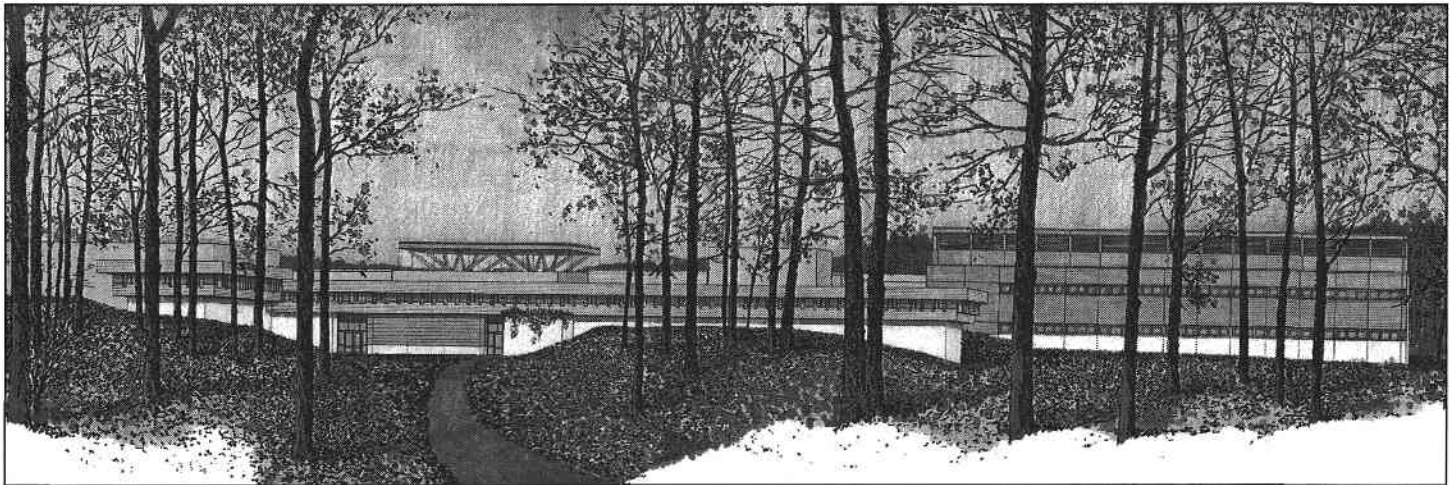


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