Benefits	Supplies and Services	Student Financial Support	Utilities	Depreciation	Total
Instruction	$ 47,987,133	$ 6,391,943	$ 3,499,407	$ 20,323	$ -	$ 57,898,806
Research	34,818,313	10,540,037	2,352,524	147,358	-	47,858,232
Public service	3,809,226	4,183,431	121,238	6,199	-	8,120,094
Academic support	6,221,194	3,890,884	32,913	5,390	-	10,150,381
Student services	5,280,506	1,820,821	166,518	16,180	-	7,284,025
Institutional support	20,371,966	7,018,211	-	39,291	-	27,429,468
Operations and maintenance of plant	6,355,378	1,149,201	-	4,804,075	-	12,308,654
Student financial support	1,128,544	156,319	1,315,268	-	-	2,600,131
Departmental activities	6,426,235	1,870,510	-	-	-	8,296,745
Student residents	5,969,204	7,314,843	-	3,382,350	-	16,666,397
Depreciation	-	-	-	-	11,902,410	11,902,410
	$ 138,367,699	**$ 44,336,200**	**$ 7,487,868**	**$ 8,421,166**	**$ 11,902,410**	**$ 210,515,343**

Operating Expenses by Natural and Functional Classification

2009

	Compensation and Benefits	Supplies and Services	Student Financial Support	Utilities	Depreciation	Total
Instruction	$ 46,729,720	$ 6,520,830	$ 2,653,703	$ 18,039	$ -	$ 55,922,292
Research	31,336,367	11,188,068	2,336,442	164,777	-	45,025,654
Public service	3,338,577	3,689,869	9,296	1,344	-	7,039,086
Academic support	6,115,833	4,159,225	44,256	7,539	-	10,326,853
Student services	5,064,174	2,236,915	428,234	16,815	-	7,746,138
Institutional support	20,067,287	8,253,477	24,933	47,324	-	28,393,021
Operations and maintenance of plant	6,131,876	437,285	-	4,742,355	-	11,311,516
Student financial support	1,230,128	182,793	714,601	-	-	2,127,522
Departmental activities	6,299,735	1,807,268	-	-	-	8,107,003
Student residents	5,983,581	7,126,035	-	3,749,260	-	16,858,876
Depreciation	-	-	-	-	11,457,741	11,457,741
	$ 132,297,278	**$ 45,601,765**	**$ 6,211,465**	**$ 8,747,453**	**$ 11,457,741**	**$ 204,315,702**

(12) SUBSEQUENT EVENTS

In late fall of 2010, the University will issue General Revenue bonds in the approximate amount of $10.7 million for additional buildings and building improvements to include the Great Lakes Research Center (75% of which is being funded by the State Building Authority), a building to house the A. E. Seaman Mineral Museum, purchase of a property in the airport industrial park, as discussed further below, and life safety improvements on campus.

On July 27, 2010, the University entered into a purchase agreement with Mohawk Corporation for the purchase of property, building and furniture located at 23199 Airpark Boulevard in the airport industrial park in Houghton County. The purchase price of the property is $1.55 million and the transaction closed September 13, 2010. The building is adjacent to the Keweenaw Research Center and will be used as an additional research facility.

SUPPLEMENTARY INFORMATION

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Independent Auditors' Report on Supplementary Information

October 11, 2010

Board of Control
Michigan Technological University
Houghton, Michigan

Our report on our audits of the basic financial statements of ***Michigan Technological University*** for the years ended June 30, 2010 and 2009 appears on page 20. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 52 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audits of the basic financial statements of ***Michigan Technological University***, and, accordingly, we do not express an opinion on it.

