



2011 Financial Report



NCAA Division II national runners-up women's basketball team and other successful students made 2010-11 a very good year.

MICHIGAN TECHNOLOGICAL UNIVERSITY

Michigan Tech

Create the Future

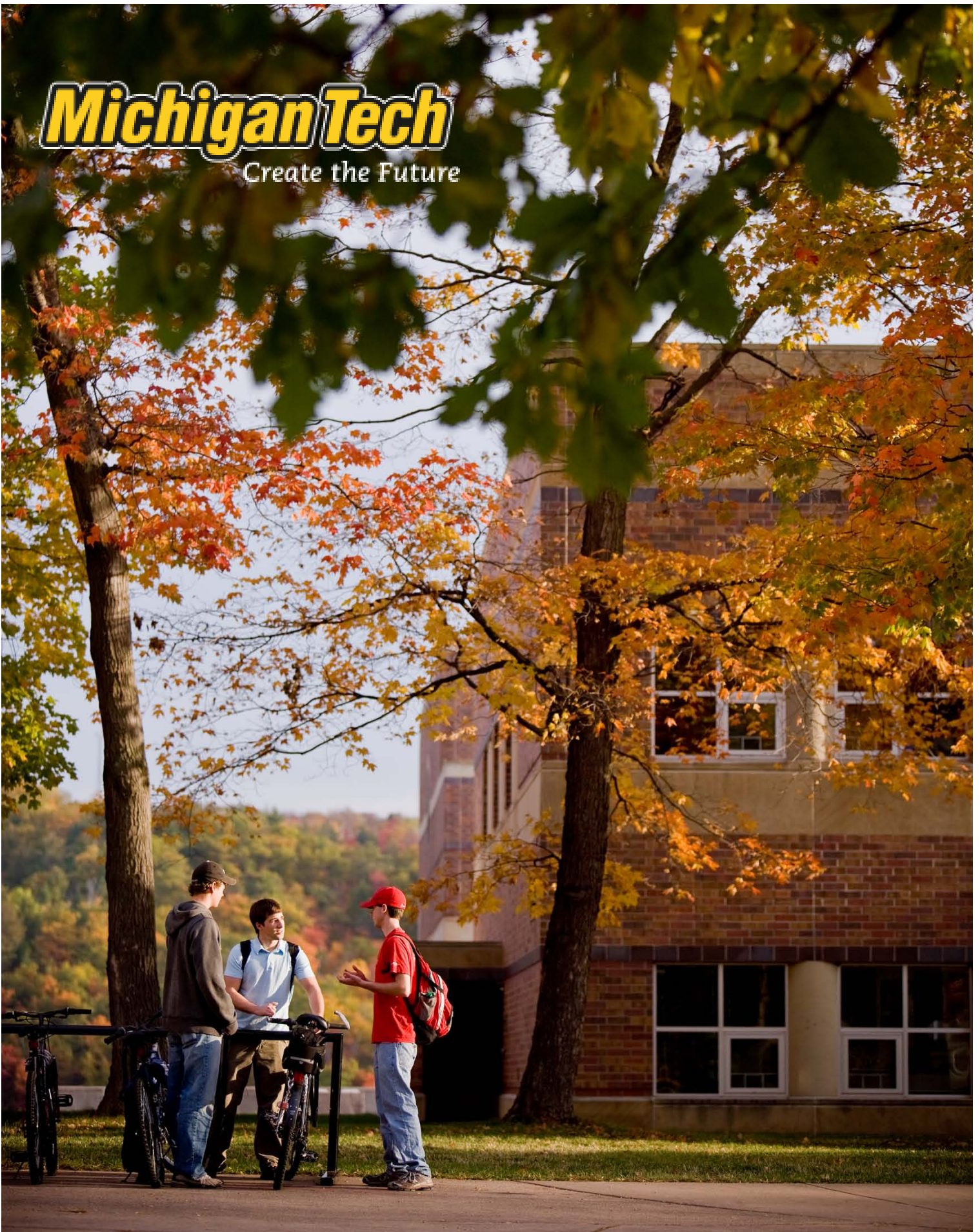


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THE MICHIGAN TECH PLAN

MISSION

We prepare students to create the future.

VISION

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

GOALS

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

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

- Goal 1: *Attract, retain, and support a world-class and diverse 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 promote sustainable economic and social development in Michigan, the nation, and the world.*



LETTER FROM THE PRESIDENT

Although the major goals of the Strategic Plan remain the same—People, Distinctive Education, and Research/Scholarship/Creativity—the University makes progress toward them in constantly changing ways.

This year, we promoted many of our impressive faculty to professor and associate professor ranks. Our faculty now includes eleven endowed professorships, with two more to be named soon.

Our 900-plus graduates this spring did well in the job market (more than 87 percent placement), despite a still-struggling economy. Their success correlates to our core mission: “instill the knowledge and confidence that graduates need to be top ranked in the degrees we offer.” We believe that mission ultimately equates to launching their careers.

We continue to be careful stewards of our operating budget. Our current fund balance remains in the black, and the cash flow remains strong, as we try to gain our fair share of support from the State of Michigan legislature. We also follow budget-development guiding principles of a balanced budget, tuition restraint, strategic hiring, and strategic realignment and investment.

We are also sustaining our strong philanthropic endeavors. The Generations of Discovery Campaign is maintaining its momentum, as evidenced by the funding of these building projects: Humanities Digital Media Zone, A. E. Seaman Mineral Museum, and Center for Computer Systems Research. We are presently at approximately \$150 million of our \$200 million campaign goal.

Enrollment projections continue their strong trend, as we recruit more women and underrepresented populations, an important part of our Strategic Plan.

We know that all the students who come to Michigan Tech will be well prepared to create the future.

Sincerely



Glenn D. Mroz
President

ADMINISTRATIVE OFFICERS

BOARD OF CONTROL

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2012 Martha K. Richardson, Chair
2014 Lenora Ashford
2016 Thomas L. Baldini
2018 Julie A. Fream

Dr. Kathryn Clark
Stephen J. Hicks, Vice Chair
Paul G. Ollila
Terry J. Woychowski

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President

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Vice President for Research

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Vice President for Student Affairs

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Vice President for Governmental
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and Treasurer of the Board of Control

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Vice President for Administration

Dr. Walter W. Milligan
Chief Information Officer



UNIVERSITY UPDATE

Students dominate in the classroom, in the lab, on the court and on the field

It was a very good year for many of our students

Samantha Neirby '11, a chemical engineering graduate, became just the third woman Naval officer ever recruited from a university to serve on a nuclear submarine. Photo on page 36.

