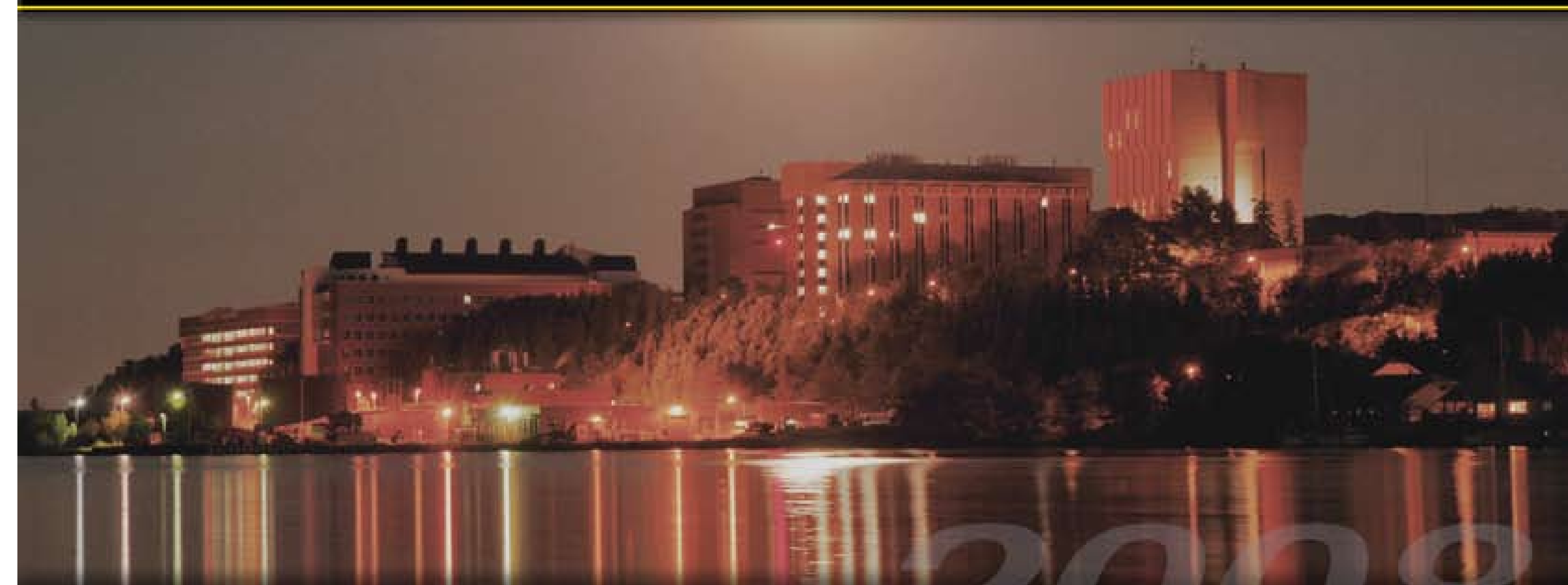
Michigan Tech
Create The Future



Financial Report 2008

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THE MICHIGAN TECH PLAN

MISSION
We prepare students to create the future.

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

GOALS
Michigan Tech's focus is improving lives and preserving our world through sound, innovative uses of science, engineering, and technology. Our society strives for economic prosperity, improved health, and responsible use of environmental resources. Moving forward, Michigan Tech will be a leader in responding to these needs and challenges in Michigan, the nation, and the world. We will attract exceptional faculty and students who will develop, understand, apply, manage, and communicate science and technology—all with the goal of a prosperous, sustainable world.

Progress toward these ambitious objectives will be measured by the national and international impact of our research and scholarly activities, and by the accomplishments and reputation of our faculty and graduates. Increasingly, Michigan Tech will be sought out and recognized for its ability to educate, to innovate, and foster economic growth.

(1) Attract and support a world-class and diverse faculty, staff, and student population.

(2) Deliver a distinctive and rigorous discovery-based learning experience grounded in science, engineering, technology, sustainability, and the business of innovation.

(3) Establish world-class research, scholarship, and innovation in science, engineering, and technology that promotes sustainable economic development in Michigan and the nation.

LETTER FROM THE PRESIDENT

We have made great strides in the past year toward several of our milestones of success.

We have invested in our people. In addition to new faces in key leadership positions, we have hired thirty-five tenured and tenure-track faculty in 2007-08 and project hiring nearly thirty more in the next year. Within this area is the Strategic Faculty Hiring Initiative, where ten positions have been filled. SFHI is a great example of putting people where our expertise lies to better our world.

We have made several capital improvements. Sherman Field has new turf and will allow for much more activity by student groups. We have purchased the UPPCO Building and have made improvements to McNair Hall, the Memorial Union, KRC, and physics labs; and we have plans for much more, including a new apartment-style residence hall.

Enrollment continues to increase, having topped 7,000 total. At the same time, the ACT scores and GPAs of incoming students continue to be far above national norms. Overall graduate student enrollment, too, is growing, and we are fast approaching our goal of sixty-nine PhDs awarded annually.

We continue to grow our sponsored research programs, now approaching $50 million annually, and our endowment has grown in excess of $78 million. As we begin a new capital campaign, we are confidently moving from the quiet phase to the actual campaign, with more than $75 million in gifts and pledges.

Our select corporate partnerships have grown to include Ford, GE, Cargill, Cleveland-Cliffs, and IBM. And our external visibility has increased significantly, with Michigan Tech news appearing in *The Scientist*, *The Wall Street Journal*, *Reader's Digest* (we are ranked number three in the nation in safety), NBC, CNN.com, The Discovery Channel, *The New York Times*, *Scientific American*, *Audubon*, and more.

This is a great time to be involved with an exceptional university. The Michigan Tech family has done an outstanding job, and tomorrow promises even more success as we prepare students to create the future.

Sincerely,

Glenn D. Mroz
'74, '77, President

ADMINISTRATIVE OFFICERS

As of June 30, 2008

BOARD OF CONTROL

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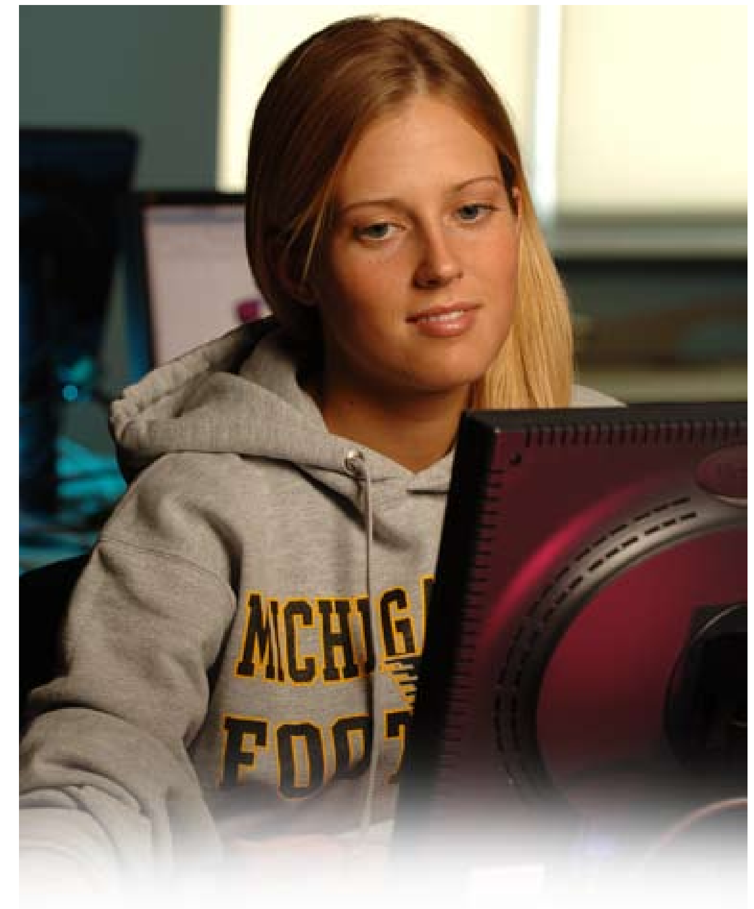
UNIVERSITY STATISTICS



INTRODUCTION

ATTRACTING THE BEST

Goal 1 of our Strategic Plan states: “Attract and support a world-class and diverse faculty, staff, and student population.” Michigan Tech does so in many ways.

FACULTY INITIATIVE

An important component for faculty recruitment is the Strategic Faculty Hiring Initiative. Each year until 2017, Michigan Tech will choose an interdisciplinary research theme and conduct a SFHI focusing on that topic.

The first SFHI centered on sustainability research and ten faculty members have been announced.

Now it’s time to identify future SFHI themes and create a running list of prioritized hiring initiatives so the Advancement Office of Michigan Tech can help find the necessary foundation and endowment support for endowed chairs and new faculty hires.

In a series of Tech Talks over the past academic year, researchers from across the University met to discuss their research interests and expertise. One goal was to bring people together who might write joint research proposals for external funding, but also to identify interdisciplinary areas in which future strategic hires might be made.

So far, six brief pre-proposals have been submitted, and more are being developed. The deadline for proposals is open, so additional proposals are welcome.

The Provost’s Office is asking Michigan Tech faculty, staff and graduate students to provide feedback on the pre-proposals. They can be found at www.admin.mtu.edu/admin/prov/mtu_only/SFHI.html. There is a link after each proposal to a survey where you can post your comments.

STUDENT RECRUITMENT

Student recruitment continues to do so well that, in their August meeting, the Michigan Tech Board of Control authorized planning and design work for new apartment-style student housing. The $16.5-million construction will add 192 beds.

The new apartments will be built behind West McNair Hall. The University’s goal is to complete construction by fall 2010.

Michigan Tech needs additional on-campus housing because enrollment continues to grow, says Les Cook, vice president for student affairs. Total enrollment now tops 7,000 for the first time in 25 years.

“The University anticipates continued growth, so we must act now to prepare for future housing needs,” Cook said.

There is a trend toward students preferring to live on campus. Students seek quality accommodations with apartment-style amenities, he explained. Newly constructed on-campus housing will also include state-of-the-art safety features.

According to Director of Admissions Ali Carter, the increase in applications and enrolled students is due to many factors, including "consistency of Michigan Tech's brand and message through print and web, launching a dedicated admissions microsite website focused on prospective students, and more students are creating profiles and making friends through Rendezvous, Michigan Tech's own social networking site just for admitted students."

Carter says these types of communications help students get connected to the University upon acceptance and helps to reduce the anxiety some students feel about choosing a college where they may not have friends or one that is farther from home.

STAFF SUPERSTARS

Michigan Tech staff members routinely do great things on the job. Here are a couple of examples.

Bringing Diversity to Campus

Chris Anderson, special assistant to the president in Michigan Tech's Office of Institutional Diversity, has been appointed to serve a two-year term as secretary of the board of directors of the Women in Engineering ProActive Network (WEPAN).

WEPAN is the nation's leading organization and catalyst for transforming culture in engineering education to promote the success of women. It focuses on improving the system of engineering education by creating understanding of issues relevant to attracting and retaining female students. It works to transform the culture in engineering education to help women succeed.

Over the last two years WEPAN has received National Science Foundation grants for two key projects and brought together stakeholders to catalyze change at the WEPAN National Conference and the American Society for Engineering Education Annual Conference.