Rehmann Robson

Michigan Technological University
Schedule of Net Assets by Fund, June 30, 2010

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Combined Total 2010	Combined Total 2009
Assets											
Current assets:											
Cash and cash equivalents	$ (13,450,046)	$ 17,446,993	$ 7,004,588	$ 804,836	$ (2,779,951)	$ 9,026,420	$ 1,163,286	$ 7,849,478	$ 1,470,070	$ 19,509,254	$ 15,888,797
Accounts receivable, net	9,136,291	522,313	478,447	143,613	8,000,902	18,281,566	-	729,366	38,932	19,049,864	18,891,279
Other assets	216,911	13,525	1,291,234	20,000	-	1,541,670	-	-	-	1,541,670	1,525,997
Total current assets	**(4,096,844)**	**17,982,831**	**8,774,269**	**968,449**	**5,220,951**	**28,849,656**	**1,163,286**	**8,578,844**	**1,509,002**	**40,100,788**	**36,306,073**
Noncurrent assets:											
Student loans receivable, net	-	-	-	-	-	-	12,647,300	-	-	12,647,300	13,309,009
Investments	-	-	-	6,540,832	-	6,540,832	-	-	-	6,540,832	5,589,624
Capital assets, net of depreciation	-	-	-	-	-	-	-	241,689,069	-	241,689,069	224,310,713
Other assets	-	-	-	-	-	-	-	978,544	-	978,544	978,543
Total noncurrent assets	**-**	**-**	**-**	**6,540,832**	**-**	**6,540,832**	**12,647,300**	**242,667,613**	**-**	**261,855,745**	**244,187,889**
Total assets	**$ (4,096,844)**	**$ 17,982,831**	**$ 8,774,269**	**$ 7,509,281**	**$ 5,220,951**	**$ 35,390,488**	**$ 13,810,586**	**$ 251,246,457**	**$ 1,509,002**	**$ 301,956,533**	**$ 280,493,962**
Liabilities											
Current liabilities											
Accounts payable	$ 1,385,335	$ 313,751	$ 569,078	$ 690,996	$ 548,374	$ 3,507,534	$ 3,379	$ 5,199,125	$ 331,442	$ 9,041,480	$ 5,050,904
Other accrued liabilities	5,006,076	-	96,155	3,885,952	-	8,988,183	-	7,758	1,177,560	10,173,501	9,522,563
Deferred revenue	83,934	-	-	-	1,980,000	2,063,934	-	456,250	-	2,520,184	3,148,776
Current portion of long term debt	-	-	-	-	-	-	-	1,533,860	-	1,533,860	1,154,945
Current portion of noncurrent liabilities	-	-	-	2,865,598	-	2,865,598	-	500,000	-	3,365,598	2,413,491
Total current liabilities	**6,475,345**	**313,751**	**665,233**	**7,442,546**	**2,528,374**	**17,425,249**	**3,379**	**7,696,993**	**1,509,002**	**26,634,623**	**21,290,679**
Noncurrent liabilities											
Funds held for others	687,900	-	-	-	-	687,900	-	-	-	687,900	713,500
Insurance and benefit reserves	-	-	-	1,964,561	-	1,964,561	-	-	-	1,964,561	2,146,523
Other liabilities	-	-	-	-	-	-	-	100,000	-	100,000	600,000
Long-term debt, net of current portion	-	-	-	-	-	-	-	71,579,813	-	71,579,813	54,957,743
Total non-current liabilities	**687,900**	**-**	**-**	**1,964,561**	**-**	**2,652,461**	**-**	**71,679,813**	**-**	**74,332,274**	**58,417,766**
Total liabilities	**7,163,245**	**313,751**	**665,233**	**9,407,107**	**2,528,374**	**20,077,710**	**3,379**	**79,376,806**	**1,509,002**	**100,966,897**	**79,708,445**
Net assets											
Invested in capital assets	-	-	-	-	-	-	-	168,775,108	-	168,775,108	169,130,442
Restricted for expendable purposes	-	-	-	-	2,692,577	2,692,577	13,780,120	7,303,870	-	23,776,567	21,770,345
Unrestricted	(11,260,089)	17,669,080	8,109,036	(1,897,826)	-	12,620,201	27,087	(4,209,327)	-	8,437,961	9,884,730
Total net assets	**(11,260,089)**	**17,669,080**	**8,109,036**	**(1,897,826)**	**2,692,577**	**15,312,778**	**13,807,207**	**171,869,651**	**-**	**200,989,636**	**200,785,517**
Total liabilities and net assets	**$ (4,096,844)**	**$ 17,982,831**	**$ 8,774,269**	**$ 7,509,281**	**$ 5,220,951**	**$ 35,390,488**	**$ 13,810,586**	**$ 251,246,457**	**$ 1,509,002**	**$ 301,956,533**	**$ 280,493,962**

Michigan Technological University
Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Object
For the Year Ended June 30, 2010