A Senior Design team of mechanical engineering undergraduates took on projects to help disabled children in India walk again.

The Steel Bridge team took second at the AISC National Student Steel Bridge Competition. Forty-eight student teams from across the US and Canada participated. Photo on page 47.

Another team of students took first place in the prestigious University Nanosat 6 competition, earning the rare privilege of having the Department of Defense launch their custom-made satellite into orbit in 2013. Photo on page 45.

An interdisciplinary Senior Design team found new ways to replicate what happens to stents and other manmade items placed inside our blood vessels.

A PhD student in environmental engineering placed in an international satellite-imaging competition.

NIH-sponsored research, with graduate students involved, looked at sleep deprivation differences in men and women. Photo on page 7.

Student-athletes' cumulative GPA during 2010-11 was 3.18, and the women's basketball team ranked twentieth in the nation with a 3.459 GPA.

The women's basketball team finished national runners-up. Head coach Kim Cameron was Great Lakes Intercollegiate Athletic Conference (GLIAC) and Women's Basketball Coaches Association Region Coach of the Year. Senior guard Angela Guisfredi won the Elite 88 award for the highest GPA of any athlete at the NCAA Division II Elite Eight women's basketball tournament and received a postgraduate scholarship from the GLIAC. Photo on the front cover and page 9.

The new women's soccer team got its first win in front of 1,300 fans and led the GLIAC in home attendance. Photo on page 17.

Nordic skiers Malin Eriksson and Mikko Harju qualified for the NCAA Championships. Photo on page 9.

The football Huskies tied for second in the GLIAC with an 8-2 record, including a win over national No. 1 Grand Valley State. Phil Milbrath was First Team All-American. Photo on page 7 and 9.

Ploy Suthijindawong and Luka Stupar were both named to the All-GLIAC Tennis First Teams.

Track and field student-athletes Nathan Salgia (3.85 GPA in mechanical engineering) and Melanie Hoffman (4.0 GPA in exercise science) set school records in the decathlon and heptathlon, respectively. Photo on page 36.

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 34% of accepted students enroll at the University. Michigan residents account for 66% of the University's enrollment.

Accepted Students*						Average ACT Scores for Incoming Freshmen, Fall		
Summer and Fall Terms								
	2010	2009	2008	2007	2006		MTU	Natl
Freshmen	3,353	3,456	3,781	3,485	3,115	2010	26.1	21.0
Transfer Students	415	403	352	470	358	2009	26.0	21.1
Graduate Students	1,252	1,217	962	701	608	2008	25.6	21.1
Total	5,020	5,076	5,095	4,656	4,081	2007	25.6	21.2
						2006	25.2	21.1

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

Selected Enrollment Data*					
Summer and Fall Terms					
	2010	2009	2008	2007	2006
New Freshmen	1,115	1,160	1,365	1,223	1,169
New Transfer Students	230	236	216	229	218
Graduate Students	364	443	265	233	276
Total	1,709	1,839	1,846	1,685	1,663

Enrollment by Residency*

	2010	2009	2008	2007	2006
Resident	4,550	4,782	4,652	4,441	4,260
Non-Resident	1,381	1,457	1,526	1,599	1,611
International	985	892	819	647	577
Total	6,916	7,131	6,997	6,687	6,448

Full-Time Equivalent Students by Residency*

	2010	2009	2008	2007	2006
Resident	4,239	4,410	4,315	4,114	3,973
Non-Resident	1,307	1,378	1,433	1,495	1,523
International	925	848	780	619	530
Total	6,471	6,636	6,528	6,228	6,026

*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					
	2010	2009	2008	2007	2006
Associate	6	23	20	26	24
Bachelor's	1,149	1,073	1,146	966	1,008
Master's	202	169	196	184	203
Doctorate	56	57	54	65	41
Total	1,413	1,322	1,416	1,241	1,276



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, 2011, 2010, and 2009. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis, which includes the Michigan Tech Fund whenever appropriate. Responsibility for the completeness and fairness of this information rests with University management.

USING THE ANNUAL REPORT

The University's financial report includes three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented to focus on the University as a whole. The financial statements report information about the University using accrual accounting methods similar to those used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

REPORTING ENTITY

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

CONDENSED STATEMENTS OF NET ASSETS

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



Condensed Statements of Net Assets			
As of June 30			
	2011	2010	2009
Assets			
Current assets	\$ 35,892,138	\$ 40,100,788	\$ 36,306,073
Noncurrent assets:			
Capital assets, net	250,109,030	241,689,069	224,310,713
Other	21,504,141	20,166,676	19,877,176
Total assets	\$ 307,505,309	\$ 301,956,533	\$ 280,493,962
Liabilities			
Current liabilities	\$ 24,693,524	\$ 26,634,623	\$ 21,290,679
Noncurrent liabilities	82,744,728	74,332,274	58,417,766
Total liabilities	\$ 107,438,252	\$ 100,966,897	\$ 79,708,445
Net assets			
Invested in capital assets, net of related debt	\$ 168,275,083	\$ 168,775,108	\$ 169,130,442
Restricted for expendable purposes	22,185,869	23,776,567	21,770,345
Unrestricted	9,606,105	8,437,961	9,884,730
Total net assets	\$ 200,067,057	\$ 200,989,636	\$ 200,785,517

Changes from 2010 to 2011

Current assets decreased by \$4.2 million. Cash and cash equivalents decreased by \$6.3 million due to the use of bond proceeds on capital construction projects. Accounts receivable increased by \$2.1 million due to increases in receivables for research.

Capital assets, net increased by \$8.4 million. Asset additions during the year totaled \$21.8 million and the depreciation charge for the year was \$13.2 million. Capital additions for fiscal 2011 included \$4.0 million in academic and research equipment and \$7.4 million for the initial construction costs of a new research facility.

Other noncurrent assets increased by \$1.3 million as the value of investments increased by \$1.5 million and student loans receivable decreased by \$200,000.

Current liabilities decreased by \$1.9 million. Accounts payable decreased by \$2.7 million mainly due to decreased payables to vendors of \$2.3 million and decreased contractor's retainage of \$463,000. In FY11, a carryover policy was initiated whereby any unspent general fund budget allocation will be allowed to carry forward to FY12; this had the effect of greatly reducing payable to vendors at year end. Other accrued liabilities increased by \$400,000, deferred revenues increased by \$513,000, current portion of noncurrent liabilities decreased by \$293,000 and current portion of long-term debt increased by \$274,000.