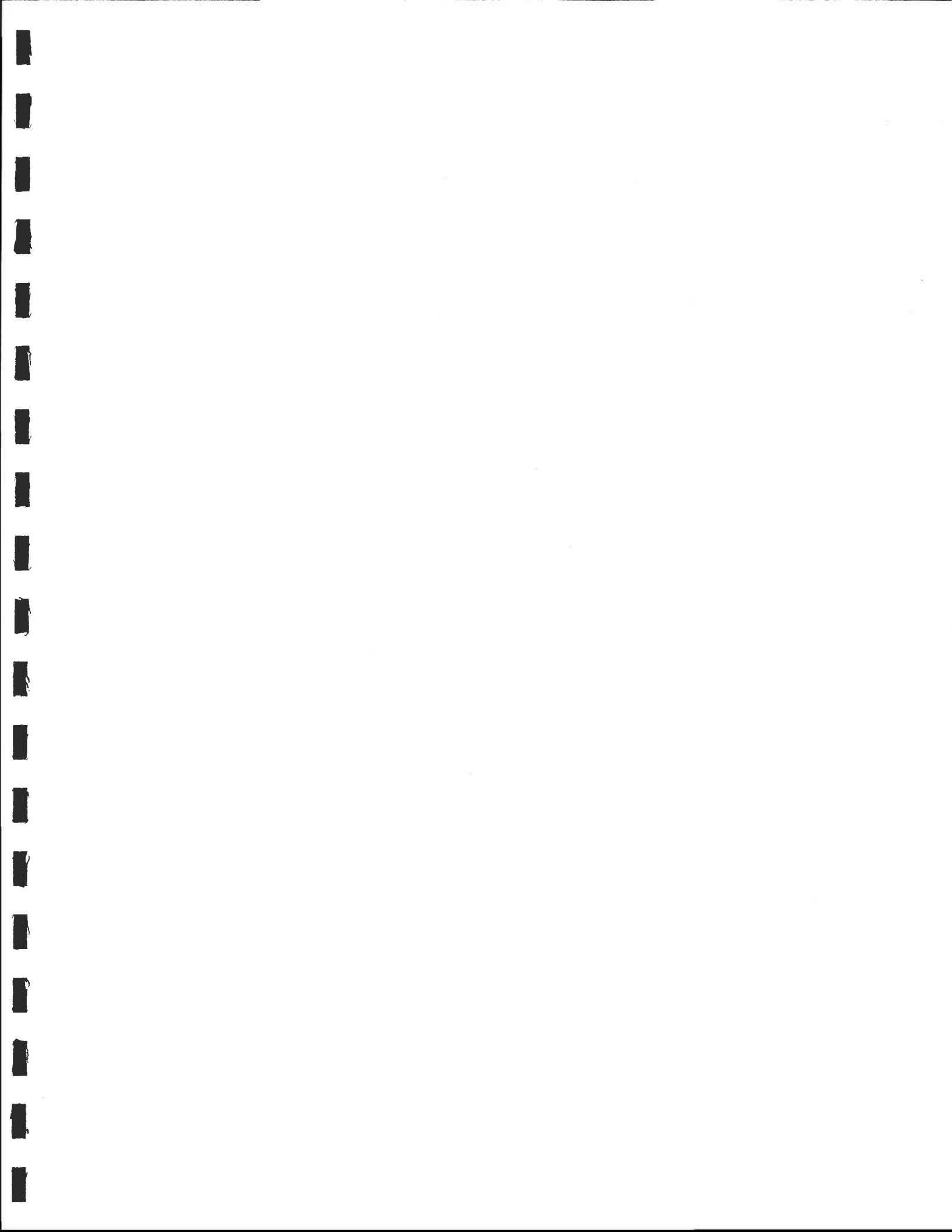
MICHIGAN TECHNOLOGICAL UNIVERSITY