"We know that Michigan Tech is a dedicated advocate for gender diversity in engineering, and we thank you for your invaluable support," said C. Diane Matt, executive director of WEPAN. "We look forward to Chris's leadership. Her experience and perspective will contribute greatly to WEPAN."

SYP Success

Cody Kangas completed his first season as coordinator of the Summer Youth Programs, with 800 youngsters participating. Kangas calls Summer Youth "adventure learning." The term also applies to his job, which he took over recently.

He attributes the success to current and former staff: "a lot of people with great talent." One youngster described the SYP staff as "peppy, helpful, and knowledgeable."

Kangas describes the program as a stimulating but stress-free environment for youngsters to learn without grades and exams. As well, it offers a taste of college life, career opportunities, and what Tech has to offer.

Zachary Bayoff of Ann Arbor participated in the robotics exploration. He also tried the motor sports exploration earlier this summer—this on top of two explorations last summer in civil engineering and mechanical engineering, and he plans to enroll in general engineering and electrical engineering next summer.

Julia Belej of Houghton, is another satisfied youngster. She participated in the forensic science exploration, which she describes as "more hands-on than I anticipated." She is fascinated with true crime and aspires to study forensic science and forensic psychiatry.

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 slightly more than 40% of accepted students enroll at the University. Michigan residents consistently account for approximately 2/3 of the University's enrollment.

Accepted Students* Summer and Fall Terms	2007	2006	2005	2004	2003
Freshmen	3,485	3,115	3,326	2,856	2,861
Transfer students	470	358	337	299	322
Graduate students	701	608	677	632	802
Total	**4,656**	**4,081**	**4,340**	**3,787**	**3,985**

Average ACT Scores for Incoming Freshmen, Fall	MTU	National
2007	25.63	21.10
2006	25.24	20.90
2005	25.13	20.90
2004	25.35	20.80
2003	25.36	21.00

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

Enrolled Students* Summer and Fall Terms	2007	2006	2005	2004	2003
New freshmen	1,223	1,169	1,327	1,227	1,187
New transfer students	229	218	213	198	181
Graduate students	233	274	252	223	223
Total	**1,685**	**1,661**	**1,792**	**1,648**	**1,591**

Enrollment by Residency* Fall 2003 to Fall 2007	2007	2006	2005	2004	2003
Resident	4,441	4,260	4,241	4,487	4,531
Nonresident	1,599	1,611	1,551	1,445	1,341
International	647	577	596	608	693
Total	**6,687**	**6,448**	**6,388**	**6,540**	**6,565**

Full-Time Equivalent Students by Residency* Fall 2003 to Fall 2007	2007	2006	2005	2004	2003
Resident	4,114	3,973	3,964	3,877	3,853
Nonresident	1,495	1,523	1,484	1,375	1,276
International	619	530	572	547	613
Total	**6,228**	**6,026**	**6,020**	**5,799**	**5,742**

**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.

	2007	2006	2005	2004	2003
Associate	26	24	28	24	38
Bachelor's	966	1,008	1,048	1,042	975
Master's	184	203	185	181	163
Doctorate	65	41	44	42	38
Total	**1,241**	**1,276**	**1,305**	**1,289**	**1,214**

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, 2008, 2007, and 2006. 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 the 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 Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole. The financial statements report information about the University as a whole 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 a component unit of the University.

CONDENSED STATEMENTS OF NET ASSETS

The Statements of Net Assets include all assets and liabilities. The University's net assets (the difference between assets and liabilities) are one indicator of the University's financial health. Changes to net assets also need to be considered with nonfinancial facts, such as enrollment levels and condition of the facilities.

The University's current assets of $35.4 million covered the current liabilities of $20.9 million. The current ratio decreased to 1.69 in fiscal year 2008 from 1.76 in fiscal year 2007. The 2007 ratio of 1.76 increased from 1.52 in fiscal year 2006. These ratios are significantly driven by the timing of the receipt of funding for capital-improvement projects.

University liabilities increased by $147 thousand to $73.9 million at June 30, 2008. Long-term debt consisting of bonds payable of $49.0 million is the largest liability at June 30, 2008. University liabilities increased by $1.7 million to $73.7 million at June 30, 2007. For the year ended June 30, 2006, University liabilities increased by $418 thousand to $72.1 million.

Condensed Statements of Net Assets
As of June 30

	2008	2007	2006
Assets			
Current assets	$35,403,901	$36,898,774	$32,959,599
Noncurrent assets:			
Other	20,530,106	21,874,145	18,914,702
Capital assets, net	222,248,552	224,062,347	221,537,171
Total assets	**$278,182,559**	**$282,835,266**	**$273,411,472**
Liabilities			
Current liabilities	$20,904,346	$21,018,206	$21,714,286
Noncurrent liabilities	52,990,515	52,729,823	50,361,869
Total liabilities	**$73,894,861**	**$73,748,029**	**$72,076,155**
Net assets			
Invested in capital assets, net of related debt	$172,203,024	$173,909,562	$170,342,409
Restricted for expendable purposes	22,603,437	24,644,181	19,263,621
Unrestricted	9,481,237	10,533,494	11,729,287
Total net assets	**$204,287,698**	**$209,087,237**	**$201,335,317**

CAPITAL AND DEBT ACTIVITIES

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 and site improvements. At June 30, 2008 construction in progress consisted mainly of work being done on our world-class mineral museum. At June 30, 2007 construction in progress consisted mainly of work being done on our mineral museum and our Michigan Tech Little Huskies Child Care Center. At June 30, 2006 construction in progress consisted mainly of work being done on our $10-million general campus-renovation project.

Capital and Debt Activities
As of June 30

Project	2008	2007	2006
General campus renovation project	$ -	$ -	$3,800,389
Seaman Museum expansion	1,525,614	1,262,063	225,003
Little Huskies Child Care	-	548,476	-
Other projects	341,519	163,337	21,161
Total	**$1,867,133**	**$1,973,876**	**$4,046,553**

The funding for the capital projects is as follows:

	Seaman Mineral Museum	Other	Total
Estimated cost of construction	$1,589,300	$3,544,519	$5,133,819
Less: Costs incurred through June 30, 2008	(1,525,614)	(341,519)	(1,867,133)
Estimated cost to complete	**$ 63,686**	**$3,203,000**	**$3,266,686**
Expected sources of financing:			
Federal funds	$ 63,686	$ -	$ 63,686
University funds and other sources	-	3,203,000	3,203,000
Estimated financing	**$ 63,686**	**$3,203,000**	**$3,266,686**

On July 19, 2006 the University issued $2,990,000 General Revenue Bonds, Series 2006 for the general campus-renovation project and the addition of the Michigan Tech Little Huskies Child Care Center.

The University's capacity to meet its financial commitment on its obligations is looked upon as extremely strong.

Additional information regarding capital assets and long-term liabilities can be found in the notes to financial statements.

NET ASSETS

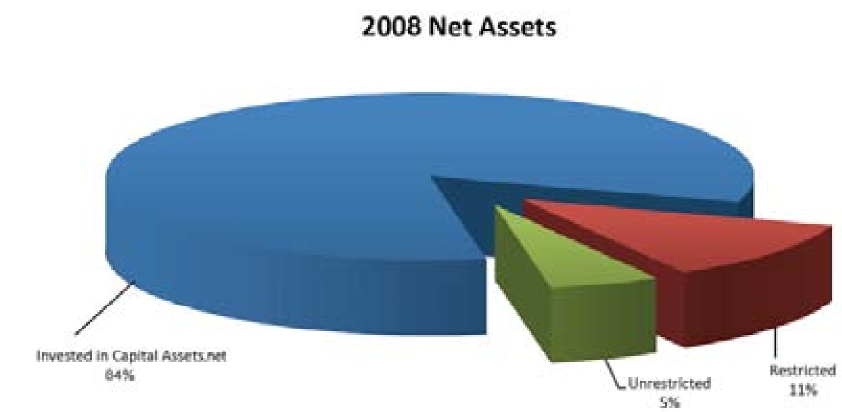
Net assets represent the residual interest in the University's assets after liabilities are deducted. The composition of the University's net assets is summarized as follows:

Net Assets Summary As of June 30			
	2008	2007	2006
Invested in capital assets, net of related debt	**$172,203,024**	**$173,909,562**	**$170,342,409**
Restricted-expendable			
Gifts and sponsored programs	2,933,113	3,030,770	1,801,945
Capital projects	(3,365,213)	(1,963,443)	(6,626,107)
Debt service	9,371,685	9,957,270	10,574,379
Student loans	13,663,852	13,619,584	13,513,404
Total restricted net assets	**22,603,437**	**24,644,181**	**19,263,621**
Unrestricted net assets	9,481,237	10,533,494	11,729,287
Total net assets	**$204,287,698**	**$209,087,237**	**$201,335,317**

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.

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, 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.



DISCRETE COMPONENT UNIT'S NET ASSET CATEGORIES

Invested in capital assets, net, expendable restricted net assets (temporarily), and unrestricted net assets are defined above.

Permanently restricted net assets are held in perpetuity, the income from which supports scholarships and fellowships, faculty chairs, and other University programs. The net assets of the Michigan Tech Fund are as follows:

	2008	2007	2006
Invested in capital assets, net of related debt	$ 23,057	$ 35,640	$ 206,321
Permanently restricted net assets	51,663,812	49,278,341	43,038,050
Temporarily restricted net assets			
Capital projects and equipment	-	831,832	3,754,826
Departmental support	17,815,832	15,815,582	17,073,986
Remainder interests in split-interest agreements	2,859,476	2,525,862	1,924,788
Net appreciation on donor-restricted endowment funds	30,503,146	33,756,236	24,634,312
	51,178,454	52,929,512	47,387,912
Unrestricted			
Deficiencies for all donor-restricted endowment funds for which fair value of assets is less than donor-stipulated level	(725,286)	(393,708)	(497,605)
Undesignated	4,384,537	5,284,820	3,573,240
	3,659,251	4,891,112	3,075,635
Total net assets	**$106,524,574**	**$107,134,605**	**$93,707,918**

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.

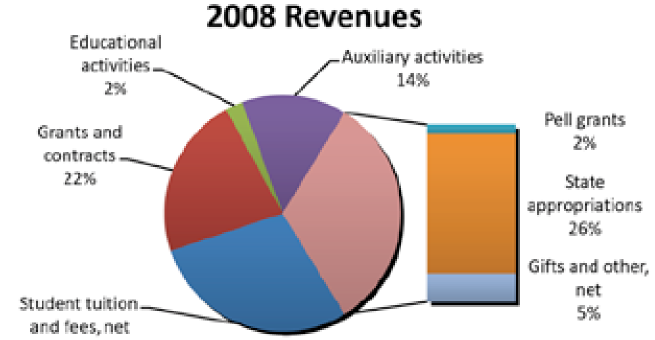
The $4.8-million decrease in net assets during fiscal year 2008 was primarily attributable to the increase in compensation.