Noncurrent liabilities increased by \$8.4 million as additional bonds were issued to finance the construction of a new research facility. Long term debt increased by \$9.1 million and insurance and benefit reserves decreased by \$588,000.

Total net assets decreased by \$922,000. The University's investment in capital assets, net of related debt, decreased by \$500,000. This is a result of the depreciation charge plus new debt issued being greater than newly acquired assets plus construction in progress. Restricted net assets decreased by \$1.6 million while unrestricted net assets increased by \$1.2 million. The University maintains its internal accounting records on a fund basis. The June 30, 2011 unrestricted reserves of \$9.6 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 2009 to 2010

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

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

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

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

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

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



NET ASSETS

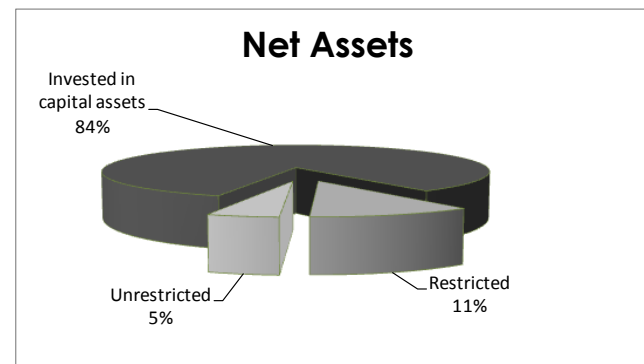
Net assets represent the residual interest in the University's assets after liabilities are deducted. The composition of the University's net assets is summarized as follows:

Net Assets Summary			
As of June 30			
	2011	2010	2009
Invested in capital assets, net of related debt	\$ 168,275,083	\$ 168,775,108	\$ 169,130,442
Restricted-expendable			
Gifts and sponsored programs	2,808,383	2,692,577	2,821,642
Capital projects and debt service	5,479,269	7,303,870	5,261,326
Student loans	13,898,217	13,780,120	13,687,377
Total restricted net assets	22,185,869	23,776,567	21,770,345
Unrestricted net assets (deficit)			
Capital projects and repairs	(1,763,284)	(2,343,381)	(1,171,495)
Auxiliary enterprises	6,850,582	8,109,036	9,408,680
Designated for departmental use	17,482,191	17,669,080	17,622,936
Uncommitted	(12,963,384)	(14,996,774)	(15,975,391)
Total unrestricted net assets	9,606,105	8,437,961	9,884,730
Total net assets	\$ 200,067,057	\$ 200,989,636	\$ 200,785,517

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

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

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



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

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

Condensed Statements of Revenues, Expenses, and Changes in Net Assets			
Year ended June 30			
	2011	2010	2009
Operating revenues			
Tuition and fees, net	\$ 67,034,320	\$ 65,590,647	\$ 63,396,990
Grants and contracts	48,226,440	42,899,049	40,873,477
Educational activities	4,126,664	4,790,916	4,607,805
Auxiliary activities	28,083,511	28,302,646	28,727,171
Total operating revenues	147,470,935	141,583,258	137,605,443
Operating expenses			
	217,025,253	210,515,343	204,315,702
Operating loss	(69,554,318)	(68,932,085)	(66,710,259)
Nonoperating revenues and expenses			
Federal Pell grants	6,321,778	6,035,503	3,931,592
State appropriations	47,924,200	47,870,800	49,518,500
Capital grants and gifts	14,184,105	15,335,072	13,614,648
Other nonoperating revenues and expenses, net	201,656	(105,171)	(3,856,662)
Net nonoperating revenues	68,631,739	69,136,204	63,208,078
Net (decrease) increase in net assets	(922,579)	204,119	(3,502,181)
Net assets			
Beginning of year	200,989,636	200,785,517	204,287,698
End of year	\$ 200,067,057	\$ 200,989,636	\$ 200,785,517

Changes from 2010 to 2011

Operating revenues increased by a total of \$5.8 million. Tuition and fees, net of scholarship allowance, increased by \$1.4 million (2.2%) as enrollment decreased by 3.0% and tuition increases amounted to 5.45% for undergrad students and 5.76% for graduate students. Grant and contract revenues increased by \$5.3 million (12.4%) as the University has increased the number of research faculty and federal research funding remains strong. Educational activities revenues decreased by \$665,000 (13.9%).

Operating expenses increased by \$6.5 million. Salary and benefit costs increased by \$2.7 million or 1.9%. A breakdown of these costs shows that salary costs increased by \$3.8 million (3.7%) and benefit costs decreased by \$1.1 million (3.1%). This is a result of a compensation shift whereby funds spent on benefits (primarily health care and retirement funding) were shifted to employee salaries to give employees more flexibility in the management of their total compensation package. Supplies and services increased by \$2.4 million (5.5%), utilities decreased by \$199,000 (2.4%), and annual depreciation increased by \$1.3 million.

Net nonoperating revenues decreased by \$504,000. Federal Pell grants increased by \$286,000, state appropriations increased by \$54,000, gifts to the University, including gifts of capital assets, decreased by \$1.2 million (non-capital gifts increased by \$2.5 million), investments showed a gain of \$1.1 million, capital appropriations increased by \$1.3 million and interest on capital debt increased by \$1.1 million.

The net result of operations for the year was a decrease in net assets of \$923,000.