**FINANCIAL STATEMENTS AND
OMB CIRCULAR A-133 SUPPLEMENTARY FINANCIAL REPORTS
FOR THE YEAR ENDED JUNE 30, 2000**

TOGETHER WITH REPORT OF INDEPENDENT ACCOUNTANTS



Ecosystem Sciences and Engineering addition



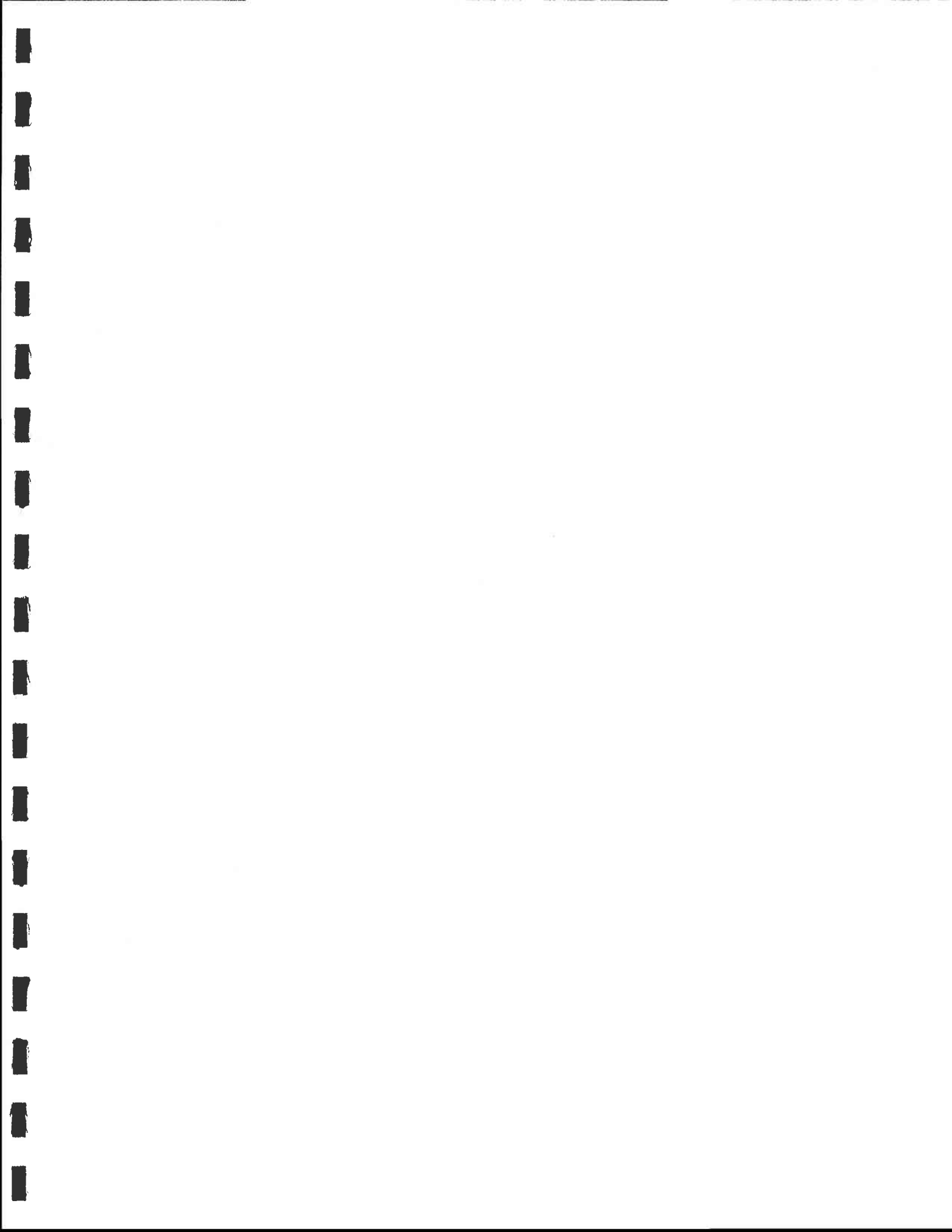
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MICHIGAN TECHNOLOGICAL UNIVERSITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999