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	Combined Total 2010	Combined Total 2009
Revenues											
Operating revenues											
Student tuition and fees, net	$ 94,829,090	$ -	$ 2,264,733	$ -	$ -	$ 97,093,823	$ -	$ -	$ (31,503,176)	$ 65,590,647	$ 63,396,990
Federal grants and contracts	81,426	-	-	-	27,852,027	27,933,453	(57,443)	-	-	27,876,010	25,571,465
State and local grants and contracts	-	-	-	-	3,388,166	3,388,166	-	(3,536)	-	3,384,630	3,834,922
Nongovernmental grants and contracts	-	-	-	-	11,638,409	11,638,409	-	-	-	11,638,409	11,467,090
Indirect cost recoveries	10,135,897	-	-	-	(10,135,897)	-	-	-	-	-	-
Educational activities	447,681	2,848,774	811,956	-	468,998	4,577,409	-	305,231	(91,724)	4,790,916	4,607,805
Sales and services of dept activities	570	125,489	9,123,260	-	32,074	9,281,393	-	25,000	(467,027)	8,839,366	9,316,594
Student resident fees	-	-	19,187,216	-	-	19,187,216	-	-	276,064	19,463,280	19,410,577
Total operating revenues	**105,494,664**	**2,974,263**	**31,387,165**	**-**	**33,243,777**	**173,099,869**	**(57,443)**	**326,695**	**(31,785,863)**	**141,583,258**	**137,605,443**
Expenses											
Operating expenses											
Salaries & wages - non-faculty	28,243,740	4,189,685	7,570,358	1,423,005	7,341,084	48,767,872	-	-	-	48,767,872	46,450,924
Salaries & wages - faculty	35,157,361	781,459	2,378	4,527	3,890,797	39,836,522	-	-	-	39,836,522	36,473,970
Salaries & wages - graduate students	3,551,050	682,682	306,005	-	3,918,517	8,458,254	-	-	-	8,458,254	7,635,754
Salaries & wages - undergrad students	1,635,062	650,558	1,720,310	-	1,378,567	5,384,497	-	-	-	5,384,497	5,144,511
Fringe benefits	26,065,701	1,763,755	2,796,388	1,446,704	3,848,006	35,920,554	-	-	-	35,920,554	36,592,119
Supplies and services	16,384,671	8,553,562	10,356,262	577,373	12,157,031	48,028,899	103,480	26,156,235	(29,952,414)	44,336,200	45,601,765
Student financial support	23,926,571	778,731	282,687	-	14,285,742	39,273,731	-	-	(31,785,863)	7,487,868	6,211,465
Utilities	4,852,332	158,298	3,382,350	-	28,186	8,421,166	-	-	-	8,421,166	8,747,453
Depreciation	-	-	-	-	-	-	-	11,902,410	-	11,902,410	11,457,741
Total operating expenses	**139,816,488**	**17,558,730**	**26,416,738**	**3,451,609**	**46,847,930**	**234,091,495**	**103,480**	**38,058,645**	**(61,738,277)**	**210,515,343**	**204,315,702**
Operating loss	**(34,321,824)**	**(14,584,467)**	**4,970,427**	**(3,451,609)**	**(13,604,153)**	**(60,991,626)**	**(160,923)**	**(37,731,950)**	**29,952,414**	**(68,932,085)**	**(66,710,259)**
Transfers											
Mandatory transfers in	-	-	-	-	2,507,283	2,507,283	-	22,695,199	-	25,202,482	22,513,982
Mandatory transfers out	(932,708)	(474,027)	(3,415,710)	-	(1,272,207)	(6,094,652)	-	(19,107,830)	-	(25,202,482)	(22,513,982)
Non mandatory transfers in	7,964,070	19,636,755	17,306,039	4,421,501	3,831,229	53,159,594	-	3,099,464	-	56,259,058	66,433,669
Non mandatory tansfers out	(20,855,803)	(10,201,395)	(20,877,275)	(717,410)	(2,111,756)	(54,763,639)	-	(1,495,419)	-	(56,259,058)	(66,433,669)
Total transfers	(13,824,441)	8,961,333	(6,986,946)	3,704,091	2,954,549	(5,191,414)	-	5,191,414	-	-	-
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	6,035,503	6,035,503	-	-	-	6,035,503	3,931,592
Federal grants, other	-	-	-	-	1,431,300	1,431,300	-	155,474	-	1,586,774	-
State appropriations, operating	47,870,800	-	-	-	-	47,870,800	-	-	-	47,870,800	49,518,500
Gift income	134,121	5,669,278	671,988	-	3,058,025	9,533,412	-	-	-	9,533,412	11,663,306
Investment income (loss)	-	-	44,888	948,477	(4,290)	989,075	236,127	9,664	-	1,234,866	(686,066)
Interest expense	-	-	-	-	-	-	-	(2,672,320)	-	(2,672,320)	(2,582,943)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(254,491)	(254,491)	(587,653)
Net nonoperating revenues	**48,004,921**	**5,669,278**	**716,876**	**948,477**	**10,520,538**	**65,860,090**	**236,127**	**(2,507,182)**	**(254,491)**	**63,334,544**	**61,256,736**
Loss before other revenues	**(141,344)**	**46,144**	**(1,299,643)**	**1,200,959**	**(129,066)**	**(322,950)**	**75,204**	**(35,047,718)**	**29,697,923**	**(5,597,541)**	**(5,453,523)**
Other revenues											
Capital grants and gifts	-	-	-	-	-	-	-	5,801,660	-	5,801,660	1,951,342
Fund additions	-	-	-	-	-	-	-	29,697,923	(29,697,923)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,499,583**	**(29,697,923)**	**5,801,660**	**1,951,342**
Net increase (decrease) in net assets	**(141,344)**	**46,144**	**(1,299,643)**	**1,200,959**	**(129,066)**	**(322,950)**	**75,204**	**451,865**	**-**	**204,119**	**(3,502,181)**
Net assets, beginning of year	(11,118,745)	17,622,936	9,408,679	(3,098,784)	2,821,643	15,635,729	13,732,002	171,417,786	-	200,785,517	204,287,698
Net assets, end of year	**$ (11,260,089)**	**$ 17,669,080**	**$ 8,109,036**	**$ (1,897,825)**	**$ 2,692,577**	**$ 15,312,779**	**$ 13,807,206**	**$ 171,869,651**	**$ -**	**$ 200,989,636**	**$ 200,785,517**

