Michigan Tech
Create the Future

Financial Report 2009

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The slices of buildings portrayed are (left to right, front cover): R. L. Smith Mechanical Engineering-Engineering Mechanics, Wadsworth Hall, Chemical Sciences, Rekhi Hall, Rozsa Center for the Performing Arts; (back cover): Minerals and Materials Engineering, Douglass Houghton Hall, Memorial Union Building, Dow Environmental Sciences and Engineering, McNair Hall.

THE MICHIGAN TECH PLAN

MISSION

We prepare students to create the future.

VISION

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

GOALS

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

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

Goal 1: Attract, retain, and support a world-class and diverse faculty, staff, and student population.

Goal 2: Deliver a distinctive and rigorous discovery-based learning experience grounded in science, engineering, technology, sustainability, the business of innovation, and an understanding of the social and cultural contexts of our contemporary world.

Goal 3: Establish world-class research, scholarship, innovation, and creative work that promotes sustainable economic and social development in Michigan, the nation, and the world.

LETTER FROM THE PRESIDENT

The academic year 2008-09 was a solid one for Michigan Tech, and, in keeping with our Strategic Plan, we continued to provide innovative educational experiences.

In the spring, the Board of Control approved nine new degree programs—most of them in computer engineering and business. The degrees include a Master of Science and PhD in Computer Engineering; a Master of Science and PhD in Applied Cognitive Science and Human Factors—an emerging discipline critical to technological development; and Bachelor of Science degrees in accounting, finance, management, management information systems, marketing and operations and systems management—areas that were previously concentrations within the Bachelor of Science in Business Administration degree.

With General Motors and the Engineering Society of Detroit, we offered a free course to displaced automotive engineers downstate. The one-semester, three-credit course in advanced propulsion technology equipped the engineers to meet the growing demand for workers skilled in green automotive technologies. We will offer another course for spring semester 2010.

CN, one of the largest railroads in North America, donated $250,000 to Tech's Rail Transportation Program to create the CN Rail Transportation Education Center. The facility will open this fall and function as a central location for student, faculty, and industry collaboration. It will also provide education and research facilities. Previously, CSX Transportation donated to the program.

Approximately thirty-four graduate students from Tech are serving in the Peace Corps around the world as part of their master's degree program. As a result, the Peace Corps announced, Michigan Tech remains the largest Peace Corps Master's International (PCMI) program in the nation.

Michigan Tech achieved its best finish in five years at the 2009 Society of Automotive Engineers Clean Snowmobile Challenge, finishing second and winning the Yellowstone National Park Award for Second Place. Tech hosted the event for the tenth time.

Add to this a rapidly expanding Lean approach to operations and continuous improvement approach to academic programs, the innovations reach everywhere, as we prepare our students to create the future.

Sincerely,

Glenn D. Mroz
President

ADMINISTRATIVE OFFICERS

BOARD OF CONTROL

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

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

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President

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Dr. Dale R. Tahtinen
Vice President for Governmental Relations and Secretary to the Board of Control

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Chief Financial Officer and Treasurer of the Board of Control

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Dr. Les P. Cook
Vice President for Student Affairs

UNIVERSITY UPDATE

FOCUS ON FACILITIES

This year, the University broke ground for important new facilities and made improvements to some current structures.

The Board of Control approved issuing bonds in fall 2009 totaling more than $24 million for capital improvement projects that include:

- Great Lakes Research Center: $6.25 million.
- A student residential apartment complex: $16.5 million.
- Keweenaw Research Center expansion: $1 million.

The State of Michigan has approved a $25 million Great Lakes Research Center (GLRC) at Michigan Tech. The University's share of the project is 25 percent or $6,250,000. The Board authorized the University to proceed with final design and bidding for the research center on the campus waterfront and to issue revenue bonds to cover the University's portion of the cost.

Although still in the planning stages, the GLRC has already secured some research, with the US Army Corps of Engineers' Environmental Laboratory, focusing on aquatic contaminants such as copper and mercury, invasive species, sediments, and ecosystem restoration. Future projects will also look at brook trout and lake sturgeon populations, carbon dioxide effects, and storm water research.

A new apartment-style residential building for students on the Michigan Tech campus will add 192 beds. The new apartments will be built behind West McNair Hall and open in Fall 2010. "Michigan Tech needs additional on-campus housing because enrollment continues to grow, " said Les Cook, Vice President for Student Affairs. Last year's enrollment was the largest in 25 years.

At Michigan Tech, as nationally, there is a trend toward students preferring to live on campus. Those students seek quality accommodations with apartment-style amenities. Newly constructed on-campus housing also will include technologically advanced safety features.

Last winter, the Board authorized lending $1 million to the Keweenaw Research Center (KRC) to enable construction of a new Design Center at the KRC's Houghton County Memorial Airport location. During the design phase, the scope of the project was expanded, so the Board approved increasing the total project to $2 million. An increase in funded research activity by the KRC will provide revenue to pay back the University. KRC specializes in computer-based modeling and analysis, vehicle testing and evaluation, snow and ice research, and noise, vibration, and harshness testing.

Board members also approved the first phase of renovation of the John MacInnes Student Ice Arena, at a cost of up to $1 million, to be financed by a $1 million gift from Ruanne and John Opie. The project includes expanding the existing corner suites at the west end of the building. The corner suites, which now hold 20 people, will be enlarged to accommodate 50 people each. The project also includes 10 to 12 new suites that will be rented out by the season, and a face-lift for the entrances. The suites will generate additional revenue from rental fees and catering services.

ENROLLMENT

Admission is open to all students on a competitive basis. The University's entering freshmen consistently have average ACT scores greater than the national average. The following tables show that about 36% of accepted students enroll at the University. Michigan residents consistently account for approximately 2/3 of the University's enrollment.

Accepted Students* Summer and Fall Terms	2008	2007	2006	2005	2004
Freshman	3,781	3,485	3,115	3,326	2,856
Transfer Students	352	470	358	337	299
Graduate Students	962	701	608	677	632
Total	**5,095**	**4,656**	**4,081**	**4,340**	**3,787**

Average ACT Scores for Incoming Freshmen, Fall	MTU	Natl
2008	25.6	21.1
2007	25.6	21.2
2006	25.2	21.1
2005	25.1	20.9
2004	25.4	20.9

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

Selected Enrollment Data* Summer and Fall Terms	2008	2007	2006	2005	2004
New Freshmen	1,365	1,223	1,169	1,327	1,227
New Transfer Students	216	229	218	213	198
Graduate Students	265	233	276	252	223
Total	**1,846**	**1,685**	**1,663**	**1,792**	**1,648**

Enrollment by Residency*

	2008	2007	2006	2005	2004
Resident	4,652	4,441	4,260	4,241	4,125
Non-Resident	1,526	1,599	1,611	1,551	1,434
International	819	647	577	596	585
Total	**6,997**	**6,687**	**6,448**	**6,388**	**6,144**

Full-Time Equivalent Students by Residency*	2008	2007	2006	2005	2004
Resident	4,315	4,114	3,973	3,964	3,877
Non-Resident	1,433	1,495	1,523	1,484	1,375
International	780	619	530	572	547
Total	**6,528**	**6,228**	**6,026**	**6,020**	**5,799**

*Does not include Distance Learning

DEGREES AWARDED

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

Degrees Awarded	2008	2007	2006	2005	2004
Associate	20	26	24	28	24
Bachelor	1,146	966	1,008	1,048	1,042
Masters	196	184	203	185	181
Doctorate	54	65	41	44	42
Total	**1,416**	**1,241**	**1,276**	**1,305**	**1,289**

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, 2009, 2008, and 2007. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis, which includes the Michigan Tech Fund whenever appropriate. Responsibility for the completeness and fairness of this information rests with University management.

USING THE ANNUAL REPORT

The University's financial report includes three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows. These financial statements are prepared in accordance with 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 discretely presented component unit of the University.

CONDENSED STATEMENTS OF NET ASSETS

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

Condensed Statements of Net Assets
As of June 30

	2009	2008	2007
Assets			
Current assets	$ 36,306,073	$ 35,403,901	$ 36,898,774
Noncurrent assets:			
Capital assets, net	224,310,713	222,248,552	224,062,347
Other	19,877,176	20,530,106	21,874,145
Total assets	**$280,493,962**	**$278,182,559**	**$282,835,266**
Liabilities			
Current liabilities	$21,290,679	$20,904,346	$ 21,018,206
Noncurrent liabilities	58,417,766	52,990,515	52,729,823
Total liabilities	**$ 79,708,445**	**$ 73,894,861**	**$ 73,748,029**
Net assets			
Invested in capital assets, net of related debt	$169,130,442	$172,203,024	$173,909,562
Restricted for expendable purposes	21,770,345	22,603,437	24,644,181
Unrestricted	9,884,730	9,481,237	10,533,494
Total Net Assets	**$200,785,517**	**$204,287,698**	**$209,087,237**

Changes from 2008 to 2009
Current assets increased by $900,000 for the period ended June 30, 2009. Current assets are principally comprised of cash, accounts receivable, inventories and deposits. Cash reserves remain very stable, increasing by only $269,000. Accounts receivable increased by $1.3 million primarily due to billings for construction costs, scholarships and health care refunds due to the University. Inventories were virtually unchanged and deposits decreased by $610,000 as a result of a change to the third party administrator of the University health care plan.

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

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

Current liabilities increased by $386,000 over the period ended June 30, 2009. Accounts payable decreased by $680,000, other accrued liabilities increased by $1.0 million (payroll related), deferred revenue increased by $600,000 (research advanced receipts) and the current portion of long term debt decreased by $500,000.

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

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

Changes from 2007 to 2008
University total assets decreased by $4.7 million. Current assets decreased by $1.5 million, capital assets decreased by $1.8 million and other noncurrent assets decreased by $1.4 million.

Total liabilities of the University increased by only $147,000. Current liabilities decreased by $114,000 whereas noncurrent liabilities increased by $261,000.

Total net assets decreased by $4.8 million. Invested in capital assets, net of related debt decreased by $1.7 million, Restricted net assets decreased by $2.0 million and unrestricted net assets decreased by $1.1 million.