Changes from 2009 to 2010

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

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

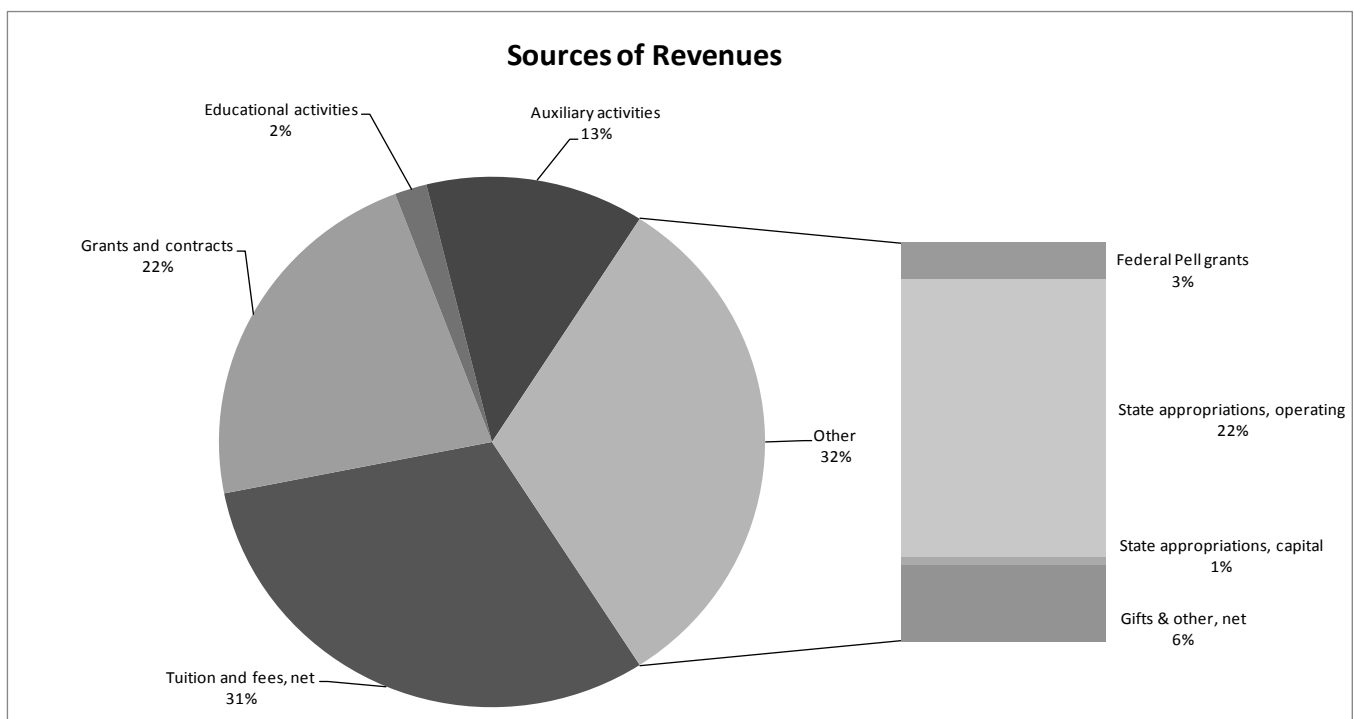
Net nonoperating revenues increased by \$5.9 million. Federal Pell grants increased by \$2.1 million as increased Pell funding was a significant priority in federal economic recovery legislation. State appropriations decreased by \$1.6 million, but this decrease was offset by \$1.3 million in state stabilization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

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

Revenue Diversification

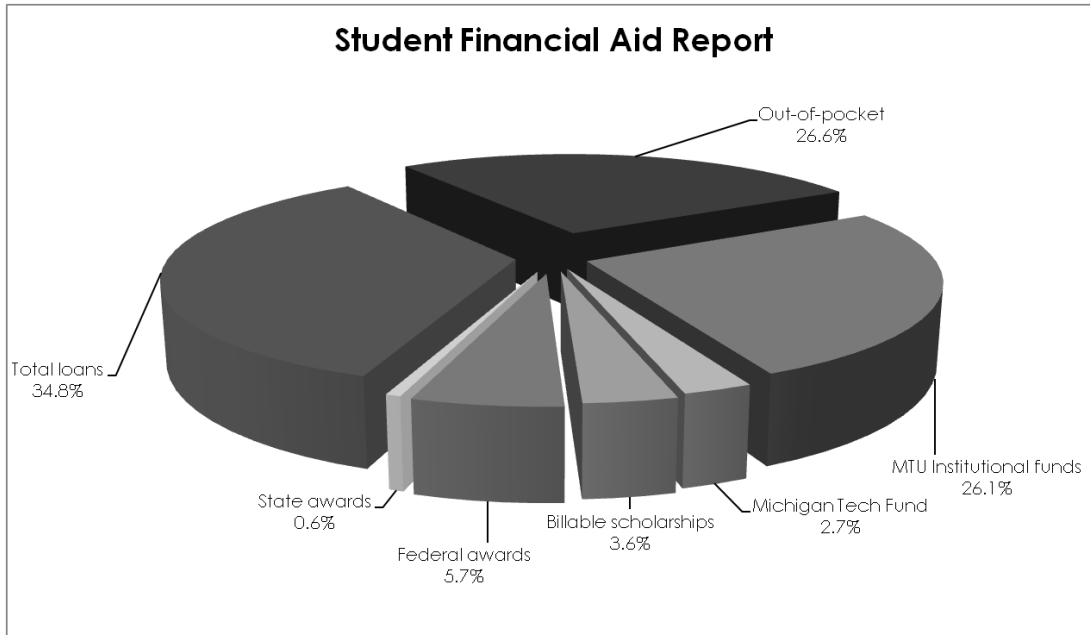
One of the University's greatest financial strengths is its diverse streams of revenues. In order to supplement student tuition, the University continues to aggressively increase funding from other sources consistent with its mission.

The following graph illustrates the fiscal year 2011 revenues by source:



TUITION AND FEES REVENUE

The University provides students with the opportunity to obtain a quality education at a price that is subsidized by state funding. For fiscal year 2011, the University implemented a 5.45% average increase in tuition and mandatory fees for Michigan undergraduates and graduate students saw a 5.76% increase in tuition and mandatory fees. The following graph identifies the source of funds used to pay student tuition and fees for the fiscal year ended June 30, 2011. The graph shows that 38% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