Summary of Revenues, Expenses, and Changes in Net Assets Year ended June 30			
	2008	2007	2006
Operating revenues			
Tuition and fees, net	$54,820,288	$48,799,993	$43,716,315
Grants and contracts	42,416,148	39,548,741	28,696,277
Educational activities	4,626,843	4,105,652	4,297,671
Auxiliary activities	27,389,058	24,843,249	24,899,269
Total operating revenues	**129,252,337**	**117,297,635**	**101,609,532**
Operating expenses	195,669,108	182,310,929	165,366,467
Operating loss	(66,416,771)	(65,013,294)	(63,756,935)
Nonoperating and other revenues and expenses			
Federal grants	3,229,124	2,882,596	2,650,417
State appropriations, operating	49,028,200	48,131,899	48,403,799
State appropriations, capital	-	8,120,233	2,541,284
Gifts	11,672,592	13,671,297	8,108,554
Other nonoperating revenues and expenses, net	(2,312,684)	(40,811)	(884,867)
Net nonoperating and other revenues	61,617,232	72,765,214	60,819,187
Net increase (decrease) in net assets	(4,799,539)	7,751,920	(2,937,748)
Net Assets			
Beginning of year	209,087,237	201,335,317	204,273,065
End of year	**$204,287,698**	**$209,087,237**	**$201,335,317**

The $7.75-million increase in net assets in fiscal year 2007 was $10.65 million greater than the fiscal year 2006 net decrease of $2.9-million. That comparative net change was attributable to two items, the increase in the gifts revenue ($2.5 million) and the increase in Capital Appropriations and Capital Grants and Gifts ($5.6 million). The decrease in net assets for the fiscal year 2006 was $16.2 million less than the fiscal year 2005 net increase of $13.3 million. The net decrease was attributable to the decrease in state appropriations and gifts.

One of the University's greatest financial strengths is the diverse streams of revenues that supplement its student tuition and fees. In order to supplement student tuition, the University continues to aggressively seek funding from all possible sources consistent with its mission.

2008 Revenues

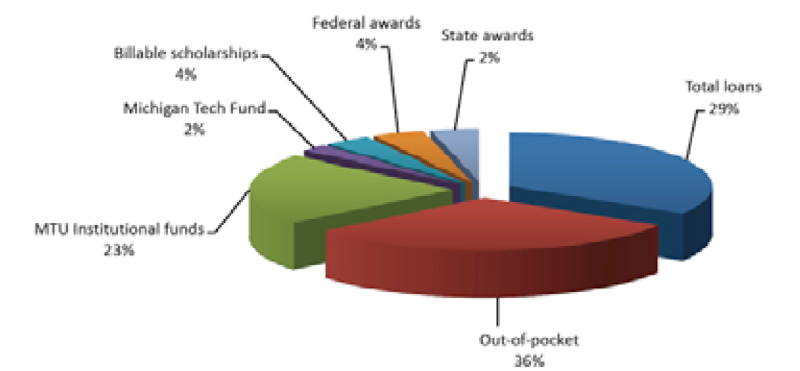


TUITION AND FEES REVENUE

The University provides students with the opportunity to obtain a quality education at an affordable cost. The University implemented a 9.51% average increase in tuition and mandatory fees for Michigan undergraduates. Graduate students saw a 6.2% increase in tuition and mandatory fees.

The following graph identifies the source of funds used to pay our students' bills for the fiscal year ended June 30, 2008.

Graduate and Undergraduate Student Financial Aid Report

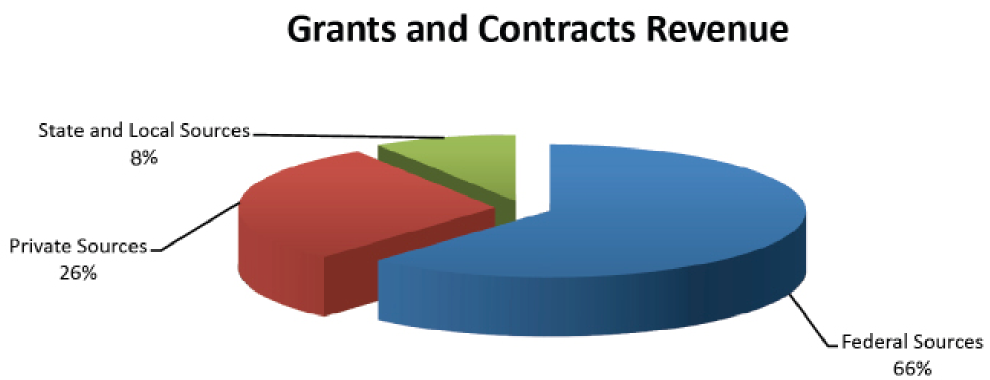


GRANT AND CONTRACT REVENUE

The University receives revenues for sponsored programs from government and private sources, which normally provide for the direct and indirect costs of performing these sponsored activities. The Univerisity also receives revenues from the federal goverment and its agencies for student scholarships. Our total annual grant and contract revenue is continuing to exceed $30 million. There were $41.3 and $50 million dollars of research and sponsored programs awards in fiscal years 2008 and 2007, respectively. MTU currently has 22 interdisciplinary research institutes and centers that have enabled the University to continue to increase its awards. During fiscal year 2007, the University acquired MTRI, a research facility in Ann Arbor, MI.

Grant and Contract Revenue Year ended June 30			
	2008	2007	2006
Federal sources			
Department of Agriculture	$2,359,755	$1,768,441	$1,755,687
Department of Commerce	-	-	174,972
Department of Defense	9,613,753	6,052,273	3,591,028
Department of Education	1,660,372	1,716,847	725,031
Department of Energy	5,084,644	5,714,021	3,467,096
Department of Interior	404,985	381,082	192,068
Department of Transportation	783,717	615,143	495,522
Environmental Protection Agency	129,334	114,967	86,741
National Aeronautics Space Administration	700,926	435,112	469,332
National Science Foundation	6,206,004	5,299,117	4,851,252
Health & Human Services	863,838	894,467	602,400
Other federal sources	200,034	242,698	161,225
Total federal sources	**28,007,362**	**23,234,168**	**16,572,354**
Nonfederal sources			
State and local	3,207,487	3,805,813	2,675,488
Private	11,201,299	12,508,760	9,448,435
Total nonfederal sources	**14,408,786**	**16,314,573**	**12,123,923**
Total All Sources	**$42,416,148**	**$39,548,741**	**$28,696,277**

The following graphic illustrates the fiscal year 2008 grant and contract revenue by source.



NONOPERATING REVENUES

Appropriations

The University's largest source of nonoperating revenue is the State of Michigan appropriation.

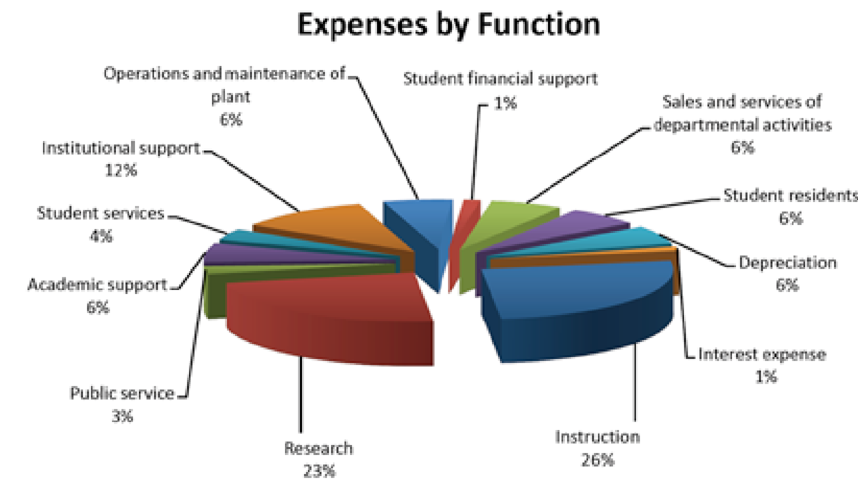
The State's fiscal year begins on October 1 and ends on September 30. The 2008 state appropriations to the University were $49.0 million for operations. In fiscal year 2007, $4.5 million of operating appropriation was deferred to fiscal year 2008. In addition, during fiscal year 2008 the State paid $379 thousand for our July and August MPSERS obligation, but reduced the University's summer appropriation payments accordingly. The University's 2007 state appropriations were $48.1 million for operations and $8.1 million for capital. The 2007 state appropriations for operating purposes decreased $272 thousand or 0.6%. The 2006 state appropriations for operating purposes increased by $1.4 million or 2.9%.

OPERATING AND NONOPERATING EXPENSES

Universities had traditionally used the functional classification of expenses for reporting purposes. These functions represent the core missions of the University. A comparative summary of the University's expenses by functional classification follows for the years ended June 30, 2008, 2007, and 2006:

	2008	2007	2006
Operating Expenses			
Instruction	$51,955,412	$48,334,820	$47,004,934
Research	44,955,462	42,762,092	33,764,792
Public service	5,905,844	4,882,404	4,849,284
Academic support	11,886,260	11,547,401	10,761,553
Student services	7,212,863	6,799,822	6,974,564
Institutional support	24,364,292	20,858,727	18,027,340
Student financial support	1,787,293	2,594,017	1,218,569
Operation and maintenance of plant	12,185,320	10,802,207	10,384,148
Depreciation	11,504,971	11,179,758	11,040,264
Sales and services of departmental activities	12,029,493	11,216,023	13,069,259
Student residents	11,881,898	11,333,658	8,271,760
Total operating expenses	**195,669,108**	**182,310,929**	**165,366,467**
Nonoperating expenses			
Interest	2,095,550	2,112,313	1,991,139
Other	196,804	318,654	348,404
Total nonoperating expenses	**2,292,354**	**2,430,967**	**2,339,543**
Total expenses	**$197,961,462**	**$184,741,896**	**$167,706,010**

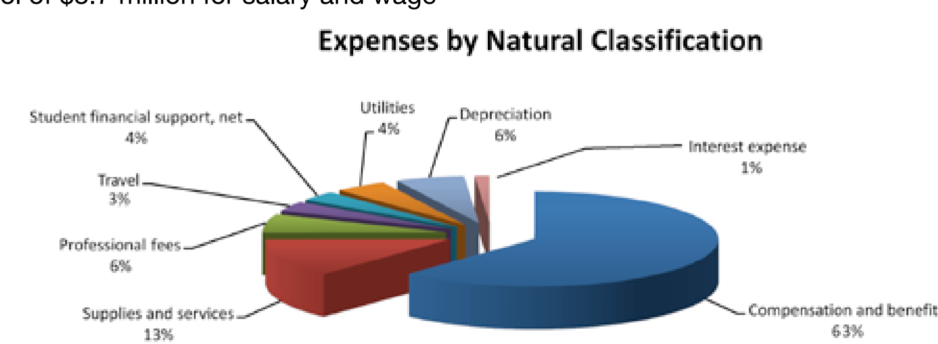
The following graphic illustrates the fiscal year 2008 operating and nonoperating expenses by functional classification:



In addition to the functional classification of expenses, it is also informative to review operating expenses by their natural classification. Natural classifications show the type of expense regardless of function. The University and its discrete component unit's operating expenses by natural classification were as follows:

	2008		2007		2006	
	Primary Institution	Component Unit	Primary Institution	Component Unit	Primary Institution	Component Unit
Salaries						
Faculty	$34,223,225	$ -	$31,813,075	$ -	$30,715,119	$ -
Staff	43,756,904	385,247	40,732,192	373,841	35,743,987	992,448
Students	11,659,895	-	11,001,998	-	10,245,574	-
Total salaries	**89,640,024**	**385,247**	**83,547,265**	**373,841**	**76,704,680**	**992,448**
Benefits	35,636,712	147,920	30,877,222	143,481	28,496,712	406,686
Compensation and benefits	**125,276,736**	**533,167**	**114,424,487**	**517,322**	**105,201,392**	**1,399,134**
Supplies and other services	25,333,707	359,548	23,966,971	324,131	21,312,507	494,953
Professional fees	12,476,489	94,912	11,649,646	92,721	9,726,659	274,857
Travel	7,143,395	17,918	6,336,890	11,474	5,420,786	277,343
Student financial support	5,458,639	-	6,228,430	-	4,663,552	-
Utilities	8,475,171	-	8,524,747	-	8,001,307	-
Depreciation	11,504,971	21,365	11,179,758	25,933	11,040,264	27,831
Total operating expenses	**$195,669,108**	**$1,026,910**	**$182,310,929**	**$971,581**	**$165,366,467**	**$2,474,118**

It is the University's priority to provide a quality education for our students and reward faculty and staff for quality performance. During the fiscal year 2008, the University provided a salary pool of $3.7 million for salary and wage increases and new faculty positions.The following graphic illustrates the fiscal year 2008 operating and nonoperating expenses by natural classification:



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 the cash receipts and cash payments 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.