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

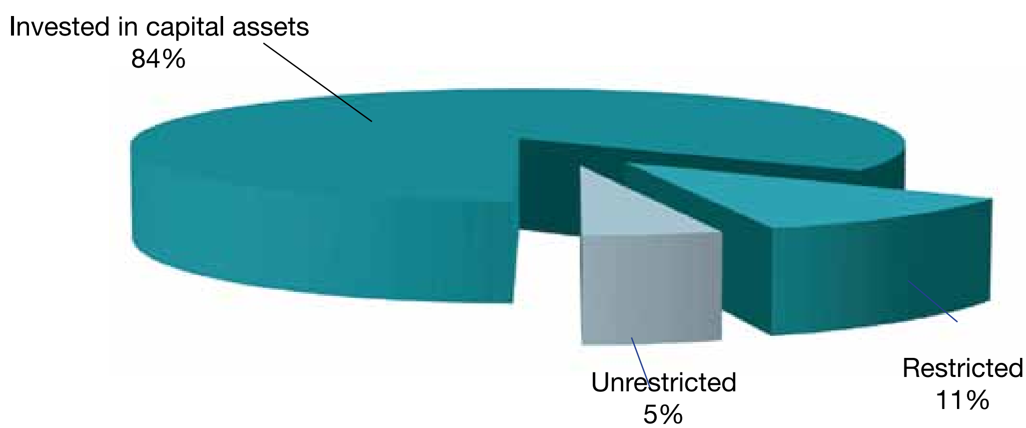
	2009	2008	2007
Invested in capital assets	**$169,130,442**	**$172,203,024**	**$173,909,562**
Restricted - expendable			
Gifts and sponsored programs	2,821,642	2,933,113	3,030,770
Capital projects	(3,762,710)	(3,365,213)	(1,963,443)
Debt service	9,024,036	9,371,685	9,957,270
Student loans	13,687,377	13,663,852	13,619,584
Total restricted net assets	**21,770,345**	**22,603,437**	**24,644,181**
Unrestricted net assets			
Captial projects & repairs	(1,171,495)	(1,179,793)	(480,709)
Auxiliary enterprises	9,408,680	9,210,497	8,122,457
Designated for departmental use	17,622,936	14,459,317	12,704,216
Uncommitted	(15,975,391)	(13,008,784)	(9,812,470)
Total urestricted net assets	**9,884,730**	**9,481,237**	**10,533,494**
Total net assets	**$200,785,517**	**$204,287,698**	**$209,087,237**

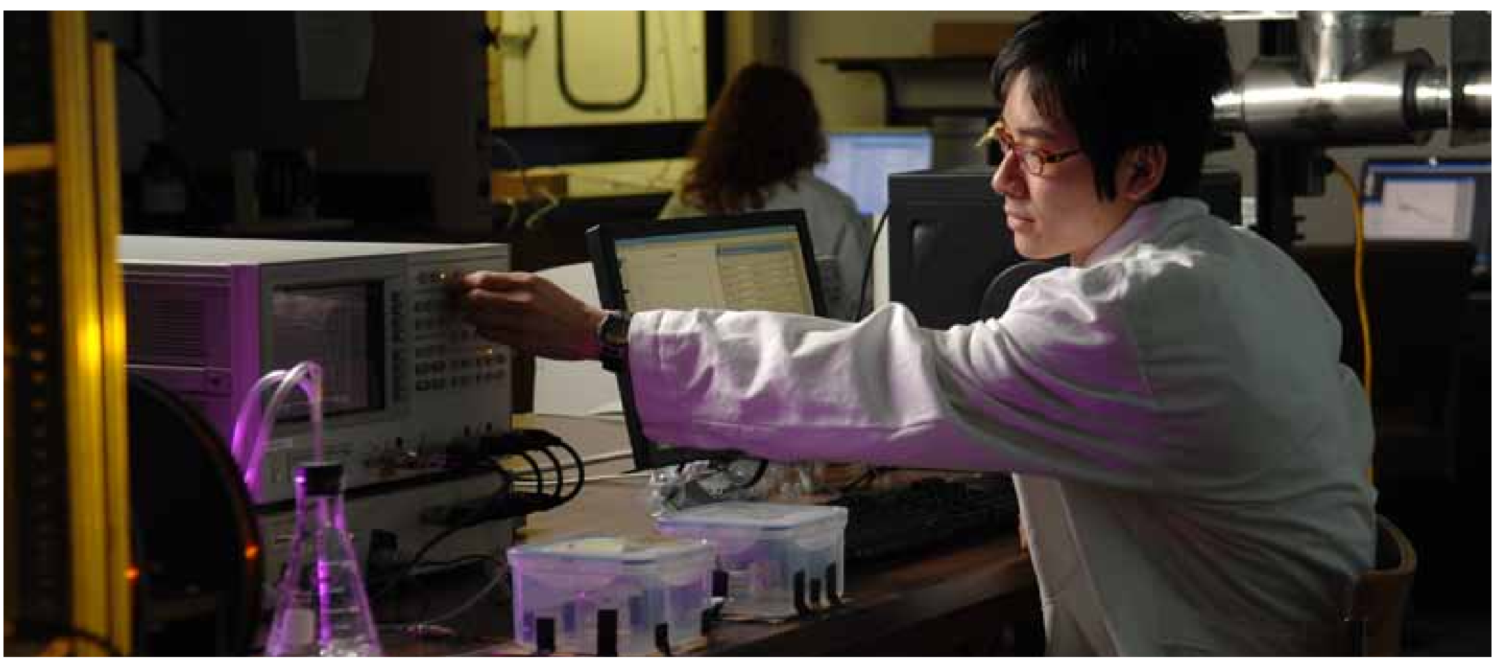
Net assets invested in capital assets, net of related debt, represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The net decrease reflects the University's continued 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.

2009 Net Assets





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

The Statements of Revenues, Expenses, and Changes in Net Assets present the revenues earned and expenses incurred during the year. In accordance with GASB reporting principles, activities are reported as either operating or nonoperating.

GASB 35 classifies state appropriations and gifts as nonoperating revenues, which will always result in operating deficits for the University.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets Year ended June 30	2009	2008	2007
Operating revenues			
Tuition and fees, net	$ 63,396,990	$ 54,820,288	$ 48,799,993
Grants and contracts	40,873,477	42,416,148	39,548,741
Educational activities	4,607,805	4,626,843	4,105,652
Auxiliary activities	28,727,171	27,389,058	24,843,249
Total operating revenues	**137,605,443**	**129,252,337**	**117,297,635**
Operating expenses	204,315,702	195,669,108	182,310,929
Operating loss	**(66,710,259)**	**(66,416,771)**	**(65,013,294)**
Nonoperating revenues and expenses			
Federal Pell grants	3,931,592	3,229,124	2,882,596
State appropriations, operating	49,518,500	49,028,200	48,131,899
State appropriations, capital	-	-	8,120,233
Gifts	13,614,648	11,672,592	13,671,297
Other nonoperating revenues and expenses, net	(3,856,662)	(2,312,684)	(40,811)
Net nonoperating revenues	**63,208,078**	**61,617,232**	**72,765,214**
Net (decrease) increase in net assets	(3,502,181)	(4,799,539)	7,751,920
Net assets			
Beginning of year	204,287,698	209,087,237	201,335,317
End of year	**$200,785,517**	**$204,287,698**	**$209,087,237**

Changes from 2008 to 2009
For the year ended June 30, 2009, operating revenues increased by $8.3 million. Tuition and fees, net of scholarship allowance, increased by $8.6 million or 15.6%. Grants and contract revenues decreased by $1.5 million or 3.6%. Auxiliary activities increased by $1.3 million or 4.9%.

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

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

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

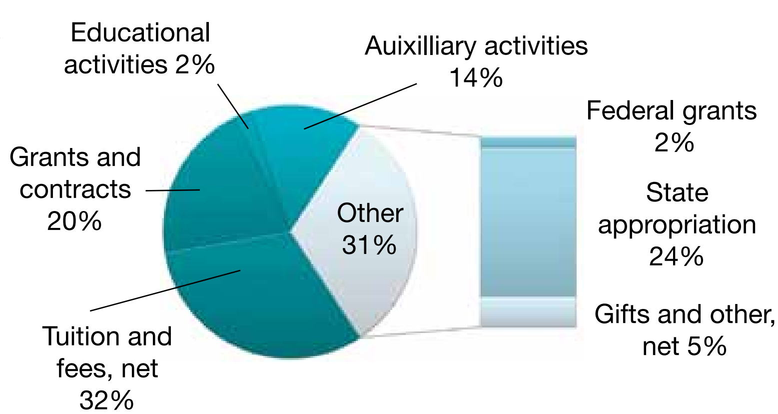
Changes from 2007 to 2008
The operating loss of the University increased from $65.0 million to $66.4 million, or an increased operating loss of $1.4 million. Operating revenues increased by $12.0 million and were offset by an increase in operating expenses of $13.4 million.

Nonoperating revenues decreased by $11.1 million primarily due to an absence of any capital funding in fiscal year 2008.

Net assets increased by $7.8 million in fiscal year 2007 but decreased by $4.8 million in fiscal year 2008 for a variance of $12.6 million and a net increase in net assets of $3.0 million over the two fiscal year period.

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

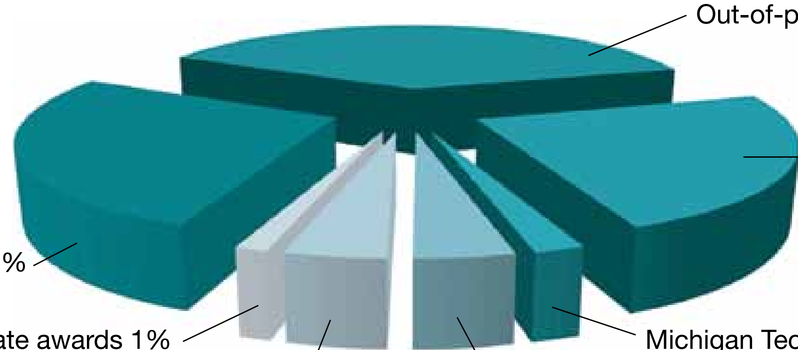
2009 Revenues



TUITION AND FEES REVENUE

The University provides students with the opportunity to obtain a quality education at an affordable cost. The University implemented a 9.81% average increase in tuition and mandatory fees for Michigan undergraduates. Graduate students saw a 9.9% 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, 2009.

Student Financial Aid Report



GRANT AND CONTRACT REVENUE

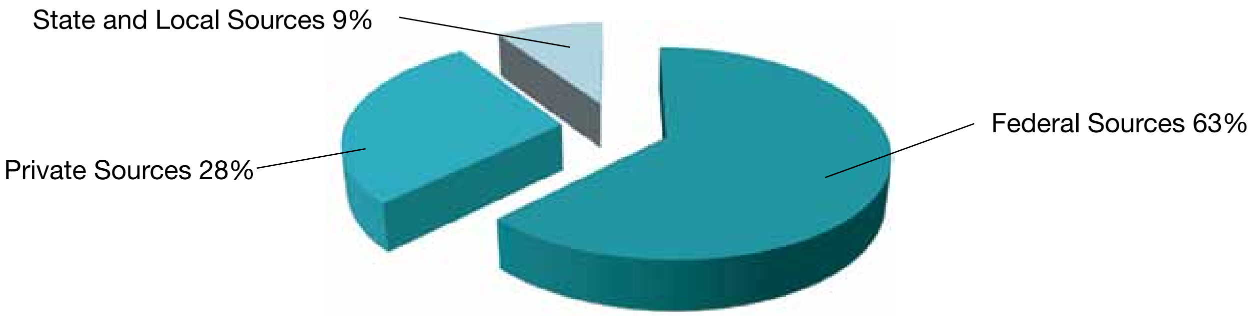
The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were $53.3 and $41.3 million dollars of research and sponsored programs awards in fiscal years 2009 and 2008, respectively. The University currently has 23 interdisciplinary research institutes and centers that have enabled the University to continue to increase its awards. The University also operates off-campus research facilities in Hancock, MI and Ann Arbor, MI.