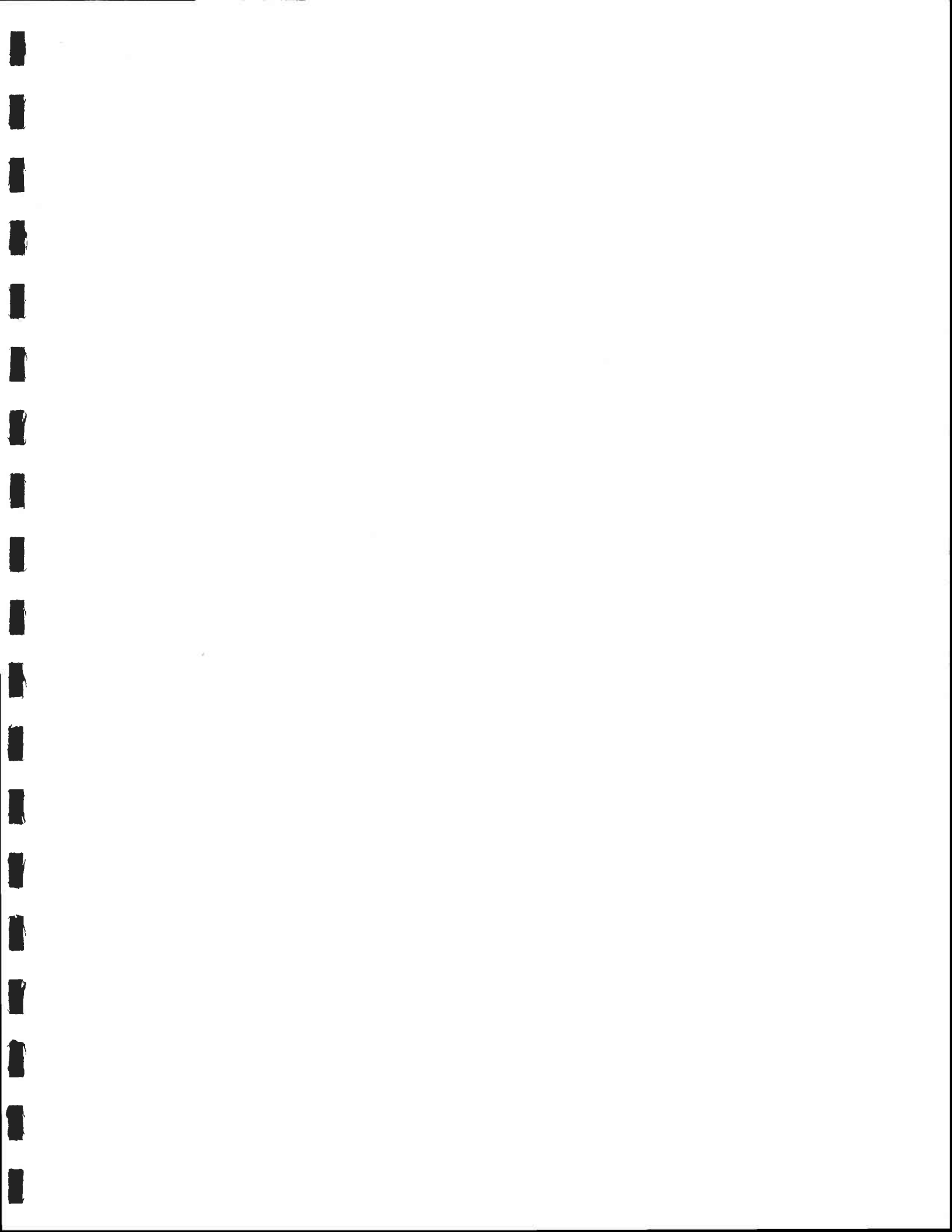
TOGETHER WITH REPORT OF INDEPENDENT ACCOUNTANTS



**MICHIGAN TECHNOLOGICAL UNIVERSITY
FINANCIAL STATEMENTS
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for the years ended June 30, 2000 and 1999

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Facsimile (616) 454 6375

Report of Independent Accountants

To the Board of Control
Michigan Technological University:

In our opinion, the accompanying combined statements of financial condition and the related statements of revenues, expenditures and changes in fund balance and of current funds revenues, expenditures, transfers and changes in fund balance present fairly, in all material respects, the combined financial position of Michigan Technological University (the "University") at June 30, 2000 and 1999, and the revenues, expenditures, transfers and changes in fund balance for the years then ended in conformity with accounting principles generally accepted in the United States. These financial statements and supplementary information are the responsibility of the University's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2000 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 grants.

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The schedule of expenditures of federal awards (pages 5 through 39 of the accompanying OMB Circular A-133 Supplementary Financial Reports) is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic combined financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

August 11, 2000

MICHIGAN TECHNOLOGICAL UNIVERSITY
COMBINED STATEMENTS OF FINANCIAL CONDITION

June 30, 2000 and 1999
(in thousands)