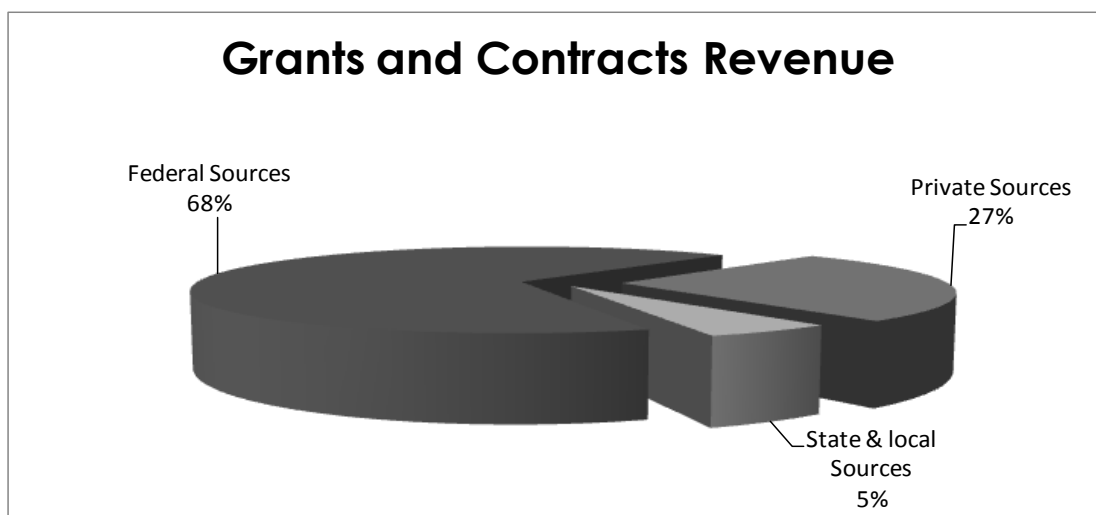


GRANT AND CONTRACT REVENUE

The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were \$54.1 and \$58.7 million dollars of research and sponsored programs awards in fiscal years 2011 and 2010, respectively. The University currently has 22 interdisciplinary research institutes and centers that have enabled the University to maintain its growing recognition as a research institution. The University also operates off-campus research facilities in Hancock, MI and Ann Arbor, MI.

Grants and Contracts Revenue			
Year ended June 30			
	2011	2010	2009
Federal sources			
Department of Agriculture	\$ 2,607,963	\$ 2,273,438	\$ 2,261,653
Department of Defense	9,345,988	7,601,392	6,713,247
Department of Education	2,018,251	2,036,102	1,234,250
Department of Energy	4,408,612	4,197,431	4,814,197
Department of Interior	887,116	597,926	414,968
Department of Transportation	1,134,734	866,759	850,781
Environmental Protection Agency	228,126	65,483	94,280
National Aeronautics and Space Administration	1,348,565	1,054,346	679,530
National Science Foundation	8,200,144	7,400,441	7,481,401
Health and Human Services	2,276,522	1,525,436	702,813
Other federal sources	157,829	257,256	324,345
Total federal sources	32,613,850	27,876,010	25,571,465
Nonfederal sources			
State and local	2,644,867	3,384,630	3,834,922
Private	12,967,723	11,638,409	11,467,090
Total nonfederal sources	15,612,590	15,023,039	15,302,012
Total all sources	\$ 48,226,440	\$ 42,899,049	\$ 40,873,477

The following graphic illustrates the fiscal year 2011 grant and contract revenue by source.



CONDENSED STATEMENTS OF CASH FLOWS

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

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

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

Condensed Statements of Cash Flows			
Year Ended June 30			
	2011	2010	2009
Cash (used in) provided by			
Operating activities	\$ (56,991,631)	\$ (55,875,854)	\$ (54,209,270)
Noncapital financing activities	66,780,281	65,076,130	65,027,823
Capital and related financing activities	(17,036,095)	(5,901,982)	(10,504,853)
Investing activities	854,738	322,163	(44,969)
Net (decrease) increase in cash and cash equivalents	(6,392,707)	3,620,457	268,731
Cash and cash equivalents, beginning of the year	19,509,254	15,888,797	15,620,066
Cash and cash equivalents, end of the year	\$ 13,116,547	\$ 19,509,254	\$ 15,888,797

Changes from 2010 to 2011

Cash used in operations increased by \$1.1 million. Significant changes in cash provided by operations include an increase from tuition and fees of \$1.4 million, a decrease from auxiliary and educational activities of \$806,000 and an increase from grants and contracts of \$5.8 million. The most significant changes in cash used in operations include an increase in payments to employees and employee benefits of \$4.4 million, an increase in payments to suppliers and utilities of \$2.3 million and an increase in payments to students of \$931,000.

Cash provided by noncapital financing activities increased by \$1.7 million. Gifts to the University increased by \$2.5 million and Pell grants increased by \$319,000. For fiscal year 2011, state appropriations decreased by \$256,000 and federal grants, other (which included state stabilization funds in fiscal year 2010) decreased by \$1.1 million.

Net cash used by capital financing activities increased by \$11.1 million. During fiscal year 2011 there was a decrease in cash provided by the issuance of debt of \$7.3 million, cash received for capital grants and gifts decreased by \$2.2 million and cash received for capital appropriation increased by \$1.3 million. Uses of cash for capital financing activities increased by \$2.7 million as purchases of capital assets increased by \$606,000, principal paid on capital debt increased by \$800,000 and interest paid on capital debt increased by \$1.3 million.

Cash provided by investing activities increased by \$533,000 primarily due to some re-balancing of investment portfolios and the receipt and reinvestment of dividends from the investment portfolio and the receipt of interest from the student loan program.

Overall, cash and cash equivalents decreased by \$6.4 million for the year ended June 30, 2011.

Changes from 2009 to 2010

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

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

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

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

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

BOARD APPROVES BUDGET AND TUITION FOR 2011-12

In April, the Michigan Technological University Board of Control passed a \$160 million general fund budget for fiscal year 2012, which began July 1, 2011. It includes an increase of 6.95 percent in tuition and mandatory fees. The Board previously increased room and board rates by 2.2 percent for academic year 2011-2012.

The general fund is that component of the budget covering most general academic and administrative costs. The total University operating budget, which includes sponsored research, will be \$251 million, an increase of \$6 million over fiscal year 2011.

The tuition increase met the Governor's budget proposal guideline, which lowered a recommended 22 percent decrease in appropriations for state universities to a 15 percent decrease, providing tuition and mandatory fees increases were kept under 7.1 percent.

Michigan Tech's new budget is based on this expected 15 percent decline in state appropriations, from \$47.9 million this year to \$40.7 million next year.

This year, billing will be simplified by combining tuition and mandatory fees, which went from an average of \$13,007 for the 2010-2011 academic year to an average of \$13,910.50 in 2011-2012.

"Accounting for inflation, state funding has been rolled back to the level of the late 1960's, when the University had only 60 percent of today's enrollment and little research and graduate school activity. Despite severe state funding reductions, Michigan Tech is committed to preserving the core qualities of our educational programs and supporting our outstanding faculty and staff," said President Glenn D. Mroz.