Grants and Contracts Revenue
Year ended June 30

	2009	2008	2007
Federal sources			
Department of Agriculture	$ 2,261,653	$ 2,359,755	$ 1,768,441
Department of Defense	6,713,247	9,613,753	6,052,273
Department of Education	1,234,250	1,660,372	1,716,847
Department of Energy	4,814,197	5,084,644	5,714,021
Department of Interior	414,968	404,985	381,082
Department of Transportation	850,781	783,717	615,143
Environmental Protection Agency	94,280	129,334	114,967
National Aeronautics Space Administration	679,530	700,926	435,112
National Science Foundation	7,481,401	6,206,004	5,299,117
Health & Human Servies	702,813	863,838	894,467
Other federal sources	324,345	200,034	242,698
Total federal sources	25,571,465	28,007,362	23,234,168
Non-federal sources			
State and local	3,834,922	3,207,487	3,805,813
Private	11,467,090	11,201,299	12,508,760
Total non-federal sources	15,302,012	14,408,786	16,314,573
Total all sources	$40,873,477	$42,416,148	$39,548,741

The following graphic illustrates the fiscal year 2009 grant and contract revenue by source.

Grants and Contracts Revenue



CONDENSED STATEMENTS OF CASH FLOWS

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

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

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

Condensed Statements of Cash Flows Year Ended June 30			
	2009	**2008**	**2007**
Cash (used in) provided by			
Operating activities	$(54,209,270)	$(54,501,136)	$(56,087,825)
Noncapital financing activities	65,027,823	61,245,186	61,170,303
Capital and related financing activities	(10,504,853)	(7,627,410)	(5,514,971)
Investing activities	(44,969)	1,094,966	1,158,576
Net increase in cash and cash equivalents	**268,731**	**211,606**	**726,083**
			-
Cash and cash equivalents- beginning of the year	15,620,066	15,408,460	14,682,377
Cash and cash equivalents- end of the year	**$ 15,888,797**	**$ 15,620,066**	**$ 15,408,460**

Changes from 2008 to 2009

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

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

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

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

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

Changes from 2007 to 2008

Cash used in operating activities decreased by $1.6 million; cash provided by noncapital financing activities increased by $75,000; cash used in capital and related financing activities increased by $2.1 million and cash provided by investing activities decreased by $64,000.

Overall, cash and cash equivalents increased by $212,000 for the year ended June 30, 2008.

BOARD APPROVES BUDGET, TAKES ACTION ON FINANCIAL AID,SALARIES

The Michigan Tech Board of Control approved a general fund operating budget of nearly $155 million for fiscal year 2009–2010, which began July 1.

The budget included tuition and room-and-board rates for the coming academic year.

- Undergraduate Michigan resident freshman tuition and fees will increase 5.45 percent, or $19 per credit hour, to $11,347 per year.
- Undergraduate room and board will increase an average of 4.8 percent, or $383 per year (based on shared living space and the most commonly chosen meal plan).
- Undergraduate tuition for out-of-state students will increase 5 percent, or $36 per credit hour.
- Graduate tuition will increase 5 percent, or $28 per credit hour.

The budget is based on revenues that include a 3 percent cut in state funding, totaling $1.5 million. Anticipated federal stimulus funds of $1.2 million will help to offset that reduction, but the stimulus funds are a one-time revenue source, while the cut will be a permanent reduction in Michigan Tech's state funding base. The budget features cost containment initiatives and budget reallocations, continuing a process begun in 2004.

To assist students who qualify for financial aid with the increased tuition, the budget includes $2 million of new financial aid in the form of scholarships, an 8 percent increase. Michigan Tech awarded $34 million in financial aid during academic year 2008-2009, a total of 35 percent of tuition.

The new budget also includes a 1.75 percent pool for across-the-board salary increases for all eligible employees. "While we are certainly in challenging economic times, this budget extends our promise to our students to deliver the quality education they seek and deserve," said Mroz, University President. "At the same time, it reflects our concern for the financial realities facing our students, and our efforts to manage Michigan Tech's business prudently in a challenging environment. We are enhancing quality while maintaining affordability and containing costs."

Board of Control Chair Russell Gronevelt commended Mroz and his team for "navigating Michigan Tech through turbulent economic waters. The Board members have affirmed their support of the University's strategic direction by approving this budget," he said, "and they are wholeheartedly committed to keeping the University positioned for continued growth and success."

Gronevelt also noted that, "The tuition increase reflects the rising cost of providing a world-class technological education, which is what our students come for. I am pleased that we have provided additional scholarship assistance to lessen the impact of the increase."

TECH RECEIVES $3 MILLION

HYBRID VEHICLE RESEARCH

Michigan Tech will receive nearly $3 million in federal stimulus funds to develop an interdisciplinary educational program to train engineers and technicians to design and build the next generation of hybrid electric vehicles.

The $2.98 million grant is part of $2.4 billion in awards under the American Recovery and Reinvestment Act, announced by President Barack Obama. Vice President Joe Biden was in Detroit to announce that companies and universities in Michigan will receive more than $1 billion of the grants, more than any other state.

Michigan Tech is one of three state universities in Michigan to receive education and training awards. The other two are Wayne State University and the University of Michigan.

"This is great news for Michigan Tech," said Carl Anderson, associate dean for research and graduate programs in the College of Engineering and principal investigator for the new program. "We have had a strength in liquid-fueled vehicles and active partnerships with their manufacturers for a long time. Now we have the opportunity to take advantage of a broader array of our strengths and establish a similar leadership role in the development of a new generation of electric-powered vehicles."

Michigan Tech will work with Argonne National Laboratory and a number of industrial partners including AVL, General Motors, Eaton, Horiba, MathWorks, Schweitzer Engineering Laboratories and Woodward. The University and its partners will develop undergraduate and graduate curricula, including a certificate program in hybrid electric vehicles.

"We'll be training and retraining the next generation of engineers to produce vehicles that reduce fuel consumption and emissions," said Jeff Naber, lead faculty member of the multi-disciplinary program.

The electric hybrid curriculum will be modeled after the groundbreaking course in advanced propulsion for hybrid vehicles that Michigan Tech taught in Detroit for displaced automotive engineers last spring. The course was offered in cooperation with the Engineering Society of Detroit (ESD) and General Motors, with GM providing laboratory facilities. Another free, 3-credit course will be offered in Detroit this fall and spring, in cooperation with AVL, a developer of powertrains and vehicle simulation and test systems based in Plymouth, and with ESD. AVL will provide lab space, and GM is donating three hybrid vehicles. Ford and Lotus are also supporting the course.

Under the new grant, plans are to develop a mobile lab that could enable engineers anywhere to take the courses, Naber said.

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INDEPENDENT AUDITORS' REPORT

October 16, 2009

Board of Control
Michigan Technological University
Houghton, Michigan

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of ***Michigan Technological University*** (the "University"), a component unit of the State of Michigan, as of June 30, 2009 and 2008 and for the years then ended, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of ***Michigan Technological University*** as of June 30, 2009 and 2008, and the respective changes in financial position and, where applicable, cash flows 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 under separate cover our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis presented on pages 9 through 16 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplemental information. However, we did not audit the information and express no opinion on it.

Rehmann Robson

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NEXIA INTERNATIONAL

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET ASSETS

	June 30	
	2009	**2008**
Assets		
Current assets:		
Cash and cash equivalents	$ 15,888,797	$ 15,620,066
Accounts receivable, net	18,891,279	17,613,966
Other assets	1,525,997	2,169,869
Total current assets	**36,306,073**	**35,403,901**
Noncurrent assets:		
Student loans receivable, net of allowance	13,309,009	13,294,348
Investments	5,589,623	6,257,214
Capital assets, net of accumulated depreciation	224,310,713	222,248,552
Other assets	978,544	978,544
Total noncurrent assets	**244,187,889**	**242,778,658**
Total assets	**$280,493,962**	**$278,182,559**
Liabilities		
Current liabilities		
Accounts payable	$ 5,050,904	$ 5,731,864
Other accrued liabilities	9,522,563	8,507,894
Deferred revenue	3,148,776	2,554,640
Current portion of long-term debt	1,154,945	1,648,836
Current portion of other liabilities	2,413,491	2,461,112
Total current liabilities	**21,290,679**	**20,904,346**
Noncurrent liabilities		
Funds held for others	713,500	719,500
Insurance and benefit reserves	2,146,523	2,015,319
Other liabilities	600,000	600,000
Long-term debt, net of current portion	54,957,743	49,655,696
Total noncurrent liabilities	**58,417,766**	**52,990,515**
Total liabilities	**79,708,445**	**73,894,861**
Net assets		
Invested in capital assets, net of related debt	169,130,442	172,203,024
Restricted for expendable purposes	21,770,345	22,603,437
Unrestricted	9,884,730	9,481,237
Total net assets	**200,785,517**	**204,287,698**
Total liabilities and net assets	**$280,493,962**	**$278,182,559**

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

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

	Year Ended June 30	
	2009	2008
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $25,748,938 and $21,782,444 in 2009 & 2008, respectively)	$ 63,396,990	$ 54,820,288
Federal grants and contracts	25,571,465	28,007,362
State and local grants and contracts	3,834,922	3,207,487
Nongovernmental grants and contracts	11,467,090	11,201,299
Educational activities	4,607,805	4,626,843
Sales and services of departmental activities	9,316,594	9,611,905
Student resident fees	19,410,577	17,777,153
Total operating revenues	**$137,605,443**	**$ 129,252,337**
Expenses		
Operating expenses		
Compensation and benefits	132,297,278	125,276,736
Supplies and services	45,601,765	44,953,592
Student financial support	6,211,465	5,458,639
Utilities	8,747,453	8,475,170
Depreciation	11,457,741	11,504,971
Total operating expenses	**204,315,702**	**195,669,108**
Operating loss	**(66,710,259)**	**(66,416,771)**
Nonoperating revenues (expenses)		
Federal Pell grants	3,931,592	3,229,124
State appropriations	49,518,500	49,028,200
Gifts	11,663,306	9,874,251
Investment loss including investment expense	(686,066)	(20,330)
Interest on capital asset - related debt	(2,582,943)	(2,095,550)
Loss on disposal of capital assets	(587,653)	(196,804)
Net nonoperating revenues	**61,256,736**	**59,818,891**
Loss before other revenues	**(5,453,523)**	**(6,597,880)**
Other revenues		
Capital grants and gifts	1,951,342	1,798,341
Net decrease in net assets	**(3,502,181)**	**(4,799,539)**
Net assets		
Beginning of year	204,287,698	209,087,237
End of year	**$200,785,517**	**$ 204,287,698**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2009	**2008**
Cash flows from operating activities		
Student tuition and fees	$63,377,514	$54,995,395
Grants and contracts	40,617,159	41,604,352
Payments to employees	(95,209,143)	(89,184,542)
Payments for benefits	(35,859,251)	(35,802,819)
Payments to suppliers	(46,030,163)	(44,328,331)
Payments for utilities	(8,647,237)	(8,485,211)
Payments for financial aid	(6,211,465)	(5,458,639)
Loans issued to students	(1,515,507)	(1,650,646)
Collection of loans to students	1,500,845	1,860,568
Sales and services of departmental activities	9,369,260	9,642,824
Sales and services of educational activities	4,415,494	4,618,794
Student resident fees	19,446,218	17,783,874
Other receipts (payments)	537,006	(96,755)
Net cash used in operating activities	**(54,209,270)**	**(54,501,136)**
Cash flows from noncapital financing activities		
Federal Pell grants	3,935,162	3,215,475
State appropriations	49,429,355	48,160,144
Gifts and grants for other than capital purposes	11,663,306	9,874,251
William D. Ford direct lending cash received	27,633,358	20,100,789
William D. Ford direct lending cash disbursed	(27,633,358)	(20,105,473)
Net cash provided by noncapital financing activities	**65,027,823**	**61,245,186**
Cash flows from capital and related financing activities		
Capital appropriations	-	2,368,834
Capital grants and gifts received	1,658,839	1,852,126
Proceeds from sale of capital assets	109,091	76,903
Purchases of capital assets	(14,735,398)	(9,787,028)
Advance from the Fund	-	250,000
Proceeds on issuance of debt	16,495,059	1,069,670
Principal paid on capital debt and leases	(11,686,904)	(1,258,865)
Interest paid on capital debt and leases	(2,345,540)	(2,199,050)
Net cash used in capital and related financing activities	**(10,504,853)**	**(7,627,410)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	5,300,000	7,209,630
Purchase of investments	(5,971,585)	(7,235,208)
Income on investments	626,616	1,120,544
Net cash (used in) provided by investing activities	**(44,969)**	**1,094,966**
Net increase in cash and cash equivalents	268,731	211,606
Cash and cash equivalents - beginning of year	15,620,066	15,408,460
Cash and cash equivalents - end of year	**$15,888,797**	**$15,620,066**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (continued)