	<u>2000</u>	<u>1999</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,001	\$ 7,238
Short term investments	1,044	7,950
Accounts receivable, net	17,103	15,403
Inventories	1,821	1,764
Prepaid expenses and other	318	827
	<u>32,287</u>	<u>33,182</u>
STUDENT LOANS RECEIVABLE, NET	9,887	9,423
INVESTMENTS	9,890	8,828
PROPERTY, PLANT AND EQUIPMENT, NET	<u>171,336</u>	<u>155,071</u>
TOTAL ASSETS	<u><u>\$ 223,400</u></u>	<u><u>\$ 206,504</u></u>
LIABILITIES AND FUND BALANCE:		
CURRENT LIABILITIES:		
Current portion of bonds and capital lease obligations payable	\$ 11,439	\$ 411
Accounts payable	4,969	4,072
Accrued payroll and payroll taxes	4,666	4,683
Unearned revenue	2,303	5,422
Deposits	915	766
Current portion of accrued health and liability claims	3,724	2,673
Accrued compensated absences	2,386	2,300
	<u>30,402</u>	<u>20,327</u>
ACCRUED HEALTH AND LIABILITY CLAIMS	705	1,710
BONDS AND CAPITAL LEASE OBLIGATIONS PAYABLE	<u>11,890</u>	<u>23,280</u>
TOTAL LIABILITIES	<u>42,997</u>	<u>45,317</u>
FUND BALANCE:		
Unrestricted	20,848	19,203
Restricted	13,677	12,821
Invested in physical properties	146,807	131,380
General Fund departmental funds carried forward	1,167	4,246
General Fund operation deficit to be funded in subsequent periods	<u>(2,096)</u>	<u>(6,463)</u>
	<u>180,403</u>	<u>161,187</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 223,400</u></u>	<u><u>\$ 206,504</u></u>

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

**MICHIGAN TECHNOLOGICAL UNIVERSITY
COMBINED STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

for the years ended June 30, 2000 and 1999

(in thousands)

	<u>2000</u>	<u>1999</u>
REVENUES:		
Tuition and fees	\$ 39,619	\$ 35,137
State appropriations, operating	51,848	49,027
Federal grants and contracts	27,306	26,533
State appropriations, capital	5,864	30,874
Private gifts, grants and contracts	31,144	18,260
Investment income	2,147	2,296
Educational activities	8,216	6,317
Auxiliary activities	18,754	18,819
Change in restricted revenue held for future expenditures	<u>(759)</u>	<u>(907)</u>
	<u>184,139</u>	<u>186,356</u>
 EXPENDITURES:		
Educational and general:		
Instruction	\$ 49,216	\$ 44,782
Research	21,329	21,715
Public service	2,841	3,402
Academic support	10,324	9,680
Student services	5,029	4,362
Institutional support	13,333	10,899
Student financial support	29,061	27,616
Operation and maintenance of plant	10,329	9,075
Auxiliary activities	19,308	19,396
Interest expense	645	464
Depreciation allowance	8,759	8,358
Capital additions, net of retirements	<u>(4,492)</u>	<u>(4,272)</u>
	<u>165,682</u>	<u>155,477</u>
 REVENUES OVER EXPENDITURES	 18,457	 30,879
 CHANGE IN RESTRICTED REVENUES HELD FOR FUTURE EXPENDITURES	 759	 907
 FUND BALANCE, BEGINNING OF YEAR	 <u>161,187</u>	 <u>129,401</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 180,403</u>	 <u>\$ 161,187</u>

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS
AND CHANGES IN FUND BALANCE
(in thousands)