Cash and cash equivalents increased $212 thousand in 2008 and increased by $726 thousand in 2007. The net cash flows were primarily due to the timing of the receipt of funding of our construction projects (capital financing activities).

Condensed Statements of Cash Flows
As of June 30

	2008	2007	2006
Cash (used in) provided by			
Operating activities	$(54,501,136)	$(56,087,825)	$(51,394,544)
Noncapital financing activities	61,245,186	61,170,303	57,634,593
Capital and related financing activities	(7,627,410)	(5,514,971)	(15,685,241)
Investing activities	1,094,966	1,158,576	968,853
Net increase (decrease) in cash	**211,606**	**726,083**	**(8,476,339)**
Cash — beginning of the year	**15,408,460**	**14,682,377**	**23,158,716**
Cash — end of the year	**$15,620,066**	**$15,408,460**	**$14,682,377**

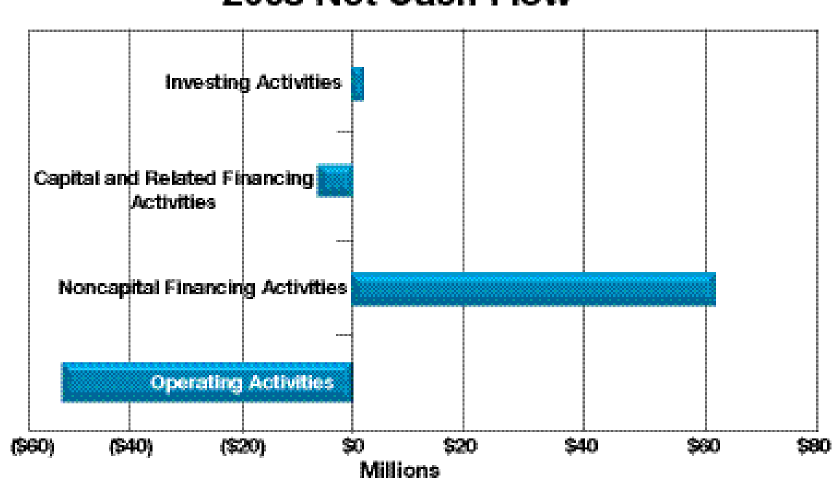
Cash received from operating activities consists primarily of student tuition and fees, sponsored program grants and contracts, and auxiliary revenues. The largest payments in operating activities were compensation to employees and to suppliers.

Significant sources of cash provided by noncapital financing activities include state appropriations and private gifts used to fund operating activities.

Cash provided by capital and related financing activities is restricted and therefore unavailable for operating activities. Cash used in capital and related financing activities is primarily for the acquisition of capital assets and the payment of debt service.

Cash provided by investing activities includes investment income and the purchase or liquidation of investments.

2008 Net Cash Flow



NEW ACCOUNTING PRONOUNCEMENTS

The University was required to implement the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* effective for the fiscal year ended June 30, 2008. The University was required to address the accounting and reporting for costs and obligations related to its post-employment health care benefits. Using current actuarial assumptions, and presuming a significant change in the current level of retiree benefits, the projected liability for those future benefits is $18.908 million. However, according to GASB Statement No. 45, the University only had to recognize an annual required contribution of $1.602 million.

THE BOARD OF CONTROL APPROVES BUDGET THAT ACCELERATES STRATEGIC INITIATIVES.

The Michigan Tech Board of Control approved a general fund budget of $146 million for the new fiscal year, which begins July 1, 2008, and a total spending plan of $231 million.

The budget's top priority is a $3.4-million total increase in the salary pool, or 4 percent. Of that, 3 percent will be allocated to the units and 1 percent will be held back centrally to address merit, equity and marketplace issues. Wages for union members will be negotiated. In addition, the budget projects a $1.4-million increase in fringe benefits costs, for a total compensation increase of $4.8-million.

Other priorities receiving funding are filling faculty positions, the ongoing Strategic Faculty Hiring Initiative (SFHI) and increasing financial aid, as well as enhanced campus safety measures. The SFHI calls for adding 10 faculty positions each year in areas central to the University's strategic direction and mission.

Also approved by the Board of Control was an 8.2% increase in undergraduate tuition and fees, along with a 5.8% increase in room-and-board rates.

Tuition and fees for incoming freshmen will increase $805, from $9,828 to $10,633. The Board also approved a new Experience Tech fee of $64 per semester, which provides students with free access to our many recreational opportunities as well as to performances of the arts. Les Cook, Vice President for Student Affairs, called Experience Tech "an opportunity for students to experience the many things that make Michigan Tech so special."

Room-and-board increases will range from $396 to $547, with total rates ranging from $7,216 to $9,971 for the academic year, depending on the room and meal plan selected by the student.

"I am delighted with the Board's commitment to fund the strategic plan while insuring that Michigan Tech remains an exceptional value," commented President Glenn D. Mroz. "Our goal is to become a world-class research university, and this budget funds initiatives that will propel our strategic growth. At the same time, the Board is mindful of the need to provide our students with an outstanding education at a reasonable price."

Kathryn I. Clark, Board of Control, affirmed the Board's commitment. "We are seeing tremendous progress in moving Michigan Tech toward premier status among technological universities, and we will continue to fund the strategic plan. I believe we have done well to enhance the quality of our programs in the face of declining state support. Michigan Tech is a remarkable value," said Clark.

State funding levels have dropped precipitously in recent years. Since 2002, state appropriations to Michigan Tech are down over 14 percent, including a cut of $8-million between 2002 and 2004. Like all colleges and universities, Michigan Tech is experiencing strong cost increases in such necessities as energy and food. These cost pressures, coupled with reduced funding due to Michigan's economic downturn, prompt tuition increases.

"We are instituting new cost containment measures while improving the education we deliver to students," said Mroz. "Tuition increases are inevitable, but the payoff of a Michigan Tech education is sizable. Demand for our graduates by employers is greater than ever before."

ECONOMIC FACTORS IMPACTING FUTURE PERIODS

Michigan Tech is currently in the early stage of a multiyear fundraising campaign directed primarily at increasing the University's permanent endowment.

Acting to advance Michigan Tech's strategic plan and meet its primary goals, the University Board of Control authorized issuing $6.15 million in bonds for buildings and facilities.

Construction of a new design center and office complex at the Keweenaw Research Center (KRC) addresses all three strategic goals. The KRC is a multidisciplinary research center completely supported by external corporate and governmental agency funding. Research and development activities there focus on many aspects of ground vehicle performance.

Most of the current center is housed in 56-year-old quonset huts built by the Army.

"The new design center and office complex will enable the KRC to attract more research dollars and expand its work with University academic programs, including Enterprise and Senior Design projects and the Summer Youth Program," said Dave Reed, vice president for research.

The Memorial Union received extensive and overdue maintenance to the third floor. University departments, student organizations and community groups use the ballroom for 700 different events annually.

"The third floor can and should be a premier space," said Theresa Coleman-Kaiser, director of the Memorial Union. "This upgrade enhances the look and functionality greatly."

Purchase of the UPPCO building will enable Michigan Tech to expand certain academic programs on campus by moving some administrative offices to the downtown building.

"The School of Business and Economics, the Department of Social Sciences and the Department of Cognitive and Learning Sciences expect to see faculty growth in the near future because they play a key role in a number of interdisciplinary initiatives, including global studies; sustainability; preparation of science, technology, engineering and mathematics teachers; and exploration of the interaction between humans and machines," explained Provost Lesley Lovett-Doust.

A University task force will be appointed to determine which offices and departments will move.

While it is not possible to predict the ultimate results, management believes that the University's financial condition will remain strong.

STATE AUTHORIZES $25 MILLION FOR GREAT LAKES RESEARCH LAB AT MICHIGAN TECH

Michigan Tech has long been a leader in research related to the Great Lakes. Now that research is going to have a new home, on the campus waterfront.

Recently, Lt. Governor John Cherry, acting for Governor Jennifer Granholm, signed a capital outlay bill authorizing Michigan Technological University to spend $25 million to build a Great Lakes research center along the Portage Canal on the University's campus.

Michigan Tech is one of six state universities with capital outlay projects funded by the bill. The others are Eastern Michigan University, Ferris State University, Oakland University, Saginaw Valley State University and Western Michigan University.

The project will include construction of a three-story research building and enhancement of Michigan Tech's waterfront, said W. Charles Kerfoot, professor of biological sciences and director of the Lake Superior Ecosystem Research Center. A planning committee guiding the project includes Kerfoot; Professor Alex Mayer, director of the Center for Water and Society; and Joan Chadde, coordinator of educational programs for the Western Upper Peninsula Center for Science, Mathematics and Environmental Education.

The new building will be located on the canal side of the Dow Environmental Sciences and Engineering Building. It will house eight research labs with researchers from four departments: biological sciences, civil and environmental engineering, geological and mining engineering and sciences, and chemistry. Researchers from the Michigan Tech Research Institute will bring their remote sensing expertise to the new facility.

"Freshwater issues are among the most pressing problems facing the world," said Michigan Tech President Glenn D. Mroz. "Michigan Tech is ideally situated to become a leader in aquatic environmental science and technological remediation. The interdisciplinary work that Michigan Tech researchers will do in this new research center on all aspects of Great Lakes water has implications for freshwater management far beyond Michigan. What we learn there will be valuable worldwide."

The new center will focus on a number of pressing issues in upper Great Lakes coastal research, including research into the effects of global climate change, the impact of invasive plant and animal species, over-fishing and the reproductive failure of native fish, loss of coastal wetlands and habitats along tributaries that feed the Great Lakes, historical contamination from mining and the impact of toxic contaminants that persist, and the effects of population and pollution on coastal biodiversity.

A broad variety of research labs will draw faculty and students from disciplines across campus. They include a fisheries restoration lab, a sediment characterization and processing lab, a mass spectrometry lab where large samples can be screened quickly for different compounds, a coastal hydrology lab for controlled testing of sediment behavior under various river and coastal flow conditions; an exotic species lab; a model computation lab, a remote sensing and coastal instrumentation networking lab; and an air quality and meteorology lab.