	Year Ended June 30	
	2009	**2008**
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	$(66,710,259)	$(66,416,771)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	11,457,741	11,504,971
Changes in operating assets and liabilities:		
Receivables, net	(872,741)	226,921
Other assets	643,872	(59,008)
Student loans	(14,660)	209,922
Accounts payable	(319,016)	(94,266)
Other accrued liabilities	1,014,670	48,725
Deferred revenue	513,538	(933,298)
Employee benefit programs	83,585	972,618
Funds held for others	(6,000)	39,050
Net cash used in operating activities	**$(54,209,270)**	**$(54,501,136)**

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

MICHIGAN TECH FUND
STATEMENTS OF NET ASSETS

	June 30	
	2009	**2008**
Assets		
Current assets:		
Cash and cash equivalents	$ 9,841,214	$ 5,177,429
Pledges receivable, net	1,354,841	1,367,903
Other assets	134,912	153,277
Total current assets	**11,330,967**	**6,698,609**
Noncurrent assets:		
Investments	71,185,941	96,361,043
Pledges receivable, net of current portion	1,648,052	3,084,612
Beneficial interest in charitable remainder trusts	3,597,274	4,321,781
Cash surrender value, life insurance	863,054	841,352
Capital assets, net of accumulated depreciation	22,818	23,057
Total noncurrent assets	**77,317,139**	**104,631,845**
Total assets	**$88,648,106**	**$111,330,454**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 747,059	$ 536,036
Deferred revenue	400,000	-
Annuity obligations	348,950	329,348
Total current liabilities	**1,496,009**	**865,384**
Annuity and pooled income obligations	3,855,597	3,940,496
Total liabilities	**5,351,606**	**4,805,880**
Net assets		
Nonexpendable	52,910,391	51,663,812
Expendable	31,665,114	51,178,454
Unrestricted	(1,279,005)	3,682,308
Total net assets	**83,296,500**	**106,524,574**
Total liabilities and net assets	**$88,648,106**	**$111,330,454**

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

MICHIGAN TECH FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2009	**2008**
Revenues		
Operating revenues		
Gifts and contributions	$ 6,055,012	$ 8,981,128
Other operating revenues	238,737	223,556
Total operating revenues	**6,293,749**	**9,204,684**
Operating expenses	968,595	1,026,910
Operating revenue	**5,325,154**	**8,177,774**
Nonoperating revenues (expenses)		
Investment (loss) income (net of investment expense)	(15,711,302)	615,058
Distributions to Michigan Tech University	(14,089,005)	(11,721,717)
Net nonoperating expenses	**(29,800,307)**	**(11,106,659)**
Loss before other revenues	**(24,475,153)**	**(2,928,885)**
Other revenues		
Additions to permanent endowments	1,247,079	2,318,854
Net decrease in net assets	**(23,228,074)**	**(610,031)**
Net assets		
Beginning of year	106,524,574	107,134,605
End of year	**$83,296,500**	**$106,524,574**

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" or "Primary Institution") is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Control is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the state's financial statements as a discrete component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, State Building Authority (SBA) revenues, and payments to the state retirement program for University employees.

As required by Governmental Accounting Standards Board (GASB) No. 39, the University's basic financial statements include the financial statements of both the University and its component unit, the Michigan Tech Fund (the "Fund"), which is a legally separate tax-exempt component unit of the University. The Fund acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Fund's Board of 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 separately to emphasize that a) it is legally separate from the University and b) its assets are not necessarily available to satisfy all liabilities of the University. However, the Fund's financial activities are summarized with those of the University in the notes to the financial statements.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Accounting,* the University follows all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Inventories

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

Investments

The University policy is to record investments at fair value.

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 uncertanties 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. All investment securities are carrried at fair value in the accompanying 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 9 for further details.

CAPITAL ASSETS

The University currently uses a $5,000 capitalization threshold for capital assets acquired, 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.

DEFERRED REVENUE

During fiscal year ended June 30, 2009, the Fund received a contribution in the amount of $400,000 for which the related agreement includes a donor-stipulated contingency; revenue will not be recognized until this donor-specified requirement has been fulfilled. Since the requirement has not been met as of June 30, 2009, the contribution has been recorded as deferred revenue on the accompanying 2009 statement of financial position. If the requirements of the agreement are not met by September 20, 2011, the donor retains the right to designate an alternative organization to receive the amount of revenue.

CLASSIFICATION OF REVENUES

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

Operating Revenues—Operating revenues of the Primary Institution include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) 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.* Nonoperating revenues of the Fund consist of investment income, net of investment expense.

CLASSIFICATION OF EXPENSES

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

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

Nonoperating Expenses—Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and other expenses that are defined as nonoperating expenses by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 35.* Nonoperating expenses of the Fund consist of investment loss, net of investment expenses and distributions made to the University.

INCOME TAXES

The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is, therefore, exempt from federal income taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.
The Fund is exempt from federal income taxes under Internal Revenue Code section 501(c)(3).

NET ASSETS

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

- **Invested in capital assets, net of related debt—**
  Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted for nonexpendable purposes—**
  Net assets from contributions and other inflows of assets that represent permanent endowments. 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.

NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for University financial statements for fiscal year ending June 30, 2010. This statement establishes standards for the recognition, initial measurement and amortization of intangible assets, as well as requiring that all intangible assets be classified as capital assets. This statement requires that an intangible asset be recognized in the balance sheet only if it is considered identifiable. Additionally, costs associated with internally generated assets, including computer software, should not be capitalized until certain criteria are met. This statement also provides that intangible assets with an indefinite useful life should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances. Management will need to determine the effect, if any, of the adoption of the GASB Statement No. 51 on the University's financial statements.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective for University financial statements for fiscal year ending June 30, 2009. This statement requires organizations to report their land and other real estate investments at fair value. Organizations also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The adoption of GASB Statement No. 52 did not have an impact on the University's fiscal 2009 financial statements because land held by the University that is not part of the campus proper, is used for student activities, is contiguous to the campus and will be used for additional student activities or campus expansion, or is used for research activities.

Effective July 1, 2008, the Fund adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. The Fund elected to delay the application of SFAS 157 to nonfinancial assets and nonfinancial liabilities, as allowed by Financial Accounting Standards Board (FASB) Staff Position (FSP) SFAS 157-2. FSP SFAS 157-3 clarifies the application of SFAS 157 in a market that is not active, and FSP SFAS 157-4 provides additional guidance for estimating fair value when the volume or level of activity for the asset or liability have significantly decreased, as well as guidance on identifying circumstances that indicate a transaction is not orderly. SFAS 157, as amended, applies whenever other financial reporting standards require (or permit) assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. SFAS 157, as amended, clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is the Fund's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. The initial adoption of SFAS 157 did not have any impact on the Fund's financial position or results of operations. For a further discussion of SFAS 157, refer to Note 3.

In August 2008, FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Donor-Restricted Endowment Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure*, was issued. FAS 117-1 changed the disclosure requirements associated with the Fund's endowment funds. The Fund adopted the disclosure requirements of FAS 117-1 in fiscal 2009 (refer to Note 12). The provisions of FAS 117-1 related to net asset classification for donor-restricted endowment funds will apply to the Fund in fiscal 2010, the year in which the State of Michigan adopted the model act (became law effective September 10, 2009). Net asset reclassifications, if any, from the initial application of FAS 117-1 are to be accounted for as a cumulative change adjustment in the year in which the law is effective. Management has not yet determined the impact that the implementation of the net asset provisions of FAS 117-1 will have on the Fund's fiscal 2010 financial statements.

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 $17,064,440 and $16,421,416 as of June 30, 2009 and 2008, respectively. There were no bank deposit balances exposed to custodial credit risk because they were uninsured and uncollateralized, as of June 30, 2009 and 2008, 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, 2009 are as follows:

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

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

Investment Portfolio				
	2008			
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 net investment loss is comprised of the following for the years ended June 30, 2009 and 2008.

Investment Loss Year ended June 30		
	2009	**2008**
Investment income (loss)		
Interest	$ 521,819	$948,246
Dividends	141,370	191,249
Net decrease in the fair value of investments	(1,339,176)	(1,159,696)
Subtotal	**(675,987)**	**(20,201)**
Investment expenses	**(10,079)**	**(129)**
Net investment loss	**$(686,066)**	**$(20,330)**

The annualized returns (losses) on investments and marketable securities for the University, excluding the base cash pool reserve for the years ended June 30, 2009 and 2008, are as follows:

Annual Return		
	2009	**2008**
Intermediate fixed income	1.4%	4.1%
Equity investments	(15.2%)	(14.1%)

The fair value of the Fund's investments at June 30, 2009 and 2008 are categorized as follows:

Michigan Tech Fund - Investment Portfolio		
	2009	**2008**
Marketable securities		
Equities	$ 339,763	$ 441,881
Mutual funds—equities	36,445,505	48,199,792
Mutual funds—fixed income	20,341,837	26,384,048
Corporate bonds and notes	33,172	70,173
US government obligations	1,024,841	1,085,886
Total marketable securities	**58,185,118**	**76,181,780**
Alternative investments		
Hedge funds	3,336,553	7,230,321
Real estate and natural resouces	2,974,040	4,906,776
Private equity	6,670,230	8,022,166
Total alternative investments	**12,980,823**	**20,159,263**
Closely held stock	20,000	20,000
Total investments	**$71,185,941**	**$96,361,043**

At June 30, 2009, the Fund's remaining capital commitment for investment in limited partnerships is $3,101,120.