Commenting on the appeal of Michigan Tech to students in favorable or difficult economic times, Mroz said, "Our undergraduate students enroll because Michigan Tech offers them advantages they will not

find elsewhere. They will be on a first-name basis with professors who care about their development. They will experience hands-on learning, have access to leading-edge equipment and laboratories, and enjoy small class sizes. Students seek these distinctive advantages, which will make them stand out in their career pursuits. Despite the state funding cuts, our students clearly value a Michigan Tech education. And, we will stand firm in continuing to provide that unique educational experience."

Marty Richardson, Board chair, said: "Though the decline in state support is challenging, this budget reflects a continuing focus on what is most important at Michigan Tech. Our vision is to be a world-class technological university and we have not wavered from that. Students, graduates and employers expect and deserve that."

The budget increases financial aid for students from \$26.3 million to \$27.3 million. It also includes \$3.8 million in spending reductions which averaged 4% for administrative units and 2% for academic units.

"The message is clear," said Steve Hicks, chair of the Board's Finance and Audit Committee. "We have extended our commitment to increase access to students, and the funding of academics remains our top priority."

Michigan Tech will continue to implement continuous improvement measures, positioning the University for success in a rapidly changing economic environment, President Mroz also told the Board.

Included in the new budget is a pool of funds for promotional increases for faculty, specifically those who will move up in the academic ranks.



INDEPENDENT AUDITORS' REPORT

October 6, 2011

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, 2011 and 2010 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, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows of the University for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The Management Discussion and Analysis presented on pages 7 through 17 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.



MICHIGAN TECHNOLOGICAL UNIVERSITY STATEMENTS OF NET ASSETS

	June 30	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,116,547	\$ 19,509,254
Accounts receivable, net	21,177,336	19,049,864
Other assets	1,598,255	1,541,670
Total current assets	35,892,138	40,100,788
Noncurrent assets:		
Student loans receivable, net of allowance	12,454,408	12,647,300
Investments	8,071,189	6,540,832
Capital assets, net of accumulated depreciation	250,109,030	241,689,069
Goodwill	978,544	978,544
Total noncurrent assets	271,613,171	261,855,745
Total assets	\$ 307,505,309	\$ 301,956,533
Liabilities		
Current liabilities		
Accounts payable	\$ 6,305,633	\$ 9,041,480
Other accrued liabilities	10,474,495	10,173,501
Deferred revenue	3,032,505	2,520,184
Current portion of long-term debt	1,808,164	1,533,860
Current portion of insurance and benefit reserves	3,072,727	3,365,598
Total current liabilities	24,693,524	26,634,623
Noncurrent liabilities		
Funds held for others	680,000	687,900
Insurance and benefit reserves	1,376,648	1,964,561
Other liabilities	-	100,000
Long-term debt, net of current portion	80,688,080	71,579,813
Total noncurrent liabilities	82,744,728	74,332,274
Total liabilities	107,438,252	100,966,897
Net assets		
Invested in capital assets, net of related debt	168,275,083	168,775,108
Restricted for expendable purposes	22,185,869	23,776,567
Unrestricted	9,606,105	8,437,961
Total net assets	200,067,057	200,989,636
Total liabilities and net assets	\$ 307,505,309	\$ 301,956,533

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	
	2011	2010
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$32,959,557 and \$31,503,176 in 2011 and 2010, respectively)	\$ 67,034,320	\$ 65,590,647
Federal grants and contracts	32,613,850	27,876,010
State and local grants and contracts	2,644,867	3,384,630
Nongovernmental grants and contracts	12,967,723	11,638,409
Educational activities	4,126,664	4,790,916
Departmental activities	8,262,911	8,839,366
Student resident fees	19,820,600	19,463,280
Total operating revenues	147,470,935	141,583,258
Expenses		
Operating expenses		
Compensation and benefits	141,065,079	138,367,699
Supplies and services	46,772,343	44,336,200
Student financial support	7,717,978	7,487,868
Utilities	8,221,631	8,421,166
Depreciation	13,248,222	11,902,410
Total operating expenses	217,025,253	210,515,343
Operating loss	(69,554,318)	(68,932,085)
Nonoperating revenues (expenses)		
Federal Pell grants	6,321,778	6,035,503
Federal grants, other	462,619	1,586,774
State appropriations	47,924,200	47,870,800
Gifts	12,076,991	9,533,412
Investment return	2,371,471	1,234,866
Interest on capital asset-related debt	(3,814,113)	(2,672,320)
Loss on disposal of capital assets	(128,687)	(254,491)
Net nonoperating revenues	65,214,259	63,334,544
Loss before other revenues	(4,340,059)	(5,597,541)
Other revenues		
Capital appropriations	1,310,366	-
Capital grants and gifts	2,107,114	5,801,660
Net (decrease) increase in net assets	(922,579)	204,119
Net assets		
Beginning of year	200,989,636	200,785,517
End of year	\$ 200,067,057	\$ 200,989,636

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

MICHIGAN TECHNOLOGICAL UNIVERSITY STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2011	2010
Cash flows from operating activities		
Student tuition and fees	\$ 66,872,535	\$ 65,503,404
Grants and contracts	47,907,164	42,119,200
Payments to employees	(106,019,253)	(101,980,734)
Payments for benefits	(35,124,359)	(34,709,950)
Payments to suppliers	(47,126,480)	(44,301,393)
Payments for utilities	(8,122,381)	(8,618,455)
Payments for financial aid	(7,717,978)	(7,487,868)
Loans issued to students	(1,697,145)	(996,000)
Collection of loans to students	1,890,037	1,657,708
Departmental activities	8,362,941	8,681,752
Educational activities	4,051,325	4,843,756
Student resident fees	19,769,142	19,464,349
Other payments	(37,179)	(51,623)
Net cash used in operating activities	(56,991,631)	(55,875,854)
Cash flows from noncapital financing activities		
Federal Pell grants	6,297,983	5,978,719
Federal grants, other	462,619	1,586,774
State appropriations	47,914,497	48,170,373
Gifts and grants for other than capital purposes	12,076,991	9,533,412
William D. Ford direct lending cash received	31,713,395	31,647,227
William D. Ford direct lending cash disbursed	(31,685,204)	(31,840,375)
Net cash provided by noncapital financing activities	66,780,281	65,076,130
Cash flows from capital and related financing activities		
Capital appropriations	1,310,366	-
Capital grants and gifts received	373,912	2,613,224
Proceeds from sale of capital assets	59,619	279,584
Purchases of capital assets	(23,947,466)	(23,341,515)
Proceeds on issuance of debt	10,975,000	18,235,000
Principal paid on capital debt and leases	(2,033,860)	(1,234,015)
Interest paid on capital debt and leases	(3,773,666)	(2,454,260)
Net cash used in capital and related financing activities	(17,036,095)	(5,901,982)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	599,871	-
Purchase of investments	(132,938)	(149,577)
Income on investments	387,805	471,740
Net cash provided by investing activities	854,738	322,163
Net (decrease) increase in cash and cash equivalents	(6,392,707)	3,620,457
Cash and cash equivalents, beginning of year	19,509,254	15,888,797
Cash and cash equivalents, end of year	\$ 13,116,547	\$ 19,509,254