As a hub for Great Lakes research and education, the waterfront facility will also house classrooms, teaching labs, conference rooms and facilities to expand educational outreach program for elementary and high school students and teachers. The building will include a boathouse and water-level access for the University's research vessels, the *Agassiz* and *Polar*. Access to such facilities will help motivate future generations to study and pursue careers in science, engineering and technology.

Future plans for the project envision a waterfront activities center, including boat launching ramps, storage for water craft of all kinds, decks and docks, a shoreline boardwalk, a walking trail, improvements to Prince's Point Beach, and mooring and staging facilities for large ships. "Michigan Tech has a unique location on a coastal Great Lakes waterway," Kerfoot said. "Now it will have the waterfront presence it has lacked."

REHMANN ROBSON
Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

December 5, 2008

Board of Control
Michigan Technological University
Houghton, Michigan

We have audited the accompanying financial statements of the business-type activities of ***Michigan Technological University,*** a component unit of the State of Michigan, as of June 30, 2008 and 2007 and for the years then ended, as listed in the table of contents. We also audited the financial statements of the Michigan Tech Fund, a discretely presented component unit for the year ended June 30, 2008. 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 did not audit the financial statements of the Michigan Tech Fund for the year ended June 30, 2007. Those 2007 financial statements were audited by other auditors whose report thereon was furnished to us, and in our opinion, insofar as it relates to the amounts included for the Michigan Tech Fund, is based solely on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinions.

As more fully described in Note 15, for fiscal 2007, the University recorded a delayed appropriation from the State of Michigan that was re-appropriated in fiscal 2008 as a receivable in the 2007 Statement of Net Assets with the corresponding revenue recorded in the 2007 Statement of Revenues, Expenses and Changes in Net Assets. In our opinion, accounting principles generally accepted in the United States of America require that state appropriations be recognized in the period appropriated. If this appropriation had been recorded in conformity with accounting principles generally accepted in the United States of America, current assets and unrestricted net assets would be decreased by $4,474,400 at June 30, 2007 and state appropriations would be decreased by the same amount for the year then ended. This would have increased state appropriations by $4,474,000 for the year ended June 30, 2008.

In our opinion, based on our audits and the report of the other auditors, except for the matter discussed in the previous paragraph, 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, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 5, 2008 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's Discussion and Analysis presented on pages 4 through 15 and the schedule of funding progress on page 44 are not required parts of the basic financial statements but are 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

STATEMENTS OF NET ASSETS

June 30, 2008 • (in dollars)

	Michigan Technological University	Michigan Tech Fund
Assets		
Current assets:		
Cash and cash equivalents	$ 15,620,066	$ 5,177,429
Accounts receivable, net	17,613,966	1,473,838
Other assets	2,169,869	47,342
Total current assets	**35,403,901**	**6,698,609**
Noncurrent assets:		
Student loans receivable, net of allowance	13,294,348	-
Investments	6,257,214	96,361,043
Capital assets, net of accumulated depreciation	222,248,552	23,057
Other assets	978,544	8,247,745
Total noncurrent assets	**242,778,658**	**104,631,845**
Total assets	**$278,182,559**	**$111,330,454**
Liabilities		
Current liabilities		
Accounts payable	$ 5,731,864	$ 536,036
Other accrued liabilities	8,507,894	-
Deferred revenue	2,554,640	-
Current portion of long-term debt	1,648,836	-
Current portion of noncurrent liabilities	2,461,112	329,348
Total current liabilities	**20,904,346**	**865,384**
Noncurrent liabilities		
Funds held for others	719,500	-
Insurance and benefit reserves	1,060,220	-
Other liabilities	1,555,099	3,940,496
Long-term debt, net of current portion	49,655,696	-
Total noncurrent liabilities	**52,990,515**	**3,940,496**
Total liabilities	**73,894,861**	**4,805,880**
Net assets		
Invested in capital assets, net of related debt	172,203,024	23,057
Restricted for		
Nonexpendable purposes	-	51,663,812
Expendable purposes	22,603,437	51,178,454
Unrestricted	9,481,237	3,659,251
Total net assets	**204,287,698**	**106,524,574**
Total liabilities and net assets	**$278,182,559**	**$111,330,454**

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

STATEMENTS OF NET ASSETS

June 30, 2007 • (in dollars)

	Michigan Technological University	Michigan Tech Fund
Assets		
Current assets:		
Cash and cash equivalents	$ 15,408,460	$ 7,306,414
Accounts receivable, net	19,379,453	1,462,259
Other assets	2,110,861	39,892
Total current assets	**36,898,774**	**8,808,565**
Noncurrent assets:		
Student loans receivable, net of allowance	13,504,270	-
Investments	7,391,331	95,176,439
Capital assets, net of accumulated depreciation	224,062,347	35,640
Other assets	978,544	8,173,635
Total noncurrent assets	**245,936,492**	**103,385,714**
Total assets	**$282,835,266**	**$112,194,279**
Liabilities		
Current liabilities		
Accounts payable	$ 5,412,557	$ 790,622
Other accrued liabilities	8,781,478	-
Deferred revenue	3,487,937	-
Current portion of long-term debt	1,030,000	-
Current portion of noncurrent liabilities	2,306,234	409,753
Total current liabilities	**21,018,206**	**1,200,375**
Noncurrent liabilities		
Funds held for others	680,450	-
Insurance and benefit reserves	1,197,579	-
Other liabilities	750,000	3,859,299
Long-term debt, net of current portion	50,101,794	-
Total noncurrent liabilities	**52,729,823**	**3,859,299**
Total liabilities	**73,748,029**	**5,059,674**
Net assets		
Invested in capital assets, net of related debt	173,909,562	35,640
Restricted for		
Nonexpendable purposes	-	49,278,341
Expendable purposes	24,644,181	52,929,512
Unrestricted	10,533,494	4,891,112
Total net assets	**209,087,237**	**107,134,605**
Total liabilities and net assets	**$282,835,266**	**$112,194,279**

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended June 30, 2008 • (in dollars)

	Michigan Technological University	Michigan Tech Fund
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $21,782,444)	$ 54,820,288	$ -
Gifts and contributions	-	8,981,128
Federal grants and contracts	28,007,362	-
State and local grants and contracts	3,207,487	-
Nongovernmental grants and contracts	11,201,299	-
Educational activities	4,626,843	-
Sales and services of departmental activities	9,611,905	-
Student resident fees	17,777,153	-
Other operating revenues	-	223,556
Total operating revenues	**129,252,337**	**9,204,684**
Expenses		
Operating expenses		
Compensation and benefits	125,276,736	533,167
Supplies and services	53,428,762	472,378
Student financial support	5,458,639	-
Depreciation	11,504,971	21,365
Total operating expenses	**195,669,108**	**1,026,910**
Operating (loss) revenue	**(66,416,771)**	**8,177,774**
Nonoperating revenues (expenses)		
Federal grants	3,229,124	-
State appropriations	49,028,200	-
Gifts	9,874,251	-
Investment (loss) income (net of investment expense)	(20,330)	615,058
Interest on capital asset-related debt	(2,095,550)	-
Payments to Michigan Tech	-	(11,721,717)
Loss on disposal of capital assets	(196,804)	-
Net nonoperating revenues (expenses)	**59,818,891**	**(11,106,659)**
Loss before other revenues	**(6,597,880)**	**(2,928,885)**
Other revenues		
Capital grants and gifts	1,798,341	-
Additions to permanent endowments	-	2,318,854
Total other revenues	**1,798,341**	**2,318,854**
Net decrease in net assets	**(4,799,539)**	**(610,031)**
Net assets		
Beginning of year	209,087,237	107,134,605
End of year	**$204,287,698**	**$106,524,574**

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended June 30, 2007 • (in dollars)

	Michigan Technological University	Michigan Tech Fund
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $17,988,441)	$ 48,799,993	$ -
Gifts and contributions	-	9,272,375
Federal grants and contracts	23,234,168	-
State and local grants and contracts	3,805,813	-
Nongovernmental grants and contracts	12,508,760	-
Educational activities	4,105,652	-
Sales and services of departmental activities	8,828,984	-
Student resident fees	16,014,265	-
Other operating revenues	-	317,854
Total operating revenues	**117,297,635**	**9,590,229**
Expenses		
Operating expenses		
Compensation and benefits	114,424,487	517,322
Supplies and services	50,478,254	428,326
Student financial support	6,228,430	-
Depreciation	11,179,758	25,933
Total operating expenses	**182,310,929**	**971,581**
Operating (loss) revenue	**(65,013,294)**	**8,618,648**
Nonoperating revenues (expenses)		
Federal grants	2,882,596	-
State appropriations	48,131,899	-
Gifts	9,438,908	-
Investment income (net of investment expense)	2,390,156	12,828,508
Interest on capital asset-related debt	(2,112,313)	-
Payments to Michigan Tech	-	(14,783,041)
Loss on disposal of capital assets	(318,654)	-
Net nonoperating revenues (expenses)	**60,412,592**	**(1,954,533)**
(Loss) income before other revenues	**(4,600,702)**	**6,664,115**
Other revenues		
Capital appropriations	8,120,233	-
Capital grants and gifts	4,232,389	-
Additions to permanent endowments	-	6,762,572
Total other revenues	**12,352,622**	**6,762,572**
Net increase in net assets	**7,751,920**	**13,426,687**
Net assets		
Beginning of year	201,335,317	93,707,918
End of year	**$209,087,237**	**$107,134,605**

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2008 and 2007 • (in dollars)

	2008	2007
Cash flows from operating activities		
Student tuition and fees	$54,995,395	$48,655,971
Grants and contracts	41,604,352	38,258,617
Payments to employees	(89,184,542)	(83,327,273)
Payments for benefits	(35,802,819)	(30,598,397)
Payments to suppliers	(44,328,331)	(42,159,174)
Payments for utilities	(8,485,211)	(8,564,071)
Payments for financial aid	(5,458,639)	(6,228,430)
Loans issued to students	(1,650,646)	(3,481,627)
Collection of loans to students	1,860,568	2,732,353
Sales and services of departmental activities	9,642,824	8,891,139
Sales and services of educational activities	4,618,794	3,707,574
Student resident fees	17,783,874	15,985,399
Other (disbursements) receipts	(96,755)	40,094
Net cash used in operating activities	**(54,501,136)**	**(56,087,825)**
Cash flows from noncapital financing activities		
Pell grants	3,215,475	2,882,596
State appropriations	48,160,144	48,825,883
Gifts and grants for other than capital purposes	9,874,251	9,438,908
William D. Ford direct-lending cash received	20,100,789	17,861,076
William D. Ford direct-lending cash disbursed	(20,105,473)	(17,838,160)
Net cash provided by noncapital financing activities	**61,245,186**	**61,170,303**
Cash flows from capital and related financing activities		
Capital appropriations	2,368,834	6,671,690
Capital grants and gifts received	1,852,126	4,238,210
Proceeds from sale of capital assets	76,903	96,666
Purchases of capital assets	(9,464,718)	(16,189,395)
Goodwill acquired in business acquisition	(322,310)	(656,234)
Advance from the Fund	250,000	750,000
Proceeds on issuance of debt	1,069,670	3,011,066
Principal paid on capital debt and leases	(1,258,865)	(1,359,161)
Interest paid on capital debt and leases	(2,199,050)	(2,077,813)
Net cash used in capital and related financing activities	**(7,627,410)**	**(5,514,971)**
Cash flows from investing activities		
Proceeds from sales or maturities of investments	7,209,630	-
Purchase of investments	(7,235,208)	(109,913)
Income on investments	1,120,544	1,268,489
Net cash provided by investing activities	**1,094,966**	**1,158,576**
Net increase in cash and cash equivalents	211,606	726,083
Cash and cash equivalents—beginning of year	15,408,460	14,682,377
Cash and cash equivalents—end of year	**$15,620,066**	**$15,408,460**

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

STATEMENTS OF CASH FLOWS

(continued)

	2008	2007
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	$(66,416,771)	$(65,013,294)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	11,504,971	11,179,758
Changes in operating assets and liabilities:		
Receivables, net	226,921	(2,504,695)
Other assets	(59,008)	17,426
Student loans	209,922	(749,319)
Accounts payable	(94,266)	134,952
Other accrued liabilities	48,725	520,273
Deferred revenue	(933,298)	767,248
Current portion of long-term liabilities	154,878	(234,000)
Funds held for others	39,050	(26,600)
Long-term liabilities	817,740	(179,574)
Net cash used in operating activities	**$(54,501,136)**	**$(56,087,825)**

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 REPORTING ENTITY

Michigan Technological University (the "University") 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 Directors 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 in a separate column 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.