Michigan Technological University
Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Function
For the Year Ended June 30, 2010

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	Combined Total 2010	Combined Total 2009
Revenues											
Operating revenues											
Student tuition and fees, net	$ 94,829,090	$ -	$ 2,264,733	$ -	$ -	$ 97,093,823	$ -	$ -	$ (31,503,176)	$ 65,590,647	$ 63,396,990
Federal grants and contracts	81,426	-	-	-	27,852,027	27,933,453	(57,443)	-	-	27,876,010	25,571,465
State and local grants and contracts	-	-	-	-	3,388,166	3,388,166	-	(3,536)	-	3,384,630	3,834,922
Nongovernmental grants and contracts	-	-	-	-	11,638,409	11,638,409	-	-	-	11,638,409	11,467,090
Indirect cost recoveries	10,135,897	-	-	-	(10,135,897)	-	-	-	-	-	-
Educational activities	447,681	2,848,774	811,956	-	468,998	4,577,409	-	305,231	(91,724)	4,790,916	4,607,805
Sales and services of dept activities	570	125,489	9,123,260	-	32,074	9,281,393	-	25,000	(467,027)	8,839,366	9,316,594
Student resident fees	-	-	19,187,216	-	-	19,187,216	-	-	276,064	19,463,280	19,410,577
Total operating revenues	**105,494,664**	**2,974,263**	**31,387,165**	**-**	**33,243,777**	**173,099,869**	**(57,443)**	**326,695**	**(31,785,863)**	**141,583,258**	**137,605,443**
Expenses											
Operating expenses											
Instruction	54,767,562	2,941,397	-	-	682,646	58,391,605	-	-	(492,799)	57,898,806	55,922,292
Research	14,791,527	8,671,103	-	-	26,731,800	50,194,430	-	-	(2,336,198)	47,858,232	45,025,654
Public service	479,656	871,870	-	-	6,795,559	8,147,085	-	-	(26,991)	8,120,094	7,039,086
Academic support	10,140,235	202,053	-	-	15,897	10,358,185	-	-	(207,804)	10,150,381	10,326,853
Student services	6,277,002	634,417	-	-	395,187	7,306,606	-	-	(22,581)	7,284,025	7,746,138
Institutional support	19,626,537	3,657,620	-	3,269,800	12,075	26,566,032	-	1,879,086	(1,015,650)	27,429,468	28,393,021
Student financial support	21,785,061	-	-	-	12,214,766	33,999,827	103,480	-	(31,503,176)	2,600,131	2,127,522
Operations and maintenance of plant	11,948,908	580,270	-	181,809	-	12,710,987	-	24,277,149	(24,679,482)	12,308,654	11,311,516
Sales and services of dept activities	-	-	26,416,738	-	-	26,416,738	-	-	(18,119,993)	8,296,745	8,107,003
Student residents	-	-	-	-	-	-	-	-	16,666,397	16,666,397	16,858,876
Depreciation	-	-	-	-	-	-	-	11,902,410	-	11,902,410	11,457,741
Total operating expenses	**139,816,488**	**17,558,730**	**26,416,738**	**3,451,609**	**46,847,930**	**234,091,495**	**103,480**	**38,058,645**	**(61,738,277)**	**210,515,343**	**204,315,702**