The Fund's net investment (loss) return is comprised of the following for the years ended June 30, 2009 and 2008:

Michigan Tech Fund - Investment (Loss) Return		
	2009	**2008**
Interest and dividends	$ 1,889,253	$2,495,434
Capital gain distributions	302,901	3,263,818
Net gain on sales of investments	1,530,547	4,680,326
Net unrealized loss on investments	(19,196,933)	(9,576,237)
Asset-based management and administrative fees	(237,070)	(248,283)
Total investment (loss) return	**$(15,711,302)**	**$ 615,058**

(3) FAIR VALUE

The Fund utilizes fair value measurements to record fair value adjustments to investments, and contributions receivable from remainder trusts, and to determine fair value disclosures; these assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under SFAS 157, the Fund groups its assets at fair value into three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Fund investments is based upon quoted prices, if available. Level 1 investments include fixed income and equity securities (primarily mutual funds). Level 2 investments include debt securities (principally fixed income mutual funds). Level 3 investments include limited partnership interests in hedge funds, private equity, and real estate.

Fair value measurement for contributions receivable from remainder trusts is based upon the fair value of the underlying investments in the trusts, an estimated rate of return, anticipated future payments to be made to beneficiaries, living beneficiaries' life expectancies, and an assumed discount rate as discussed further in Note 9. As of June 30, 2009, contributions receivable from remainder trusts with fair values of $3,597,274 are classified as Level 3.

There have been no changes in methodologies used at June 30, 2009 and 2008.

The following table sets forth by level, within the fair value hierarchy, the Fund's investments at fair value as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Marketable securities				
Equities	$339,763	$-	$-	$339,763
Mutual funds - equities	36,445,505	-	-	36,445,505
Mutual funds - fixed income	16,999,613	3,342,224	-	20,341,837
Corporate bonds and notes	-	33,172	-	33,172
US government obligations	1,024,841	-	-	1,024,841
Alternative investments	-	107,052	12,873,771	12,980,823
Closely held stock	-	-	20,000	20,000
Total investments at fair value	**$54,809,722**	**$3,482,448**	**$12,893,771**	**$71,185,941**

The following table sets forth a summary of changes in the fair value of the Fund's Level 3 assets for the year ended June 30, 2009:

	Investments	Contributions Receivable from Remainder Trusts	Total Level 3 Assets
Balance, beginning of year	$19,932,571	$4,321,781	$24,254,352
Capital contributions	1,009,816	-	1,009,816
Distributions	(3,859,051)	-	(3,859,051)
Investment income	132,841	-	132,841
Operating loss	(746,483)	-	(746,483)
Realized losses	(218,274)	-	(218,274)
Unrealized losses	(3,357,649)	-	(3,357,649)
Change in value	-	(724,507)	(724,507)
Balance, end of year	**$12,893,771**	**$3,597,274**	**$16,491,045**

(4) RECEIVABLES

Accounts receivable are summarized as follows as of June 30, 2009 and 2008.

Accounts Receivable		
	2009	**2008**
Primary institution		
Student tuition and fees	$ 423,104	$ 449,976
State appropriations		
Operating	9,003,362	8,914,217
Capital	262,892	-
Grants and contracts	7,626,865	7,300,547
Auxiliary activities	321,164	368,175
Other	1,319,014	646,173
Less allowance for doubtful accounts	(65,122)	(65,122)
Accounts receivable, net	**$18,891,279**	**$17,613,966**

In addition, the University has student loans receivable in the amount of $13,309,009 and $13,294,348, recorded net of an allowance for uncollectible accounts of $169,461 for both years, at June 30, 2009 and 2008, respectively.

The Fund's pledges receivable are included on the accompanying statements of net assets. The following shows the balance due of unconditional promises to give to the Fund at June 30, 2009 and 2008. 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%.

Pledges Receivable		
	2009	**2008**
Pledges receivable in less than one year	$1,563,173	$1,642,840
Pledges receivable in one to five years	1,694,421	3,129,685
Pledges receivable in more than five years	599,864	788,089
Less:		
Allowance for uncollectible pledges	(208,332)	(274,937)
Present value discount	(646,233)	(833,162)
Net pledges receivable	**$3,002,893**	**$4,452,515**

(5) CAPITAL ASSETS

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

Changes in Capital Assets 2009	Beginning Balance	Net, Additions	Disposals	Ending Balance
Primary institution				
Nondepreciable capital assets				
Land	$ 9,113,443	$ -	$ (24,357)	$ 9,089,086
Mineral collections	4,702,611	346,532	-	5,049,143
Timber holdings	368,394	-	-	368,394
Construction in progress	1,867,133	5,077,921	(2,989,733)	3,955,321
Cost of nondepreciable capital assets	**16,051,581**	**5,424,453**	**(3,014,090)**	**18,461,944**
Depreciable capital assets				
Land improvements	1,323,100	-	-	1,323,100
Infrastructure	4,848,127	134,008	(72,180)	4,909,955
Buildings	293,665,451	6,345,725	(219,480)	299,791,696
Equipment	31,638,557	5,068,024	(891,953)	35,814,628
Library books	882,923	125,079	-	1,008,002
Cost of depreciable capital assets	**332,358,158**	**11,672,836**	**(1,183,613)**	**342,847,381**
Total cost of capital assets	**348,409,739**	**17,097,289**	**(4,197,703)**	**361,309,325**
Less: accumulated depreciation				
Land improvements	617,079	66,155	-	683,234
Infrastructure	1,121,281	276,871	(1,551)	1,396,601
Buildings	106,943,988	7,026,532	(64,198)	113,906,322
Equipment	17,036,713	3,942,311	(554,567)	20,424,457
Library books	442,126	145,872	-	587,998
Accumulated depreciation	**126,161,187**	**11,457,741**	**(620,316)**	**136,998,612**
Capital assets, net	**$222,248,552**	**$5,639,548**	**$(3,577,387)**	**$224,310,713**
Component unit, capital assets, net	**$ 23,057**	**$ (239)**	**$ -**	**$ 22,818**

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

Changes in Capital Assets 2008	Beginning Balance	Net, 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	199,713	-	1,121,281
Buildings	100,018,499	6,925,489	-	106,943,988
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**	**$1,015,992**	**$(2,829,787)**	**$222,248,552**
Component unit, capital assets, net	**$ 35,640**	**$ (12,583)**	**$ -**	**$ 23,057**

CONSTRUCTION IN PROGRESS

One of the critical factors in continuing the quality of the University's academic programs, research programs, and residential life is the development and renewal of its capital assets. The University continues to implement its long-range capital plan to modernize its complement of older facilities balanced with new construction. Construction in progress reflects multiyear projects which, once completed and placed into service, are categorized as buildings, land improvements, and infrastructure. At June 30, 2009 construction consisted of several building renovation projects and the initial costs of three new buildings. At June 30, 2008 construction in progress consisted of work being done on projects as detailed below.

Construction in Progress
As of June 30

Project	2009	2008
Seaman Mineral Museum	$1,555,726	$1,525,615
UPPCO building renovation	333,122	-
Ice arena suites	361,657	-
KRC office & lab building	554,718	-
Great Lakes Research Center	320,678	-
Student apartment building	611,920	-
Other projects	217,500	341,519
Total	**$3,955,321**	**$1,867,134**

The funding for the capital projects in progress as of June 30, 2009 and the expected sources of financing for these projects is as follows:

Construction Costs & Financing
As of June 30

	Seaman Mineral Museum	UPPCO Building Renovation	Ice Arena Suites	Keweenaw Research Center	Great Lakes Research Center	Student Apartment Building	Other Projects	Total
Estimated cost of construction	$3,000,000	$3,020,000	$1,000,000	$2,000,000	$25,000,000	$16,000,000	$300,000	$50,320,000
Less: costs incurred through June 30, 2009	(1,555,726)	(333,122)	(361,657)	(554,718)	(320,678)	(611,920)	(217,500)	(3,955,321)
Estimated cost to complete	**$1,444,274**	**$2,686,878**	**$638,343**	**$1,445,282**	**$24,679,322**	**$15,388,080**	**$ 82,500**	**$46,364,679**
Expected sources of financing:								
Federal funds	1,444,274	2,686,878	-	-	-	-	-	4,131,153
State funds	-	-	-	-	18,750,000	-	-	18,750,000
Bond proceeds	-	-	-	1,445,282	-	15,388,080	-	16,833,362
University funds & gifts	-	-	638,343	-	5,929,322	-	82,500	6,650,165
Estimated financing	**$1,444,274**	**$2,686,878**	**$ 638,343**	**$1,445,282**	**$24,679,322**	**$15,388,080**	**$ 82,500**	**$46,364,679**

(6) 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 $978,543 was considered goodwill and is included in other noncurrent assets on the accompanying statements of net assets. Management will annually analyze the goodwill for impairment. At June 30, 2009, management's assessment of MTRI concludes that the operation of this facility is achieving the results anticipated and, therefore, there is no impairment of goodwill.

Cash Surrender Value of Life Insurance

The Fund is the owner and beneficiary of life insurance policies with cash surrender value of $863,054 and $841,352 and death benefit value of approximately $2,522,000 and $2,622,000 at June 30, 2009 and 2008, respectively. The assignments of these policies were received as gifts for various University programs, scholarships, and other designations.

(7) LINE OF CREDIT

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

(8) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts Payable and Other Accrued Liabilities
As of June 30

	2009	2008
Primary institution		
Accounts payable		
Vendors for supplies and services	$ 3,672,834	$ 3,803,254
Employee benefits	589,828	541,021
Construction payables	788,242	1,387,589
Total	**$5,050,904**	**$ 5,731,864**
Other accrued liabilities		
Payroll and payroll taxes	$ 5,146,500	$ 4,522,297
Accrued compensated absences	3,633,355	3,347,574
Deposits	742,708	638,023
Total	**$ 9,522,563**	**$ 8,507,894**

(9) NONCURRENT LIABILITIES

Noncurrent Liabilities As of June 30, 2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Primary institution					
General revenue bonds					
Refunding bonds	$220,000	$ -	$ 220,000	$ -	$ -
Variable rate demand	10,000,000	-	10,000,000	-	-
General revenue bonds, 2003	4,500,000	-	100,000	4,400,000	105,000
General revenue bonds, 2004A	31,525,000	-	680,000	30,845,000	700,000
General revenue bonds, 2006	2,940,000	-	50,000	2,890,000	50,000
General revenue bonds, 2008	-	15,880,000	-	15,880,000	95,000
Total bonds payable	**49,185,000**	**15,880,000**	**11,050,000**	**54,015,000**	**950,000**
Bond premium	878,727	615,059	38,068	1,455,718	-
Capital lease	840,805	-	198,835	641,970	204,945
Total debt	**50,904,532**	**16,495,059**	**11,286,903**	**56,112,688**	**1,154,945**
Other liabilities					
Insurance and post employment benefits	3,521,332	2,277,312	2,493,729	3,304,915	2,413,491
Funds held for others	719,500	713,500	719,500	713,500	-
Other liabilities	1,000,000	-	400,000	600,000	-
Postemployment benefit health care	955,099	300,000	-	1,255,099	-
Total	**$ 57,100,463**	**$19,785,871**	**$14,900,132**	**61,986,202**	**$ 3,568,436**
Due within one year				(3,568,436)	
Total noncurrent liabilities				**$58,417,766**	
Component unit					
Annuity obligations	$ 3,719,578	$ 327,055	$ 329,348	$ 3,717,285	$ 348,950
Pooled income obligations	550,266	-	63,004	487,262	-
Total	**$ 4,269,844**	**$ 327,055**	**$ 392,352**	**4,204,547**	**$ 348,950**
Due within one year				(348,950)	
Total noncurrent liabilities				**$ 3,855,597**	