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 Interpretation, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The University considers 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.

The estimated fair value amounts have been determined by the Fund using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Fund could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. For all financial instruments, the carrrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. All investment securities are carrried at fair value in the financial statements.

SPLIT-INTEREST AGREEMENTS OF THE FUND

Life income trusts, pooled income funds, uni-trusts, and certain other investments are maintained by a separate trust company. Trustee functions include management of the investments, distributions to donors, complying with tax-filing requirements, and providing periodic statements of activity to the Fund. Refer to Note 8 for further details.

CAPITAL ASSETS

The University currently uses a $5,000 capitalization threshold, with an estimated useful life in excess of two years. Physical properties are stated at cost when purchased. Other acquisitions are stated at appraised value on date of receipt. The University does not amortize Goodwill. Bond issuance costs are amortized over the life of the related bonds using the straight-line method. Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property, as follows:

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

The capital assets of the Fund consist of office equipment, computers, software, and furniture. Capital assets are recorded at cost at the date of acquisition and are depreciated on a straight-line basis over estimated useful lives of three to seven years. At the time of disposal, capital assets are removed from the records and any gain or loss is recognized in the financial statements.

GIFTS-IN-KIND TO THE FUND

The Fund records land, buildings, equipment, and art properties at estimated fair value at the date of the gift based upon appraised values. The responsibility for having an appraisal completed for the gifted property rests with the donor. In most cases, the Fund serves as an agent for the receipt of property and equipment and immediately transfers these gifts to the University. The Fund has a policy to list for sale any gifts-in-kind received and not subject to immediate transfer to the University.

CONTRIBUTIONS AND PLEDGES RECEIVABLE TO THE FUND

Contributions received and unconditional promises to give to the Fund are recognized at their fair values as revenues in the periods received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

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 has classified its 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) sales and services of 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.*

CLASSIFICATION OF EXPENSES

Expenses are recognized when the service is provided or when materials are received. The University has classified its 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 expenses related to University property, plant, and equipment.

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, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 35.*

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.

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

NET ASSETS

The University'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. Their use 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 the depository insurance. 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 $16,421,416 and $16,454,990 as of June 30, 2008 and 2007, respectively. $0 and $27 of the banks deposits balances were exposed to custodial credit risk because they were uninsured and uncollateralized, as of June 30, 2008 and 2007, 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 risk 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, so there is no concentration of credit risk.
Foreign currency risk -	The University has no foreign investments.

INVESTMENTS AND INVESTMENT INCOME

The University's investments at June 30, 2008 are as follows:

Investment Type	Fair Value	Interest Rate	Maturity Date	Rating
Mutual fund cash reserve	$1,709,504	4.10%	N/A	N/A
Mutual equity index fund	6,257,214	N/A	N/A	N/A
	7,966,718			
Less investments reported as "Cash and cash equivalents" on the accompanying Statement of Net Assets	(1,709,504)			
Total investments	**$6,257,214**			

The University's investments at June 30, 2007 were as follows:

Investment Type	Fair Value	Interest Rate	Maturity Date	Rating
Mutual fund cash reserve	$1,543,961	4.50%	N/A	N/A
Mutual equity index fund	7,391,331	N/A	N/A	N/A
	8,935,292			
Less investments reported as "Cash and cash equivalents" on the accompanying Statement of Net Assets	(1,543,961)			
Total investments	**$7,391,331**			

The University's net investment return is comprised of the following for the years ended June 30, 2008 and 2007.

Investment Income Year ended June 30		
	2008	2007
Investment income		
Interest	$ 948,246	$1,092,124
Dividends	191,249	176,364
Net (decrease) increase in the fair value of investments	(1,159,696)	1,121,668
Subtotal	**(20,201)**	**2,390,156**
Investment expenses	**(129)**	**-**
Net investment (loss) income	**$(20,330)**	**$2,390,156**

The annualized returns on investments and marketable securities for the University, excluding the base cash pool reserve for the years ended June 30, 2008 and 2007, are as follows:

	2008	2007
Intermediate fixed income	4.1%	4.50%
Equity investments	(14.1%)	20.00%

The fair value of the Fund's investments at June 30, 2008 and 2007 are categorized as follows:

	2008	2007
Marketable securities		
Equities	$ 441,881	$ 615,283
Mutual funds—equities	48,199,792	46,654,716
Mutual funds—fixed income	26,384,048	28,473,729
Corporate bonds and notes	70,173	55,677
US government obligations	1,085,886	1,656,919
Total marketable securities	**76,181,780**	**77,456,324**
Limited partnerships		
Hedge funds	7,230,321	7,310,031
Real assets	4,906,776	3,724,835
Private equity	8,022,166	6,665,249
Total limited partnerships	**20,159,263**	**17,700,115**
Closely held stock	20,000	20,000
Total investments	**$96,361,043**	**$95,176,439**

At June 30, 2008, the Fund's remaining capital commitment for investment in limited partnerships is $3,600,000.

The Fund's net investment return is comprised of the following for the years ended June 30, 2008 and 2007:

	2008	2007
Interest and dividends	$2,495,434	$ 2,348,070
Capital gain distributions	3,263,818	2,351,728
Net gain on sale of investments	4,680,326	2,415,078
Net unrealized (loss) gain on investments	(9,576,237)	6,106,271
Asset-based management and administrative fees	(248,283)	(392,639)
Total investment return	**$ 615,058**	**$12,828,508**

(3) RECEIVABLES

Accounts receivable are summarized as follows as of June 30, 2008 and 2007.

	2008	2007
Primary institution		
Student tuition and fees	$ 449,976	$ 613,438
State appropriations		
Operating	8,914,217	8,046,161
Capital	-	2,368,834
Grants and contracts	7,300,547	7,438,751
Auxiliary activities	368,175	402,239
Other	646,173	575,152
Less allowance for doubtful accounts	(65,122)	(65,122)
Accounts receivable, net	**$17,613,966**	**$19,379,453**
Component unit		
Pledges receivable	1,473,838	1,462,259
Accounts receivable, net	**$ 1,473,838**	**$ 1,462,259**

In addition, the University has student loans receivable in the amount of $13,294,348 and $13,504,270 net of an allowance for uncollectible accounts of $169,461 for both years at June 30, 2008 and 2007, respectively.

The Fund's pledges receivable are included in accounts receivable and other noncurrent assets on the accompanying statements of net assets. The following shows the balance due of unconditional promises to give to the Fund at June 30, 2008 and 2007. Pledges are unrestricted, temporarily restricted, and permanently restricted by donors for property and equipment purposes, scholarships, endowed chairs, or designated departments of the University, and have been reported at their estimated fair values. The Fund estimated the present value of future cash flows using the risk-free rate at the date of the gift. Rates range from 2.50% to 5.16%.

	2008	2007
Pledges receivable in less than one year	$1,642,840	$1,569,113
Pledges receivable in one to five years	3,129,685	3,122,147
Pledges receivable in more than five years	788,089	547,445
Less:		
Allowance for uncollectible pledges	(274,937)	(343,490)
Present value discount	(833,162)	(733,945)
Net pledges receivable	**$4,452,515**	**$4,161,270**

(4) CAPITAL ASSETS

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2008:

	Beginning Balance	Additions	Disposals	Ending Balance
Primary institution				
Nondepreciable capital assets				
Land	$ 9,113,443	$ -	$ -	$ 9,113,443
Mineral collections	4,044,388	658,223	-	4,702,611
Timber holdings	368,394	-	-	368,394
Construction in progress	1,973,876	2,526,238	(2,632,981)	1,867,133
Cost of nondepreciable capital assets	**15,500,101**	**3,184,461**	**(2,632,981)**	**16,051,581**
Depreciable capital assets				
Land improvements	1,323,100	-	-	1,323,100
Infrastructure	3,465,843	1,382,284	-	4,848,127
Buildings	291,067,878	2,597,573	-	293,665,451
Equipment	39,558,046	5,193,414	(13,112,903)	31,638,557
Library books	1,095,224	163,231	(375,532)	882,923
Cost of depreciable capital assets	**336,510,091**	**9,336,502**	**(13,488,435)**	**332,358,158**
Total cost of capital assets	**352,010,192**	**$12,520,963**	**$(16,121,416)**	**348,409,739**
Less: accumulated depreciation				
Land improvements	550,924	66,155	-	617,079
Infrastructure	921,568	199,712	-	1,121,280
Buildings	100,018,499	6,925,490	-	106,943,989
Equipment	25,783,306	4,169,504	(12,916,097)	17,036,713
Library books	673,548	144,110	(375,532)	442,126
Accumulated depreciation	**127,947,845**	**$11,504,971**	**$(13,291,629)**	**126,161,187**
Capital assets, net	**$224,062,347**			**$222,248,552**
Component unit, capital assets, net	**$ 35,640**	**$ 737,045**	**$ (749,628)**	**$ 23,057**

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2007:

	Beginning Balance	Additions	Disposals	Ending Balance
Primary institution				
Nondepreciable capital assets				
Land	$ 8,912,943	$ 200,500	$ -	$ 9,113,443
Mineral collections	3,526,011	518,377	-	4,044,388
Timber holdings	368,394	-	-	368,394
Construction in progress	4,046,553	8,926,612	(10,999,289)	1,973,876
Cost of nondepreciable capital assets	**16,853,901**	**9,645,489**	**(10,999,289)**	**15,500,101**
Depreciable capital assets				
Land improvements	1,323,100	-	-	1,323,100
Infrastructure	3,233,370	232,473	-	3,465,843
Buildings	280,068,589	10,999,289	-	291,067,878
Equipment	36,506,691	4,000,900	(949,545)	39,558,046
Library books	950,027	145,197	-	1,095,224
Cost of depreciable capital assets	**322,081,777**	**15,377,859**	**(949,545)**	**336,510,091**
Total cost of capital assets	**338,935,678**	**$25,023,348**	**$(11,948,834)**	**352,010,192**
Less: accumulated depreciation				
Land improvements	484,769	66,155	-	550,924
Infrastructure	758,959	162,609	-	921,568
Buildings	93,446,128	6,572,371	-	100,018,499
Equipment	22,176,990	4,236,736	(630,420)	25,783,306
Library books	531,661	141,887	-	673,548
Accumulated depreciation	**117,398,507**	**$11,179,758**	**$ (630,420)**	**127,947,845**
Capital assets, net	**$221,537,171**			**$224,062,347**
Component unit, capital assets, net	**$ 206,321**	**$ 2,564,789**	**$(2,735,470)**	**$ 35,640**

(5) OTHER ASSETS

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 and is included in other noncurrent assets on the accompanying Statement of Net Assets. Management will annually analyze the goodwill for impairment.