	Year ended June 30, 2000					Expendable Restricted Fund	Total Current Funds	Year Ended June 30, 1999 Total Current Funds
	General Fund	Designated Fund	Auxiliary Activities Fund	Retirement & Insurance Fund	Sub-Total			
REVENUES:								
Tuition and fees	\$ 38,535	\$ 805	\$ 279	\$ -	\$ 39,619	\$ -	\$ 39,619	\$ 35,137
State appropriations	51,681	-	-	-	51,681	167	51,848	49,027
Federal grants and contracts	118	-	-	-	118	27,038	27,156	26,292
Private gifts, grants and contracts	398	1,509	85	-	1,992	13,798	15,790	14,517
Indirect cost recoveries	4,702	-	-	-	4,702	(4,702)	-	-
Investment income (loss)	(432)	336	211	904	1,019	42	1,061	1,144
Educational activities	4,036	2,750	1,145	-	7,931	285	8,216	6,317
Auxiliary activities	-	-	18,754	-	18,754	-	18,754	18,819
Change in restricted revenues held for future expenditures	-	-	-	-	-	(759)	(759)	(907)
Total revenues	99,038	5,400	20,474	904	125,816	35,869	161,685	150,346
EXPENDITURES AND MANDATORY TRANSFERS:								
Educational and general expenditures:								
Instruction	45,679	3,071	-	-	48,750	466	49,216	44,782
Research	209	2,084	-	-	2,293	19,036	21,329	21,715
Public service	452	458	-	-	910	1,931	2,841	3,402
Academic support	10,036	233	-	-	10,269	55	10,324	9,680
Student services	4,559	150	-	-	4,709	320	5,029	4,362
Institutional support	11,543	377	-	1,414	13,334	(11)	13,323	10,863
Student financial support	11,320	-	-	-	11,320	17,741	29,061	27,616
Operational and maintenance of plant	8,111	2	-	88	8,201	-	8,201	7,704
Educational and general expenditures	91,909	6,375	-	1,502	99,786	39,538	139,324	130,124
Mandatory transfers:								
Research	608	164	-	-	772	(772)	-	-
Institutional support	18	-	-	-	18	(18)	-	-
Student financial support	1,158	-	-	-	1,158	(1,071)	87	119
Debt service	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total educational and general	93,693	6,539	-	1,502	101,734	37,677	139,411	130,243
Auxiliary activities:								
Expenditures	-	-	19,308	-	19,308	-	19,308	19,396
Mandatory transfers, debt service	-	-	256	-	256	-	256	277
Total auxiliary activities	-	-	19,564	-	19,564	-	19,564	19,673
Total expenditures and mandatory transfers	\$ 93,693	\$ 6,539	\$ 19,564	\$ 1,502	\$ 121,298	\$ 37,677	\$ 158,975	\$ 149,916

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES, TRANSFERS
AND CHANGES IN FUND BALANCE, CONTINUED

(In thousands)

	Year ended June 30, 2000						Year Ended	
	General Fund	Designated Fund	Auxiliary Activities Fund	Retirement & Insurance Fund	Sub-Total	Expendable Restricted Fund	Total Current Funds	June 30, 1999 Total Current Funds
Other transfers:								
Research	\$ 2,502	\$ (2,291)	\$ -	\$ -	\$ 211	\$ (211)	\$ -	\$ -
Institutional support	405	4	64	(473)	-	-	-	-
Student financial support	1,334	90	-	-	1,424	(1,424)	-	-
Plant improvement	(702)	261	1,026	-	585	(197)	388	100
Other	643	388	(841)	(125)	65	24	89	55
	<u>97,875</u>	<u>4,991</u>	<u>19,813</u>	<u>904</u>	<u>123,583</u>	<u>35,869</u>	<u>159,452</u>	<u>150,071</u>
REVENUES OVER EXPENDITURES AND TRANSFERS	1,163	409	661	-	2,233	-	2,233	275
CHANGE IN RESTRICTED REVENUES HELD FOR FUTURE EXPENDITURES	-	-	-	-	-	759	759	907
FUND BALANCES (DEFICIT):								
Beginning of year	<u>(1,260)</u>	<u>5,008</u>	<u>1,557</u>	<u>-</u>	<u>5,305</u>	<u>1,465</u>	<u>6,770</u>	<u>5,588</u>
FUND BALANCES (DEFICIT):								
End of year	<u>\$ (97)</u>	<u>\$ 5,417</u>	<u>\$ 2,218</u>	<u>\$ -</u>	<u>\$ 7,538</u>	<u>\$ 2,224</u>	<u>\$ 9,762</u>	<u>\$ 6,770</u>

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

MICHIGAN TECHNOLOGICAL UNIVERSITY **NOTES TO THE FINANCIAL STATEMENTS**

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

Basis of Presentation

The financial statements have been prepared in all material respects in accordance with accounting principles outlined in the *Manual for Uniform Reporting-State of Michigan Colleges and Universities*, as revised, and the American Institute of Certified Public Accountants' guide, *Audits of Colleges and Universities*, and by the *Governmental Accounting Standards Board*. The combined statements represent the aggregation of individual funds as described in the "Fund Classifications" section below. All interfund accounts have been eliminated in the combined financial statements.