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 lease	-	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 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	-
Other liabilities	750,000	250,000	-	1,000,000	400,000
Postemployment benefit health care	-	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					
Annuity obligations	$ 3,633,038	$ 496,293	$ 409,753	$ 3,719,578	$ 329,348
Pooled income obligations	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**	

BONDS

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

Outstanding Balances on University Issued Bonds As of June 30			
		Outstanding	
	Total issued	2009	2008
General revenue refunding bonds, series 1993, (2.8% – 5.1%) final maturity 2008	$ 3,585,000	$ -	$ 220,000
General revenue variable rate demand bonds, series 1998, refunded in fiscal 2009	21,000,000	-	10,000,000
General revenue bonds, series 2003 (2% – 5%) final maturity 2033	4,900,000	4,400,000	4,500,000
General revenue bond series 2004(A), (2% – 5%) final maturity 2034	32,850,000	30,845,000	31,525,000
General revenue bond series 2006, (4% – 5%) final maturity 2036	2,990,000	2,890,000	2,940,000
General revenue bond series 2008, (3% – 5.25%) final maturity 2038	15,880,000	15,880,000	-
Total bonds payable	**81,205,000**	**54,015,000**	**49,185,000**
Plus: unamortized net premium	1,651,732	1,455,718	878,727
Bonds payable, net	**$82,856,732**	**$55,470,718**	**$50,063,727**

The University's General Revenue Refunding Bonds, Series 1993 were issued in the amount of $3,585,000 to refinance previously issued bonds. The final bond of $220,000 from this issue matured and was paid during fiscal year 2009.

During 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. The final defeased bond of $215,000 matured and was paid by the trustee of the defeased bonds during fiscal year 2009.

During 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. The bonds outstanding at June 30, 2008 have been refunded with a portion of the Series 2008 bond issue.

During fiscal year 2003, the University issued $4.9 million of General Revenue Bonds, Series 2003 (GRB). These bonds bear interest at 2% to 5% and mature at various dates from October 2004 through October 2033. The funds were used to complete three building projects on campus: residence hall life safety improvements, University electrical distribution system replacement, and Wadsworth Hall renovation planning. The GRB issue is collateralized with a $5-million letter of credit through XL Capital Assurance Inc. The letter would only be used if the University is unable to make payments on the bonds. The bonds are rated Aaa by Moody's and Aaa by Standard & Poor's due to a municipal bond insurance policy. The bonds also received an underlying rating of A1 from Moody's.

During fiscal year 2004, the University's Board of Control approved the renovation of Wadsworth Hall. In conjunction with this approval, the University issued $32.9 million of General Revenue Bonds to facilitate this project. These bonds bear interest at 2% to 4.49% and mature at various dates from October 2006 through October 2034. The bonds are rated Aaa by Moody's and Aaa by Standard & Poor's due to a municipal bond insurance policy. The bonds also received an underlying rating of A1 from Moody's.

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

During fiscal year 2009, the University's Board of Control approved the issuance of General Revenue Bonds, Series 2008 in the amount of $15.880 million. The proceeds of this bond issue were used to refund the $10 million of Series 1998 bonds outstanding with the remainder funding the remodeling of the UPPCO building, remodeling of the Memorial Union ballroom and providing initial construction funds for the Keweenaw Research Center. These bonds bear fixed interest rates at 3.0% to 5.25% and mature at various dates from October 2009 through October 2038. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture. These bonds are rated "Aaa" by Moody's due to a municipal bond insurance policy and the University has an underlying rating of A1 from Moody's.

Principal and Interest Amounts Due
For Fiscal Years Ending June 30

Fiscal Year	Principal	Interest	Total
2010	$ 950,000	$ 2,501,147	$ 3,451,147
2011	970,000	2,473,078	3,443,078
2012	1,020,000	2,441,771	3,461,771
2013	1,065,000	2,406,525	3,471,525
2014	1,095,000	2,367,574	3,462,574
Total 5 years	**5,100,000**	**12,190,095**	**17,290,095**
2015 to 2019	15,620,000	10,658,327	26,278,327
2020 to 2024	7,450,000	7,365,055	14,815,055
2025 to 2029	9,465,000	5,300,582	14,765,582
2030 to 2034	12,085,000	2,632,125	14,717,125
2035 to 2039	4,295,000	318,119	4,613,119
Total bonds	**$54,015,000**	**$38,464,303**	**$92,479,303**

Capital and Operating Lease Obligations

During fiscal year 2007, the Board of Control of the University 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 for principal and interest of $232,871 began in August 2007.

Commitments and related rental expenses for the University under operating leases with initial or remaining noncancelable lease terms in excess of one year as of and for the years ended June 30, 2009 and 2008 are insignificant.

Scheduled Maturities of Capital Leases
For Fiscal Years Ending June 30

Fiscal Year	Principal	Interest	Total
2010	$ 204,945	$ 27,926	$ 232,871
2011	213,861	19,010	232,871
2012	223,164	9,708	232,872
Total lease payments	**$641,970**	**$ 56,644**	**$ 698,614**

The Fund leases its office space under an operating lease which commenced on October 1, 2003, and will terminate on September 30, 2018. Minimum future rental obligations under the noncancelable operating lease for the next five years and thereafter are:

Noncancelable Operating Lease
For Fiscal Years Ending June 30

2010	$ 151,896
2011	151,896
2012	151,896
2013	151,896
2014	151,896
Thereafter	645,558
Total minimum future rental payments	**$ 1,405,038**

Other Liabilities

The University received a $1 million loan from the Fund that was used to purchase MTRI. The repayment agreement states that the University shall deliver no less than (i) a cumulative total of $400,000 to the Fund by September 30, 2008; (ii) a cumulative total of $900,000 to the Fund by September 30, 2010, and (iii) a cumulative total of $1,000,000 to the Fund by September 30, 2011. The first payment of $400,000 was made timely and is included as deferred revenue in the Fund's statements of net assets. The unpaid balance of $600,000 is recorded as a liability of the University at June 30, 2009.

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 $3.6 million and $4.3 million at June 30, 2009 and 2008, 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, 2009 and 2008, from these types of agreements are $6.7 million and $8.1 million, respectively, in cash and marketable securities and $4.2 million and $4.3 million in liabilities to other beneficiaries.

Included with contribution revenue on the statements of revenue, expenses, and changes in net assets, were $33,000 and $473,000, respectively, in contributions from split-interest agreements and $(873,000) and $(185,000) 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.

(10) SELF-INSURANCE

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

Self-Insured Claims Liability

	Medical Benefits	Unemployment Comp	Worker's Comp	Total
Claims liability — July 1, 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)	(280,836)	(14,288,585)
Claims liability — June 30, 2008	**1,432,794**	**50,000**	**427,454**	**1,910,248**
Claims incurred, including changes in estimates	13,982,983	163,087	170,750	14,316,820
Less: claims paid	(13,980,633)	(102,614)	(238,704)	(14,321,951)
Claims liability — June 30, 2009	**$1,435,144**	**$110,473**	**$359,500**	**$1,905,117**

Liability and Property Insurance

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

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

(11) POST EMPLOYMENT BENEFITS

Retirement Plans

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

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

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

Beginning October 1, 2009, the University is required to contribute 4.58% (5.66% during the period of October 1, 2008 through September 30, 2009) of MPSERS covered payroll for normal pension costs and 7.72% (6.98% during the period of October 1, 2008 through September 30, 2009) for unfunded pension liability. University costs of the MPSERS pension contributions are summarized below.

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

Benefit provisions and contribution requirements of MPSERS are established and may be amended by state statute. 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. University contributions to this program 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 Plan Costs	2009	2008	2007
MPSERS normal pension costs	$1,556,759	$1,230,063	$1,547,762
MPSERS unfunded pension costs	667,895	654,368	462,842
MPSERS retiree health insurance	2,643,206	2,312,717	2,501,261
Total university contributions to MPSERS	4,867,860	4,197,148	4,511,865
Payroll covered under MPSERS	12,178,994	12,128,241	12,051,932
University contributions to TIAA-CREF	7,922,430	7,464,435	6,687,352
Payroll covered under TIAA-CREF	63,454,913	59,407,899	52,740,928

Retirement Supplemental Voluntary Plan

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

Employee Severance Plan

During 2003, the University adopted the Employee Severance Plan (ESP) to facilitate the voluntary retirement of eligible employees. The decision to retire was voluntary and left to the discretion of the individual employee. Under this plan, the employee receives a fixed payment over 10 years, beginning in fiscal year 2004. The net present value of the ESP liability was $832,000 and $1.0 million for the years ended June 30, 2009 and 2008, respectively.

Health Care Plan

Plan Description.
The University currently offers active employees and retirees a self-funded preferred provider health care plan (MTU-PPO) administered by Aetna. The University follows the COBRA regulations for its terminated employee's health care plan. MTU-PPO provides medical, dental, and vision insurance benefits to eligible participants in the Teachers Insurance and Annuities Association College Retirement Equities Fund retirement plan.

Funding Policy.
The contribution requirements of the plan members are established annually by the University. The required contribution is based on annual projected pay-as-you-go financing requirements. 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 phased elimination of 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, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the years ending June 30, 2009 and 2008 respectively:

OPEB Cost and Obligation	2009	2008
Annual required contribution	$1,077,244	$1,602,227
Interest on net OPEB obligation	37,570	-
Adjustment to annual required contribution	(54,318)	-
Annual OPEB cost (expense)	**1,060,496**	**1,602,227**
Contributions made	-	-
Total benefits paid (pay-as-you go)	(716,985)	(662,966)
Increase in net OPEB obligation	**343,511**	**939,261**
Net OPEB obligation - beginning of year	939,261	-
Net OPEB obligation - end of year	**$1,282,772**	**$ 939,261**

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

Historical Annual OPEB Cost and Net OPEB Obligation		
	June 30	
	2009	2008
Annual OPEB cost	$1,060,496	$1,602,227
Percentage of annual OPEB cost contributed	67.6%	41.4%
Net OPEB obligation	1,282,772	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, 2009, the most recent actuarial valuation date, the plan was 0% funded.

As of June 30, 2009 and 2008 respectively, the actuarial accrued liability for benefits was $15.1 million and $18.9 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $15.1 and $18.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $60.4 million for each year, and the ratio of the UAAL to the covered payroll was 25.0% in 2009 and 31.3% in 2008.

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

Actuarial Methods and Assumptions.
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuations performed for the University utilize the unit credit actuarial cost method. The actuarial valuations include an initial annual healthcare cost trend rate of 11% which was then reduced by 1% per year to an ultimate rate of 5% by fiscal year 2014 and each year thereafter. The assumptions also included a 4% salary scale assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. For actuarial purposes, the University has chosen a thirty year amortization period, so the remaining amortization period at June 30, 2009, was twenty-eight years. However, with the implementation of the seven year phased elimination of the retiree health care subsidy, our actual amortization period decreases accordingly.