Cash Surrender Value of Life Insurance

The Fund is the owner and beneficiary of life insurance policies with cash surrender value of $841,352 and $792,558 and death benefit value of approximately $2,597,000 and $3,091,000 at June 30, 2008 and 2007, respectively. The assignments of these policies were received as gifts for various University programs, scholarships, and other designations.

(6) LINE OF CREDIT

The University has an unused line of credit arrangement with one bank under which it may borrow up to $10,000,000. This agreement is set at a variable rate of interest, that is based on the 30 day London Interbank Offered Rate ("LIBOR") plus 150 basis points. There are no restrictive covenants associated with this line of credit.

(7) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts Payable and Other Accrued Liabilities
As of June 30

	2008	2007
Primary institution		
Accounts payable		
Vendors for supplies and services	$3,803,254	$3,287,307
Employee benefits	541,021	1,254,733
Construction payables	1,387,589	870,517
Total	**$5,731,864**	**$5,412,557**
Other accrued liabilities		
Payroll and payroll taxes	$4,522,297	$4,757,003
Accrued compensated absences	3,347,574	2,964,550
Deposits payable	638,023	737,615
MTRI payment	-	322,310
Total	**$8,507,894**	**$8,781,478**
Component unit		
Accounts payable	**$ 536,036**	**$ 790,622**

(8) NONCURRENT LIABILITIES

Noncurrent Liabilities As of June 30, 2008

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Primary institution					
General revenue bonds					
Refunding bonds	$ 430,000	$ -	$ 210,000	$ 220,000	$ 220,000
Variable rate demand	10,000,000	-	-	10,000,000	-
General revenue bonds, 2003	4,600,000	-	100,000	4,500,000	100,000
General revenue bonds, 2004A	32,195,000	-	670,000	31,525,000	680,000
General revenue bonds, 2006	2,990,000	-	50,000	2,940,000	50,000
Total bonds payable	**50,215,000**	**-**	**1,030,000**	**49,185,000**	**1,050,000**
Bond premium	916,794	-	38,067	878,727	-
Capital leases	-	1,069,670	228,865	840,805	198,836
Total debt	**51,131,794**	**1,069,670**	**1,296,932**	**50,904,532**	**1,248,836**
Other liabilities					
Insurance and other post employment benefits	3,503,813	2,047,135	2,029,616	3,521,332	2,461,112
Funds held for others	680,450	39,050	-	719,500	-
Due to the Fund	750,000	250,000	-	1,000,000	400,000
Post employment health care benefits	-	955,099	-	955,099	-
Total	**$56,066,057**	**$4,360,954**	**$3,326,548**	**57,100,463**	**$4,109,948**
Due within one year				(4,109,948)	
Total noncurrent liabilities				**$52,990,515**	
Component unit					
Gift annuities payable	3,633,038	496,293	409,753	3,719,578	329,348
Split-interest agreements	636,014	-	85,748	550,266	-
Total	**$ 4,269,052**	**$ 496,293**	**$ 495,501**	**4,269,844**	**$ 329,348**
Due within one year				(329,348)	
Total noncurrent liabilities				**$ 3,940,496**	

Noncurrent Liabilities As of June 30, 2007

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Primary institution					
General revenue bonds					
Refunding bonds	$ 630,000	$ -	$ 200,000	$ 430,000	$ 210,000
Variable rate demand	10,000,000	-	-	10,000,000	-
General revenue bonds, 2003	4,700,000	-	100,000	4,600,000	100,000
General revenue bonds, 2004A	32,850,000	-	655,000	32,195,000	670,000
General revenue bonds, 2006	-	2,990,000	-	2,990,000	50,000
Total bonds payable	**48,180,000**	**2,990,000**	**955,000**	**50,215,000**	**1,030,000**
Bond premium	933,795	21,066	38,067	916,794	-
Capital leases	404,161	-	404,161	-	-
Total debt	**49,517,956**	**3,011,066**	**1,397,228**	**51,131,794**	**1,030,000**
Other liabilities					
Insurance and post employment benefits	3,917,387	588,676	1,002,250	3,503,813	2,306,234
Funds held for others	707,050	-	26,600	680,450	-
Due to the Fund	-	750,000	-	750,000	-
Total	**$54,142,393**	**$4,349,742**	**$2,426,078**	**56,066,057**	**$3,336,234**
Due within one year				(3,336,234)	
Total noncurrent liabilities				**$52,729,823**	
Component unit					
Gift annuities payable	3,438,453	563,959	369,374	3,633,038	409,753
Split-interest agreements	677,416	-	41,402	636,014	-
Total	**$ 4,115,869**	**$ 563,959**	**$ 410,776**	**4,269,052**	**$ 409,753**
Due within one year				(409,753)	
Total noncurrent liabilities				**$ 3,859,299**	

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 according to the bonds outstanding method, which approximates the effective interest method.

Outstanding Balances on University Issued Bonds As of June 30

		Outstanding	
	Total issued	2008	2007
General revenue refunding bonds, series 1993, (2.8%–5.1%) final maturity 2008	$ 3,585,000	$ 220,000	$ 430,000
General revenue variable rate demand bonds, series 1998, (repriced weekly with rates having ranged from 1.10% to 3.85% during fiscal year ended June 30, 2008) final maturity 2019	21,000,000	10,000,000	10,000,000
General revenue bonds, series 2003 (2%–5%) final maturity 2033	4,900,000	4,500,000	4,600,000
General revenue bond series 2004(A), (2%–5%) final maturity 2034	32,850,000	31,525,000	32,195,000
General revenue bond series 2006, (4%–5%) final maturity 2037	2,990,000	2,940,000	2,990,000
Total bonds payable	**65,325,000**	**49,185,000**	**50,215,000**
Plus: unamortized net premium	1,036,674	878,727	916,794
Bonds payable, net	$66,361,674	$50,063,727	$51,131,794

The University's General Revenue Refunding Bonds, Series 1993 were issued in the amount of $3,585,000 to refinance previously issued bonds. The bonds are rated Aaa by Moody's and Aaa by Standard & Poor's due to a municipal bond insurance policy.

In fiscal year 1994, the University defeased in substance the 1989 issue of General Revenue Bonds with an issue of General Revenue Refunding Bonds valued at $3.585 million. These bonds bear interest at 2.80% to 5.10% and mature at various dates through 2009. As of June 30, 2008 and 2007, the defeased bonds outstanding were $215 thousand and $415 thousand, respectively.

In fiscal year 1998, the University issued $21 million of General Revenue Variable Rate Demand Bonds (GRVDB). Initially priced at 3.45%, the bonds are repriced weekly. The funds have been used to complete four building projects on campus: the Dow Environmental Sciences and Engineering building, the Rozsa Center for the Performing Arts, the Center for Ecosystem Science, and the Harold Meese Career Center. Additionally, proceeds from the bonds were used to pay off the balances on the University Images loan and the Harold Meese Career Center mortgage. Annual debt service requirements begin in 2015. The GRVDB issue is collateralized with a $10-million letter of credit through the Bank of America. The letter would only be used if the University is unable to make payments on the bonds. The bonds are rated Aaa/A-1+ by Standard & Poor's and Aaa by Fitch due to a municipal bond insurance policy.

In 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. The bonds also received an underlying rating of A1 from Moody's.

On October 7, 2003, 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. The bonds also received an underlying rating of A1 from Moody's.

Principal and Interest Amounts Due For Fiscal Years Ending June 30

Fiscal Year	Principal	Interest	Total
2009	$ 1,050,000	$ 2,193,208	$ 3,243,208
2010	855,000	2,165,142	3,020,142
2011	870,000	2,140,123	3,010,123
2012	895,000	2,116,686	3,011,686
2013	940,000	2,085,658	3,025,658
Total 5 years	**4,610,000**	**10,700,817**	**15,310,817**
2014 to 2018	10,665,000	9,705,427	20,370,427
2019 to 2023	10,850,000	6,461,162	17,311,162
2024 to 2028	7,980,000	4,618,602	12,598,602
2029 to 2033	10,200,000	2,361,723	12,561,723
2034 to 2037	4,880,000	251,984	5,131,984
Total bonds	**$49,185,000**	**$34,099,715**	**$83,284,715**

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 $2.990 million 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 Investors Service due to a municipal bond insurance policy. The bonds received an underlying rating of A1 from Moody's.

Capital and Operating Lease Obligations

The University had entered into capital lease agreements for the purchase of office equipment and telecommunications switching equipment. The lease agreement was paid off during fiscal year 2007.

At the June 2007 meeting, the Board of Control of Michigan Tech approved a four-year 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 of $232,743 began in August 2007.

Commitments and related rental expenses under operating leases with initial or remaining noncancelable lease terms in excess of one year as of and for the years ended June 30, 2008 and 2007 are insignificant.

Scheduled Maturities of Capital Leases For Fiscal Years Ending June 30			
Fiscal Year	Principal	Interest	Total
2009	$198,836	$34,035	$232,871
2010	204,945	27,926	232,871
2011	213,861	19,010	232,871
2012	223,163	9,708	232,871
Total lease payments	**$840,805**	**$90,679**	**$931,484**

The Fund leases its office space. The term of this lease commenced on October 1, 2003, and will terminate on September 30, 2018. Minimum future rental obligation under the noncancelable operating lease for the next ten years and in the aggregate are:

Noncancelable Operating Lease For Fiscal Years Ending June 30	
2009	$ 151,896
2010	151,896
2011	151,896
2012	151,896
2013	151,896
2014-2018	759,480
2019	37,974
Total minimum future rental payments	**$1,556,934**

Other Liabilities

The University is committed to repay the Fund for the $1 million advance used to purchase MTRI. $750,000 of the advance was received during fiscal year 2007 and was included as a liability on the accompanying statement of net assets. The balance of $250,000 was received during fiscal year 2008. 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.

Postemployment Health Care Plan

Plan Description. The University currently offers it's active employees and retirees a self-funded preferred provider health care plan (MTU-PPO) administered by Blue Cross Blue Shield of Michigan. 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 Teachers Insurance and Annuities Association College Retirement Equities Fund plan. The plan year begins on January 1.

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. For fiscal year 2008, the University contributed $14.083 million to the plan. Active employees participating in the plan contributed $738 thousand, or approximately 4.9% of the total costs. Retirees and COBRA participants receiving benefits contributed $599 thousand or approximately 3.9% of the total costs. Historically, the University did not charge the full COBRA rate to its terminated employees and retirees. In effect the University subsidized its retiree health care costs. In anticipation of GASB Statement 45, the University subsequently implemented a seven year ramp to eliminate its retiree health care subsidy. At the end of the seven year period (2014), employees and retirees will be paying the full COBRA rate.