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 and payments to State retirement programs for University employees.

The financial statements of all controlled organizations are included in the University's financial statements. Organizations which are not controlled by the University, such as the Michigan Tech Fund and booster organizations, are not included in the University's financial statements.

Fund Classifications

The current funds consist of the General, Designated (use restricted by University policy), Auxiliary Activities, Retirement and Insurance (used to account for employee benefits and risk financing activities) and Expendable Restricted Fund (use restricted by donor or supporting agency). These funds are used to account for transactions related to instructional and academic programs (including restricted purpose contracts and grants, research, extension and departmental programs) and the auxiliary activities which provide services to the student body, faculty, staff and public. The accompanying statements of current funds revenues, expenditures, transfers and changes in fund balances are statements of financial activities of the current funds and do not purport to present the results of operations or the net income or loss for the period.

MICHIGAN TECHNOLOGICAL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

The other funds and their functions are described as follows: (1) the Student Loan Fund is used to account for transactions related to loans to students, (2) the Plant Fund contains the transactions relating to investment in physical properties, indebtedness incurred in the financing thereof and reserves for maintenance and replacement and (3) the Agency Fund is used to account for amounts withheld from payrolls, employer portions of payroll taxes and various employee benefits and amounts held in custody for students, University-related organizations or others.

Summary of Significant Accounting Policies

Accrual Accounting

The accompanying financial statements have been prepared on the accrual basis, except for the following, which are common practices in colleges and universities: (1) interest on student loans is recognized when received, (2) interest expense is recognized when paid, (3) gifts, grants and pledges are recognized when received or when billable, (4) Expendable Restricted Fund revenue is recognized only to the extent expended, (5) State appropriations are recognized as appropriated by the State for the specified fiscal period, and (6) revenue and expenditures of an academic term are reported in the fiscal year in which the program is predominantly conducted. For the year ending June 30, 2000, the University recognized \$2.4 million in revenue and \$1 million in expenditures relating to its summer session. For fiscal year 2001, the University is changing from quarters to semesters.

The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and that liabilities include only the unpaid amounts associated with such expenditures. Accordingly, outstanding purchase orders and commitments not reported in the financial statements totaled \$8,919 (in thousands) and \$21,346 at June 30, 2000 and 1999, respectively.

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.

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 are valued at the lower of cost or market determined on a first-in, first-out basis.

MICHIGAN TECHNOLOGICAL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Investments and Marketable Securities

Investments are valued at market.

Capitalized Interest

During fiscal year 2000, total interest cost was \$949 (in thousands), of which \$303 was included in investment in plant and \$646 was included in expenditures.

Property, Plant and Equipment

Physical properties are stated at cost when purchased. Other acquisitions are stated at appraised value on date of receipt. Amounts expended directly from current funds for equipment or other capital additions are included in expenditures or transfers of such funds and are capitalized in the Plant Fund. Repair and maintenance and equipment replacement reserves have been established to provide for significant repair and maintenance costs to residences and certain other facilities.

Revenue Recognition

The Expendable Restricted Fund revenues and expenditures for 2000 and 1999 each include approximately \$12.0 and \$11.4 million, respectively, relating to funds received directly by the University from the federal government under the William D. Ford Federal Direct Loan Program.

Depreciation

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

<u>Classification</u>	<u>Life</u>
Land Improvements	20 years
Buildings	40 years
Computer Equipment	5 years
Equipment	7 years
Library Books	5 years

Reclassifications

Certain fiscal year 1999 amounts have been reclassified to conform with the fiscal year 2000 financial statement presentation.