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

MICHIGAN TECHNOLOGICAL UNIVERSITY STATEMENTS OF CASH FLOWS (continued)

	Year Ended June 30	
	2011	2010
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (69,554,318)	\$ (68,932,085)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	13,248,222	11,902,410
Changes in operating assets and liabilities:		
Receivables, net	(999,970)	5,201
Other assets	(56,585)	(15,673)
Student loans receivable	192,892	661,707
Accounts payable	(133,225)	155,097
Other accrued liabilities	300,994	650,938
Deferred revenue	499,042	(547,994)
Insurance and benefit reserves	(480,783)	270,145
Funds held for others	(7,900)	(25,600)
Net cash used in operating activities	\$ (56,991,631)	\$ (55,875,854)

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



MICHIGAN TECH FUND STATEMENTS OF NET ASSETS

	June 30	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,404,099	\$ 5,299,043
Amount due from Michigan Technological University	100,000	500,000
Pledges receivable, net	2,758,931	1,755,751
Other assets	158,242	97,529
Total current assets	7,421,272	7,652,323
Noncurrent assets:		
Investments	96,864,373	80,912,107
Pledges receivable, net of current portion	3,326,909	1,908,799
Amount due from Michigan Technological University, net of current portion	-	100,000
Beneficial interest in charitable remainder trusts	4,678,875	4,171,681
Cash surrender value, life insurance	907,099	896,443
Property held for sale	65,000	-
Capital assets, net of accumulated depreciation	11,069	16,189
Total noncurrent assets	105,853,325	88,005,219
Total assets	\$ 113,274,597	\$ 95,657,542
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 663,911	\$ 518,896
Deferred revenue	1,000,000	1,000,000
Annuity obligations	333,670	318,623
Total current liabilities	1,997,581	1,837,519
Annuity and pooled income obligations	3,937,970	3,912,985
Total liabilities	5,935,551	5,750,504
Net assets		
Nonexpendable	61,274,672	57,341,376
Expendable	41,541,165	33,206,552
Unrestricted (deficit)	4,523,209	(640,890)
Total net assets	107,339,046	89,907,038
Total liabilities and net assets	\$ 113,274,597	\$ 95,657,542

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	
	2011	2010
Revenues		
Operating revenues		
Gifts and contributions	\$ 13,006,419	\$ 5,942,970
Other operating revenues	310,443	109,424
Total operating revenues	13,316,862	6,052,394
Operating expenses	960,638	944,102
Operating revenue	12,356,224	5,108,292
Nonoperating revenues (expenses)		
Investment income, net of investment expense	15,846,489	7,594,471
Distributions to Michigan Technological University	(14,467,436)	(10,544,644)
Net nonoperating revenues (expenses)	1,379,053	(2,950,173)
Income before other revenues	13,735,277	2,158,119
Other revenues		
Additions to permanent endowments	3,696,731	4,452,419
Net increase in net assets	17,432,008	6,610,538
Net assets		
Beginning of year	89,907,038	83,296,500
End of year	\$ 107,339,046	\$ 89,907,038

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

NOTES TO THE FINANCIAL STATEMENTS

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

BASIS OF PRESENTATION

Reporting Entity

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

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

In December, 2010 the University formed Michigan Tech Entrepreneurial Support Corporation (MTESC), a legally separate tax-exempt component unit of the University. The primary purpose of MTESC is to support the entrepreneurial and commercial development efforts of the University. During 2011, MTESC has no financial activity other than an initial infusion of cash to be used as start up funds that was provided through a donation to MTESC.

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 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 Financial Accounting Standards Board. Accordingly, a reporting model different from that of the University is used.

Use of Estimates

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Inventories

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

Investments

The University policy is to record investments at fair value.

Fund investments in marketable securities including hedge funds are carried at quoted fair market value whenever possible. Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Real estate and natural resources are accounted for on the equity method. Private equity and limited partnerships which do not have readily determinable market values as of June 30 are valued based on the most recent available partner capital account balances as reported by the partnerships to the Fund. The partnership valuations involve assumptions and methods that are reviewed by the Fund. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity and limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by a custodial institution responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment consulting firm to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced quarterly, when necessary. The Fund's Investment and Finance Committee of the Board of Trustees oversees investment activity and makes recommendations to the Board of Trustees concerning any changes in investments or asset allocation adjustments. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) on permanently restricted, temporarily restricted, and unrestricted net assets to departmental funds based on an average of each fund's beginning and ending monthly balances. Any unrealized losses on amounts invested for donor-restricted endowments are recorded as temporarily restricted to the extent of unexpended earnings of the respective endowment fund. Any unrealized losses in excess of that amount are charged to unrestricted net assets. Subsequent unrealized appreciation on the related investments is recorded as unrestricted up to the amount of losses previously absorbed by unrestricted net assets.

Capital Assets

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

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

Goodwill

The University purchased the assets of Environmental and Emerging Technologies Division (EETD) (a division of Altarum Institute) for a price of \$1.4 million. The University operates this new research center under the name of Michigan Tech Research Institute (MTRI). The purchase price exceeded the value of net assets by \$978,544 and was considered goodwill. The University does not amortize goodwill. Management will annually analyze the goodwill for impairment. At year end, management concludes there is no impairment of goodwill.

Revenue Recognition

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

Classification of Revenues

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

Operating Revenues

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

Nonoperating Revenues

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

Classification of Expenses

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

Operating Expenses

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

Nonoperating Expenses

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

Income Taxes

The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is, therefore, exempt from federal income taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. No such taxes were incurred for either fiscal year 2011 or 2010.