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 of the employer (ARC), 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 for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Annual required contribution	$1,602,227
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,602,227
Contributions made	-
Total benefits paid (pay-as-you-go)	(662,966)
Increase in net OPEB obligation	939,261
Net OPEB obligation—beginning of year	-
Net OPEB obligation—end of year	**$ 939,261**

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 was as follows:

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

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, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $18.908 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $18.908 million. The covered payroll (annual payroll of active employees covered by the plan) was $60.405 million, and the ratio of the UAAL to the covered payroll was 31.3%.

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, presented as required supplementary information following the notes to the financial statements, 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.

In the June 30, 2008, actuarial valuation, the unit credit actuarial cost method was used. The actuarial valuation includes an initial annual healthcare cost trend rate of 11% which was then reduced by decrements 1% per year to an ultimate rate of 5% by fiscal year 2014 and each year thereafter. The assumptions also included a 4% salary scale assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. For actuarial purposes, the University has chosen a thirty year amortization period, so the remaining amortization period at June 30, 2008, was twenty-nine years. However, with the implementation of the seven year ramp to eliminate the retiree health care subsidy, our actual amortization period decreases accordingly.

Split-Interest Agreements of the Fund

Some donors enter into trust or other arrangements under which the Fund receives benefits that are shared with other beneficiaries. These types of arrangements, known as split-interest agreements, include pooled (life) income funds, charitable remainder trusts, and charitable gift annuities. Provisions for the various donor trust agreements are as follows:

- **Century II Pooled Income Fund:** All income of the pooled fund is distributed to its participants on a pro-rata basis.
- **Charitable Remainder Uni-trusts:** Donors receive income, generally payable quarterly, at a predetermined percentage rate of their uni-trust's annual value at December 31.
- **Charitable Remainder Annuity Trusts:** Donors receive a fixed percentage rate of income based on the initial value of the annuity trust, generally payable quarterly.
- **Charitable Gift Annuities of the Fund:** Donors receive a fixed percentage rate of income based on the initial value of the gift annuity, payable quarterly. Assets received under a gift annuity contract are held as general assets of the Fund, and the annuity liability is a general obligation of the Fund. All assets received under a gift annuity contract are pooled with other gift annuity contract funds and invested in equity and fixed-income mutual funds and in cash equivalents. Those investments are held in an account segregated from the Fund's other investments.

Irrevocable split-interest agreements in which the Fund does not control the trust assets are recognized in the Fund's financial statements when it is notified of the trust's existence. The present value of the estimated future distributions to be received by the Fund is recorded as contribution revenue and a contribution receivable from a remainder trust. Amounts reflected as receivable from these types of agreements were $4.322 million and $4.445 million at June 30, 2008 and 2007, respectively.

Irrevocable split-interest agreements in which the Fund does control the trust assets are recognized in the Fund's financial statements when the trust is executed. The fair value of the trust assets and the present value of the expected future payments to be made to other beneficiaries are recorded as assets and liabilities, respectively, and the difference is recorded as contribution revenue. Amounts included in the accompanying statements of net assets at June 30, 2008 and 2007, from these types of agreements are as follows: Included with contribution revenue on the statements of revenue, expenses, and changes in net assets for the years ended June 30, 2008 and 2007, were $473 thousand and $1.306 million, respectively, in contributions from split-interest agreements and $(185) thousand and $124 thousand from changes in the value of split-interest agreements. The calculations of present value follow the guidelines as set forth in Section 642(c) of the Internal Revenue Code.

(9) 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:

	Medical Benefits	Unemployment Comp	Worker's Comp	Total
Claims liability — July 1, 2006	$1,288,310	$50,000	$462,500	$1,800,810
Claims incurred, including changes in estimates	11,979,305	118,745	242,223	12,340,273
Less: claims paid	(12,041,986)	(118,745)	(277,269)	(12,438,000)
Claims liability — June 30, 2007	**1,225,629**	**50,000**	**427,454**	**1,703,083**
Claims incurred, including changes in estimates	14,082,899	132,015	260,836	14,475,750
Less: claims paid	(13,875,734)	(132,015)	(260,836)	(14,268,585)
Claims liability — June 30, 2008	**$1,432,794**	**$50,000**	**$427,454**	**$1,910,248**

Liability and Property

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.

(10) UNRESTRICTED NET ASSETS

Unrestricted net assets are not subject to externally imposed constraints. However, these net assets are subject to internal designations. Unrestricted net assets include amounts designated for specific purposes by action of the Board of Control or management or may otherwise be subject to pending contractual commitments with external parties. All unrestricted net assets are internally designated for programmatic initiatives or capital-asset renewals.

Unrestricted Net Assets Summary As of June 30

	2008	2007
Unrestricted		
Capital projects and repairs	$ (1,179,793)	$ (480,709)
Auxiliary activities	9,210,497	8,122,457
Designated funds	14,459,317	12,704,216
Uncommitted	(13,008,784)	(9,812,470)
Total unrestricted net assets	**$ 9,481,237**	**$10,533,494**

(11) POST EMPLOYMENT BENEFITS

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). This funding policy calls for continued contributions for active members at 5.84% of member payroll. To fund the costs of the UAAL over the next forty years, the University will make additional contributions at a rate that will be determined annually. The fiscal year 2008 and 2007 rates were 7.29% and 6.85%, respectively. The University also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating universities. Participating universities are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS. The MPSERS board of trustees sets the employer contributions based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. 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 begin two years after date of hire or age 35 whichever is sooner. For employees hired on or after January 1, 2008, employee benefits vest immediately. Plan participants maintain individual annuity contracts with TIAA-CREF, the plan administrator. The University contributes a specified percentage of employee wages and has no liability beyond its own contribution.

Contributions and covered payroll under the plans (excluding participants' additional contributions) for the three years ended June 30 are summarized below.

The University subsidizes a medical benefits plan for TIAA-CREF eligible University employees who retired between October 19, 1992 and June 30, 2006. The University currently recognizes the cost of providing this benefit as an expense on an annual basis.

During 1997, the Board approved a change in the TIAA-CREF eligible University employees' benefits. The University matches the participating employee's 2% of salary contribution to the employee's TIAA-CREF retirement annuity.

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 termination of eligible employees. The decision to terminate 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 $1.000 million and $1.189 million for the years ended June 30, 2008 and 2007, respectively.

	2008	2007	2006
University contributions to MPSERS	$1,230,063	$1,547,762	$1,116,535
MPSERS retiree health insurance	2,312,717	2,501,261	2,530,395
MPSERS unfunded pension costs	654,368	462,842	219,150
Payroll covered under MPSERS	12,128,241	12,051,932	11,753,350
University contributions to TIAA-CREF	7,464,435	6,687,352	6,112,146
Payroll covered under TIAA-CREF	59,407,899	52,740,928	48,432,776

(12) FEDERAL DIRECT LOAN PROGRAM

The University distributed $20.105 million and $17.838 million for the years ended June 30, 2008 and 2007, respectively, for student loans through the U.S. Department of Education ("DoED") federal direct-lending program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements. The statement of net assets includes a receivable for DoED funding of $96 thousand and $94 thousand at June 30, 2008 and 2007, respectively.

(13) 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, 2008 and June 30, 2007 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is not determinable at June 30, 2008 and June 30, 2007. 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.

(14) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The University's operating expenses by functional classification were as follows:

2008	Compensation and Benefits	Supplies and Services	Student Financial Support	Depreciation	Total
Instruction	$ 43,292,487	$ 6,232,466	$2,430,459	$ -	$ 51,955,412
Research	30,012,239	12,562,346	2,380,877	-	44,955,462
Public service	2,976,596	2,929,248	-	-	5,905,844
Academic support	7,311,190	4,519,877	55,193	-	11,886,260
Student services	4,665,756	2,520,965	26,142	-	7,212,863
Institutional support	18,735,015	5,618,056	11,221	-	24,364,292
Student financial support	1,087,855	144,691	554,747	-	1,787,293
Operations and maintenance of plant	5,788,499	6,396,821	-	-	12,185,320
Sales and services of departmental activities	5,867,293	6,162,200	-	-	12,029,493
Student residents	5,539,806	6,342,092	-	-	11,881,898
Depreciation	-	-	-	11,504,971	11,504,971
	$125,276,736	**$53,428,762**	**$5,458,639**	**$11,504,971**	**$195,669,108**

2007	Compensation and Benefits	Supplies and Services	Student Financial Support	Depreciation	Total
Instruction	$ 39,975,030	$ 5,818,163	$2,541,627	$ -	$ 48,334,820
Research	28,397,476	12,175,104	2,189,512	-	42,762,092
Public service	2,499,608	2,392,796	(10,000)	-	4,882,404
Academic support	7,020,911	4,500,334	26,156	-	11,547,401
Student services	4,513,163	2,208,005	78,654	-	6,799,822
Institutional support	14,620,282	6,238,445	-	-	20,858,727
Student financial support	1,014,679	176,857	1,402,481	-	2,594,017
Operations and maintenance of plant	5,334,893	5,467,314	-	-	10,802,207
Sales and services of departmental activities	5,715,298	5,500,725	-	-	11,216,023
Student residents	5,333,147	6,000,511	-	-	11,333,658
Depreciation	-	-	-	11,179,758	11,179,758
	$114,424,487	**$50,478,254**	**$6,228,430**	**$11,179,758**	**$182,310,929**

(15) DELAYED STATE APPROPRIATIONS

On August 15, 2006 the University's primary government (The State of Michigan) passed its Higher Education Bill, PA 340. In this bill the University was appropriated $49,219,300 in State appropriations. On June 6, 2007, the State of Michigan enacted Public Act 17 of 2007 which had two components that affected the University. The first item was titled "Operations - operations reduction" in the amount of $718,200. This amount was not recorded by the University as appropration revenue as this was communicated to management at the University by the State of Michigan that this was a permanent reduction in the University's appropriations. The second item was titled "Operations - payment delay" in the amount of $4,474,400. This amount was recorded by the University as a State Appropriation Receivable in the June 30, 2007 Statement of Net Assets and State Appropriations Revenue in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2007. Senate Bill 772, enacted October 1, 2007, authorized the State of Michigan to pay the delayed appropriations as the appropriations were defined in the bill as "predicated on activities, programs or projects for which appropriations were authorized for during the State's fiscal year ended September 30, 2007". The University received the payment of the delayed appropriations on October 16, 2007 as authorized by Senate Bill 772. As a result of the receipt of this payment, management elected to record the appropriations receivable and the related revenue at June 30, 2007.

(16) SUBSEQUENT EVENTS

Michigan Tech Board of Control approved a $6.15 million bond issue on Feburary 29, 2008.

Acting to advance Michigan Tech's strategic plan and meet its primary goals, the University Board of Control authorized issuing $6.15 million in bonds for buildings and facilities. The bond proceeds were delivered July 15, 2008.

A portion of the bond revenue will be used to construct a new building at the Keweenaw Research Center at the Houghton County Memorial Airport and to perform maintenance to the third floor of the Memorial Union. The remainder is earmarked for purchase of the UPPCO building in downtown Houghton and related remodeling of campus buildings.

Each of the projects supports three main goals of Michigan Tech's strategic plan:

- to attract and support a world-class and diverse faculty, staff and student population;
- to deliver a distinctive and rigorous discovery-based learning experience grounded in science, engineering, technology, sustainability and the business of innovation; and
- to establish world-class research, scholarship and innovation in science, engineering and technology that promotes sustainable economic development in Michigan and the nation.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress - Post Employment Health Care

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%**	**$60,405,618**	**31.3%**