(12) ENDOWMENT
The Fund's endowment consists of approximately 522

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

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

individual, donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Fund has interpreted the Michigan Uniform Management of Institution Funds Act (UMIFA) (Act 157 of 1976) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purpose of the fund and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Fund
7. The investment policies of the Fund

Following is a summary of the Fund's endowment and changes therein.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net assets for the year ended June 30, 2009				
Invesment (loss) return:				
Investment income	$ -	$ 1,310,648	$ -	$ 1,310,648
Net depreciation (realized and unrealized)	(1,903,717)	(14,387,779)	-	(16,291,496)
Net investment loss	**(1,903,717)**	**(13,077,131)**	**-**	**(14,980,848)**
Contribution receipts	-	-	1,888,488	1,888,488
Appropriation of endowment assets for expenditure	-	(2,370,806)	-	(2,370,806)
Changes to endowment net assets	**(1,903,717)**	**(15,447,937)**	**1,888,488**	**(15,463,166)**
Endowment net assets:				
Beginning of year	(725,286)	31,228,432	48,873,314	79,376,460
End of year	**$(2,629,003)**	**$15,780,495**	**$50,761,802**	**$63,913,294**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net assets for the year ended June 30, 2008				
Invesment (loss) return:				
Investment income	$ -	$ 1,433,073	$ -	$ 1,433,073
Net depreciation (realized and unrealized)	(331,578)	(2,327,313)	-	(2,658,891)
Net investment loss	**(331,578)**	**(894,240)**	**-**	**(1,225,818)**
Contribution receipts	-	59,130	2,852,925	2,912,055
Appropriation of endowment assets for expenditure	-	(1,692,694)	-	(1,692,694)
Changes to endowment net assets	**(331,578)**	**(2,527,804)**	**2,852,925**	**(6,457)**
Endowment net assets:				
Beginning of year	(393,708)	33,756,236	46,020,389	79,382,917
End of year	**$ (725,286)**	**$31,228,432**	**$48,873,314**	**$79,376,460**

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that were reported in unrestricted net assets as of June 30, 2009 and 2008, amounted to $2,629,003 and $725,286, respectively. These deficiencies resulted from significantly unfavorable market fluctuations during fiscal years 2009 and 2008. Management believes that these deficiencies are temporary in anticipation of a future recovery in the market.

Return Objectives and Risk Parameters
The Fund has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Fund expects its endowment funds, over time, to provide an average rate of return of 8.5% annually. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Fund has an annual spending policy of 4.0% of its endowment funds' average fair values over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Fund considered the long-term expected return of its endowment. This is consistent with the Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

(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, 2009 and June 30, 2008 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is not determinable at June 30, 2009 and June 30, 2008. 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 for years ended June 30:

Operating Expenses by Natural and Functional Classification

2009

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

Operating Expenses by Natural and Functional Classification

2008

	Compensation and Benefits	Supplies and Services	Student Financial Support	Utilities	Depreciation	Total
Instruction	$ 43,292,487	$ 6,212,475	$2,430,459	$ 19,991	$ -	$ 51,955,412
Research	30,012,239	12,377,607	2,380,877	184,739	-	44,955,462
Public service	2,976,596	2,927,829	-	1,419	-	5,905,844
Academic support	7,311,190	4,509,959	55,193	9,918	-	11,886,260
Student services	4,665,756	2,502,391	26,142	18,574	-	7,212,863
Institutional support	18,735,015	5,585,278	11,221	32,778	-	24,364,292
Operations and maintenance of plant	5,788,499	1,706,351	-	4,690,470	-	12,185,320
Student financial support	1,087,855	144,691	554,747	-	-	1,787,293
Sales and services of departmental activities	5,867,293	2,644,919	-	-	-	8,512,212
Student residents	5,539,806	6,342,092	-	3,517,281	-	15,399,179
Depreciation	-	-	-	-	11,504,971	11,504,971
	$125,276,736	**$44,953,592**	**$5,458,639**	**$8,475,170**	**$11,504,971**	**$195,669,108**

(15) SUBSEQUENT EVENTS

Acting to advance University's strategic plan and meet its primary goals, the University Board of Control authorized the issuance of $25 million in bonds for buildings and facilities. The bonds are expected to be issued in November 2009.

Proceeds from the bond issue will support three building projects as follows:

- $17 million will be used to construct a new student housing facility. The new housing will provide on-campus apartment style housing for approximately 200 additional students.
- $1 million will be used for additional facilities to be constructed at the Keweenaw Research Center, a facility dedicated to research located at the Houghton County Airport.
- $7 million will be used to finance the University's portion of the Great Lakes Research Center. This $25 million research and educational facility will be built on the University campus and will be funded seventy-five percent by the State of Michigan and twenty-five percent by Michigan Tech.

In preparing these financial statements, Univerity management has evaluated, for potential recognition or disclosure, significant events or transactions that occured during the period subsequent to June 30, 2009, the most recent statement of net assets presented herein, through October 16, 2009, the date these financial statements were available to be issued. Except for the bond issuance discussed above, no significant such events or transactions were identified.

SUPPLEMENTAL INFORMATION

Rehmann

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Independent Auditors' Report on Supplementary Information

October 16, 2009

Board of Control
Michigan Technological University
Houghton, Michigan

Our report on our audits of the basic financial statements of ***Michigan Technological University*** for the years ended June 30, 2009 and 2008 appears on page 17. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 52 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audits of the basic financial statements of ***Michigan Technological University***, and, accordingly, we do not express an opinion on it.

Rehmann Robson

Michigan Technological University
Schedule of Net Assets by Fund, June 30, 2009

	Current Funds General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Combined Total 2009	2008
Assets											
Current assets:											
Cash and cash equivalents	$(13,743,104)	$17,396,523	$8,354,333	$(477,774)	$(1,671,863)	$9,858,115	$422,993	$4,393,611	$1,214,078	$15,888,797	$15,620,066
Accounts receivable, net	9,445,732	557,950	319,664	564,688	7,588,295	18,476,329	-	300,261	114,689	18,891,279	17,613,966
Other assets	226,887	13,525	1,265,197	20,000	-	1,525,609	-	-	388	1,525,997	2,169,869
Total current assets	**(4,070,485)**	**17,967,998**	**9,939,194**	**106,914**	**5,916,432**	**29,860,053**	**422,993**	**4,693,872**	**1,329,155**	**36,306,073**	**35,403,901**
Noncurrent assets:											
Student loans receivable, net	-	-	-	-	-	-	13,309,009	-	-	13,309,009	13,294,348
Investments	-	-	-	5,589,624	-	5,589,624	-	-	-	5,589,623	6,257,214
Capital assets, net of depreciation	-	-	-	-	-	-	-	224,310,713	-	224,310,713	222,248,552
Other assets	-	-	-	-	-	-	-	978,544	-	978,544	978,544
Total noncurrent assets	**-**	**-**	**-**	**5,589,624**	**-**	**5,589,624**	**13,309,009**	**225,289,256**	**-**	**244,187,889**	**242,778,658**
Total assets	**$(4,070,485)**	**$17,967,998**	**$9,939,194**	**$5,696,538**	**$5,916,432**	**$35,449,677**	**$13,732,002**	**$229,983,128**	**$1,329,155**	**$280,493,962**	**$278,182,559**
Liabilities											
Current liabilities											
Accounts payable	$1,630,116	$345,062	$436,598	$601,954	$594,191	$3,607,921	$-	$1,363,645	$79,338	$5,050,904	$5,731,864
Other accrued liabilities	4,537,716	-	93,917	3,633,354	-	8,264,987	-	7,759	1,249,817	9,522,563	8,507,894
Deferred revenue	166,928	-	-	-	2,500,598	2,667,526	-	481,250	-	3,148,776	2,554,640
Current portion of other liabilities	-	-	-	2,413,491	-	2,413,491	-	1,154,945	-	3,568,436	4,109,948
Total current liabilities	**6,334,760**	**345,062**	**530,515**	**6,648,799**	**3,094,789**	**16,953,925**	**-**	**3,007,599**	**1,329,155**	**21,290,679**	**20,904,346**
Noncurrent liabilities											
Funds held for others	713,500	-	-	-	-	713,500	-	-	-	713,500	719,500
Insurance and benefit reserves	-	-	-	2,146,523	-	2,146,523	-	-	-	2,146,523	2,015,319
Other liabilities	-	-	-	-	-	-	-	600,000	-	600,000	600,000
Long-term debt, net of current portion	-	-	-	-	-	-	-	54,957,743	-	54,957,743	49,655,696
Total non-current liabilities	**713,500**	**-**	**-**	**2,146,523**	**-**	**2,860,023**	**-**	**55,557,743**	**-**	**58,417,766**	**52,990,515**
Total liabilities	**7,048,260**	**345,062**	**530,515**	**8,795,322**	**3,094,789**	**19,813,948**	**-**	**58,565,342**	**1,329,155**	**79,708,445**	**73,894,861**
Net assets											
Invested in capital assets	-	-	-	-	-	-	-	169,130,442	-	169,130,442	172,203,024
Restricted for expendable purposes	-	-	-	-	2,821,643	2,821,643	13,687,377	5,261,325	-	21,770,345	22,603,437
Unrestricted	(11,118,745)	17,622,936	9,408,679	(3,098,784)	-	12,814,086	44,625	(2,973,981)	-	9,884,730	9,481,237
Total net assets	**(11,118,745)**	**17,622,936**	**9,408,679**	**(3,098,784)**	**2,821,643**	**15,635,729**	**13,732,002**	**171,417,786**	**-**	**200,785,517**	**204,287,698**
Total liabilities and net assets	**$(4,070,485)**	**$17,967,998**	**$9,939,194**	**$5,696,538**	**$5,916,432**	**$35,449,677**	**$13,732,002**	**$229,983,128**	**$1,329,155**	**$280,493,962**	**$278,182,559**

Michigan Technological University
Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Object
For the Year Ended June 30, 2009