Operating loss	**(34,321,824)**	**(14,584,467)**	**4,970,427**	**(3,451,609)**	**(13,604,153)**	**(60,991,626)**	**(160,923)**	**(37,731,950)**	**29,952,414**	**(68,932,085)**	**(66,710,259)**
Transfers											
Mandatory transfers in	-	-	-	-	2,507,283	2,507,283	-	22,695,199	-	25,202,482	22,513,982
Mandatory transfers out	(932,708)	(474,027)	(3,415,710)	-	(1,272,207)	(6,094,652)	-	(19,107,830)	-	(25,202,482)	(22,513,982)
Non mandatory transfers in	7,964,070	19,636,755	17,306,039	4,421,501	3,831,229	53,159,594	-	3,099,464	-	56,259,058	66,433,669
Non mandatory tansfers out	(20,855,803)	(10,201,395)	(20,877,275)	(717,410)	(2,111,756)	(54,763,639)	-	(1,495,419)	-	(56,259,058)	(66,433,669)
Total transfers	(13,824,441)	8,961,333	(6,986,946)	3,704,091	2,954,549	(5,191,414)	-	5,191,414	-	-	-
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	6,035,503	6,035,503	-	-	-	6,035,503	3,931,592
Federal grants, other	-	-	-	-	1,431,300	1,431,300	.	155,474	-	1,586,774	-
State appropriations, operating	47,870,800	-	-	-	-	47,870,800	-	-	-	47,870,800	49,518,500
Gift income	134,121	5,669,278	671,988	-	3,058,025	9,533,412	-	-	-	9,533,412	11,663,306
Investment income (loss)	-	-	44,888	948,477	(4,290)	989,075	236,127	9,664	-	1,234,866	(686,066)
Interest expense	-	-	-	-	-	-	-	(2,672,320)	-	(2,672,320)	(2,582,943)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(254,491)	(254,491)	(587,653)
Net nonoperating revenues	**48,004,921**	**5,669,278**	**716,876**	**948,477**	**10,520,538**	**65,860,090**	**236,127**	**(2,507,182)**	**(254,491)**	**63,334,544**	**61,256,736**
Loss before other revenues	**(141,344)**	**46,144**	**(1,299,643)**	**1,200,959**	**(129,066)**	**(322,950)**	**75,204**	**(35,047,718)**	**29,697,923**	**(5,597,541)**	**(5,453,523)**
Other revenues											
Capital grants and gifts	-	-	-	-	-	-	-	5,801,660	-	5,801,660	1,951,342
Fund additions	-	-	-	-	-	-	-	29,697,923	(29,697,923)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,499,583**	**(29,697,923)**	**5,801,660**	**1,951,342**
Net increase (decrease) in net assets	**(141,344)**	**46,144**	**(1,299,643)**	**1,200,959**	**(129,066)**	**(322,950)**	**75,204**	**451,865**	**-**	**204,119**	**(3,502,181)**
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Net assets, end of year	**$ (11,260,089)**	**$ 17,669,080**	**$ 8,109,036**	**$ (1,897,825)**	**$ 2,692,577**	**$ 15,312,779**	**$ 13,807,206**	**$ 171,869,651**	**$ -**	**$ 200,989,636**	**$ 200,785,517**

2010 Financial Report

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