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	2009	2008
Revenues											
Operating revenues											
Student tuition and fees, net	$ 86,905,253	$ -	$2,240,675	$ -	$ -	$89,145,928	$ -	$	$(25,748,938)	$63,396,990	$ 54,820,288
Federal grants and contracts	111,669	-	-	-	25,561,604	25,673,273	(101,808)	-	-	25,571,465	28,007,362
State and local grants and contracts	-	300	-	-	3,800,783	3,801,083	-	33,839	-	3,834,922	3,207,487
Nongovernmental grants and contracts	-	-	-	-	11,467,090	11,467,090	-	-	-	11,467,090	11,201,299
Indirect cost recoveries	9,285,385	-	-	-	(9,285,385)	-	-	-	-	-	-
Educational activities	363,929	2,951,907	929,256	-	406,136	4,651,228	-	65,139	(108,562)	4,607,805	4,626,843
Sales and services of dept activities	-	229,282	9,571,405	-	27,525	9,828,212	-	-	(511,618)	9,316,594	9,611,905
Student resident fees	-	-	19,006,675	-	-	19,006,675	-	-	403,902	19,410,577	17,777,153
Total operating revenues	**96,666,236**	**3,181,489**	**31,748,011**	**-**	**31,977,753**	**163,573,489**	**(101,808)**	**98,978**	**(25,965,216)**	**137,605,443**	**129,252,337**
Expenses											
Operating expenses											
Salaries & wages - non-faculty	26,649,832	3,970,660	7,395,369	1,434,854	7,000,209	46,450,924	-	-	-	46,450,924	43,756,908
Salaries & wages - faculty	31,967,776	719,811	6,330	-	3,780,053	36,473,970	-	-	-	36,473,970	34,223,225
Salaries & wages - graduate students	3,116,877	445,333	266,853	-	3,806,691	7,635,754	-	-	-	7,635,754	7,020,858
Salaries & wages - undergrad students	1,538,051	579,057	1,647,028	-	1,380,375	5,144,511	-	-	-	5,144,511	4,639,034
Fringe benefits	26,175,049	1,864,777	2,967,737	1,717,108	3,867,448	36,592,119	-	-	-	36,592,119	35,636,711
Supplies and services	16,975,009	8,325,757	9,918,121	892,092	12,856,009	48,966,988	113,385	11,920,884	(15,399,492)	45,601,765	44,953,592
Student financial support	21,474,944	335,396	216,277	-	10,150,063	32,176,680	-	-	(25,965,215)	6,211,465	5,458,639
Utilities	4,797,683	168,024	3,749,260	-	32,486	8,747,453	-	-	-	8,747,453	8,475,170
Depreciation	-	-	-	-	-	-	-	11,457,741	-	11,457,741	11,504,971
Total operating expenses	**132,695,221**	**16,408,815**	**26,166,975**	**4,044,054**	**42,873,334**	**222,188,399**	**113,385**	**23,378,625**	**(41,364,707)**	**204,315,702**	**195,669,108**
Operating loss	**(36,028,985)**	**(13,227,326)**	**5,581,036**	**(4,044,054)**	**(10,895,581)**	**(58,614,910)**	**(215,193)**	**(23,279,647)**	**15,399,491**	**(66,710,259)**	**(66,416,771)**
Transfers											
Mandatory transfers in	-	-	423	-	3,483,955	3,484,378	-	19,029,604	-	22,513,982	5,014,764
Mandatory transfers out	(1,461,100)	(413,096)	(2,491,108)	-	(1,663,278)	(6,028,582)	-	(16,485,400)	-	(22,513,982)	(5,014,764)
Non mandatory transfers in	6,711,048	16,178,045	17,700,782	3,737,500	3,892,304	48,219,679	-	18,213,990	-	66,433,669	59,737,759
Non mandatory tansfers out	(20,486,722)	(6,955,118)	(21,366,344)	(29,036)	(2,043,703)	(50,880,923)	-	(15,552,746)	-	(66,433,669)	(59,737,759)
Total transfers	**(15,236,774)**	**8,809,831**	**(6,156,247)**	**3,708,464**	**3,669,278**	**(5,205,448)**	**-**	**5,205,448**	**-**	**-**	**-**
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	3,931,592	3,931,592	-	-	-	3,931,592	3,229,124
State appropriations, operating	49,518,500	-	-	-	-	49,518,500	-	-	-	49,518,500	49,028,200
Gift income	267,773	7,581,114	552,958	-	3,169,191	11,571,036	92,270	-	-	11,663,306	9,874,251
Investment income (loss)	-	-	220,435	(1,214,693)	14,049	(980,209)	209,612	84,531	-	(686,066)	(20,330)
Interest expense	-	-	-	-	-	-	-	(2,582,943)	-	(2,582,943)	(2,095,550)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(587,653)	(587,653)	(196,804)
Net nonoperating revenues	49,786,273	7,581,114	773,393	(1,214,693)	7,114,832	64,040,919	301,882	(2,498,412)	(587,653)	61,256,736	59,818,891
Loss before other revenues	**(1,479,486)**	**3,163,619**	**198,182**	**(1,550,283)**	**(111,471)**	**220,561**	**86,689**	**(20,572,611)**	**14,811,838**	**(5,453,523)**	**(6,597,880)**
Other revenues											
Capital grants and gifts	-	-	-	-	-	-	-	1,951,342	-	1,951,342	1,798,341
Fund additions	-	-	-	-	-	-	-	14,811,838	(14,811,838)	-	
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,763,180**	**(14,811,838)**	**1,951,342**	**1,798,341**
Net increase (decrease) in net assets	(1,479,486)	3,163,619	198,182	(1,550,283)	(111,471)	220,561	86,689	(3,809,431)	-	(3,502,181)	(4,799,539)
Net assets, beginning of year	**(9,639,259)**	**14,459,317**	**9,210,497**	**(1,548,501)**	**2,933,114**	**15,415,168**	**13,645,313**	**175,227,217**	**-**	**204,287,698**	**209,087,237**
Net assets, end of year	**$(11,118,745)**	**$17,622,936**	**$9,408,679**	**$(3,098,784)**	**$2,821,643**	**$15,635,729**	**$13,732,002**	**$171,417,786**	**$ -**	**$200,785,517**	**$204,287,698**

Michigan Technological University
Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Function
For the Year Ended June 30, 2009

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	2009	2008
Revenues											
Operating revenues											
Student tuition and fees, net	$ 86,905,253	$ -	$2,240,675	$ -	$ -	$89,145,928	-	-	$(25,748,938)	$ 63,396,990	$ 54,820,288
Federal grants and contracts	111,669	-	-	-	25,561,604	25,673,273	(101,808)	-	-	25,571,465	28,007,362
State and local grants and contracts	-	300	-	-	3,800,783	3,801,083	-	33,839	-	3,834,922	3,207,487
Nongovernmental grants and contracts	-	-	-	-	11,467,090	11,467,090	-	-	-	11,467,090	11,201,299
Indirect cost recoveries	9,285,385	-	-	-	(9,285,385)	-	-	-	-	-	4,626,843
Educational activities	363,929	2,951,907	929,256	-	406,136	4,651,228	-	65,139	(108,562)	4,607,805	9,611,905
Student resident fees	-	-	19,006,675	-	-	19,006,675	-	-	403,902	19,410,577	17,777,153
Sales and services of dept activities	-	229,282	9,571,405	-	27,525	9,828,212	-	-	(511,618)	9,316,594	-
Total operating revenues	**96,666,236**	**3,181,489**	**31,748,011**	**-**	**31,977,753**	**163,573,489**	**(101,808)**	**98,978**	**(25,965,216)**	**137,605,443**	**129,252,337**
Expenses											
Operating expenses											
Instruction	53,425,508	2,470,128	-	-	405,661	56,301,297	-	-	(379,005)	55,922,292	51,955,412
Research	11,960,145	7,457,720	-	-	27,902,654	47,320,519	-	-	(2,294,865)	45,025,654	44,955,462
Public service	449,346	890,880	-	-	5,713,860	7,054,086	-	-	(15,000)	7,039,086	5,905,844
Academic support	10,413,935	174,079	-	-	33,112	10,621,126	-	-	(294,273)	10,326,853	11,886,260
Student services	6,083,576	921,257	-	-	741,305	7,746,138	-	-	-	7,746,138	7,212,863
Institutional support	18,919,129	4,010,357	-	4,040,382	33,159	27,003,027	-	11,777,479	(10,387,485)	28,393,021	24,364,292
Student financial support	19,719,491	-	-	-	8,043,583	27,763,074	113,385	-	(25,748,937)	2,127,522	12,185,320
Operations and maintenance of plant	11,724,091	484,394	-	3,672	-	12,212,157	-	143,405	(1,044,046)	11,311,516	1,787,293
Sales and services of dept activities	-	-	26,166,975	-	-	26,166,975	-	-	(18,059,972)	8,107,003	8,512,212
Student residents	-	-	-	-	-	-	-	-	16,858,876	16,858,876	15,399,179
Depreciation	-	-	-	-	-	-	-	11,457,741	-	11,457,741	11,504,971
Total operating expenses	**132,695,221**	**16,408,815**	**26,166,975**	**4,044,054**	**42,873,334**	**222,188,399**	**113,385**	**23,378,625**	**(41,364,707)**	**204,315,702**	**195,669,108**
Operating loss	**(36,028,985)**	**(13,227,326)**	**5,581,036**	**(4,044,054)**	**(10,895,581)**	**(58,614,910)**	**(215,193)**	**(23,279,647)**	**15,399,491**	**(66,710,259)**	**(66,416,771)**
Transfers											
Mandatory transfers in	-	-	423	-	3,483,955	3,484,378	-	19,029,604	-	22,513,982	5,014,764
Mandatory transfers out	(1,461,100)	(413,096)	(2,491,108)	-	(1,663,278)	(6,028,582)	-	(16,485,400)	-	(22,513,982)	(5,014,764)
Non mandatory transfers in	6,711,048	16,178,045	17,700,782	3,737,500	3,892,304	48,219,679	-	18,213,990	-	66,433,669	59,737,759
Non mandatory tansfers out	(20,486,722)	(6,955,118)	(21,366,344)	(29,036)	(2,043,703)	(50,880,923)	-	(15,552,746)	-	(66,433,669)	(59,737,759)
Total transfers	**(15,236,774)**	**8,809,831**	**(6,156,247)**	**3,708,464**	**3,669,278**	**(5,205,448)**	**-**	**5,205,448**	**-**	**-**	**-**
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	3,931,592	3,931,592	-	-	-	3,931,592	3,229,124
State appropriations, operating	49,518,500	-	-	-	-	49,518,500	-	-	-	49,518,500	49,028,200
Gift income	267,773	7,581,114	552,958	-	3,169,191	11,571,036	92,270	-	-	11,663,306	9,874,251
Investment income (loss)	-	-	220,435	(1,214,693)	14,049	(980,209)	209,612	84,531	-	(686,066)	(20,330)
Interest expense	-	-	-	-	-	-	-	(2,582,943)	-	(2,582,943)	(2,095,550)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(587,653)	(587,653)	(196,804)
Net nonoperating revenues	**49,786,273**	**7,581,114**	**773,393**	**(1,214,693)**	**7,114,832**	**64,040,919**	**301,882**	**(2,498,412)**	**(587,653)**	**61,256,736**	**59,818,891**
Loss before other revenues	**(1,479,486)**	**3,163,619**	**198,182**	**(1,550,283)**	**(111,471)**	**220,561**	**86,689**	**(20,572,611)**	**14,811,838**	**(5,453,523)**	**(6,597,880)**
Other revenues											
Capital grants and gifts	-	-	-	-	-	-	-	1,951,342	-	1,951,342	1,798,341
Fund additions	-	-	-	-	-	-	-	14,811,838	(14,811,838)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,763,180**	**(14,811,838)**	**1,951,342**	**1,798,341**
Net increase (decrease) in net assets	**(1,479,486)**	**3,163,619**	**198,182**	**(1,550,283)**	**(111,471)**	**220,561**	**86,689**	**(3,809,431)**	**-**	**(3,502,181)**	**(4,799,539)**
Net assets, beginning of year	(9,639,259)	14,459,317	9,210,497	(1,548,501)	2,933,114	15,415,168	13,645,313	175,227,217	-	204,287,698	209,087,237
Net assets, end of year	**$(11,118,745)**	**$17,622,936**	**$9,408,679**	**$(3,098,784)**	**$2,821,643**	**$15,635,729**	**$13,732,002**	**$171,417,786**	**$ -**	**$200,785,517**	**$204,287,698**

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