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

Net Assets

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

Invested in capital assets, net of related debt

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

Restricted for nonexpendable purposes

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

Restricted for expendable purposes

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

Unrestricted

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

(2) CASH AND INVESTMENTS

Authorizations

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

Interest rate risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

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

Custodial credit risk: deposits

For deposits, custodial credit risk is present if the University's deposits would not be covered by depository insurance or collateralized by the bank. State law does not require and the University does not have a policy for deposit custodial credit risk. Deposits were reflected in the accounts of the banks at \$13,102,002 and \$20,431,130 as of June 30, 2011 and 2010, respectively. There were no bank deposit balances exposed to custodial credit risk because they were uninsured or uncollateralized, as of June 30, 2011 and 2010, respectively.

Custodial credit risk: investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book-entry form. The University, therefore, has no custodial credit risk in its investment portfolio.

Concentration of credit risk

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

Foreign currency risk

The University has no foreign investments.

Investments and Investment Income

The University's investments at June 30, 2011 are as follows:

Investment Portfolio					
2011					
Investment type		Fair Value	Interest Rate	Maturity Date	Rating
Mutual fund cash reserve	\$	1,771,400	0.05%	N/A	N/A
Equity index mutual fund		8,071,189	N/A	N/A	N/A
		9,842,589			
Less investments reported as "cash and cash equivalents" on the accompanying Statement of Net Assets		(1,771,400)			
Total investments	\$	8,071,189			

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

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

The University's net investment return is comprised of the following for the years ended June 30, 2011 and 2010.

Investment Return				
Year ended June 30				
	2011		2010	
Investment return				
Interest	\$	240,662	\$	281,919
Dividends		133,518		151,316
Net increase in the fair value of investments		1,997,291		801,631
Investment return		2,371,471		1,234,866

The annualized returns on investments and marketable securities for the University, excluding the base cash pool reserve for the years ended June 30, 2011 and 2010, are as follows:

Annual Return		
	2011	2010
Intermediate fixed income	0.05%	0.15%
Equity investments	32.57%	17.02%

The fair value of the Fund's investments at June 30, 2011 and 2010 are categorized as follows:

Michigan Tech Fund-Investment Portfolio		
	2011	2010
Marketable securities		
Equities	\$ 336,553	\$ 253,170
Mutual funds-equities	40,943,940	40,359,102
Mutual funds-fixed income	38,165,685	24,384,871
Corporate bonds and notes	27,658	35,901
US government obligations	949,709	1,023,797
Total marketable securities	80,423,545	66,056,841
Alternative investments		
Hedge funds	4,934,818	4,596,947
Real estate and natural resources	3,976,200	3,209,309
Private equity	7,480,810	7,000,010
Total alternative investments	16,391,828	14,806,266
Closely held stock	49,000	49,000
Total investments	\$ 96,864,373	\$ 80,912,107

At June 30, 2011, the Fund's remaining future capital commitments for investment in limited partnerships (alternative investments) are approximately \$1,927,000.

The Fund's net investment return is comprised of the following for the years ended June 30, 2011 and 2010:

Michigan Tech Fund-Investment Return		
	2011	2010
Interest and dividends	\$ 1,850,878	\$ 1,671,158
Capital gain distributions	436,565	2,045
Net gain (loss) on sales of investments	1,633,639	(1,940,436)
Net unrealized gain on investments	12,168,358	8,106,055
Asset-based management and administrative fees	(242,951)	(244,351)
Total investment return	\$ 15,846,489	\$ 7,594,471

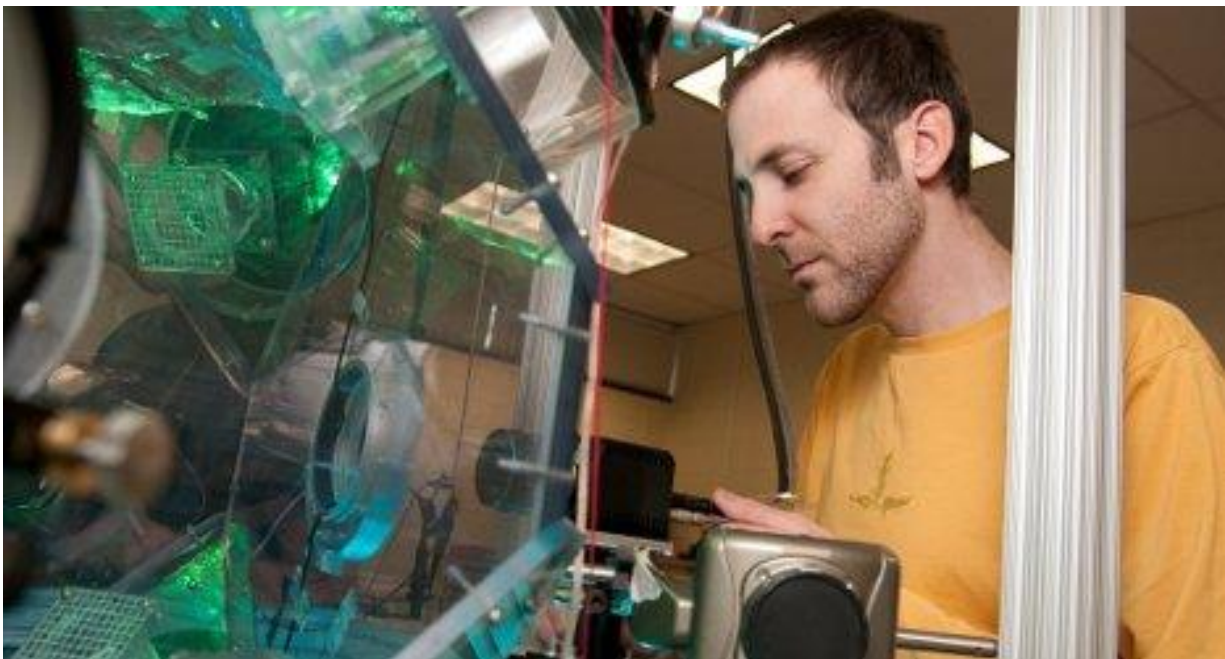


(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30, 2011 and 2010.

Accounts Receivable			
		2011	2010
Student tuition and fees	\$	593,445	\$ 453,167
State appropriations			
Operating		8,713,492	8,703,789
Capital		1,822,424	721,608
Grants and contracts		8,932,544	8,039,473
Auxiliary activities		414,494	479,947
Other		767,434	717,002
Less allowance for doubtful accounts		(66,497)	(65,122)
Accounts receivable, net	\$	21,177,336	\$ 19,049,864

In addition, the University has student loans receivable in the amount of \$12,454,408 and \$12,647,300, recorded at June 30, 2011 and 2010, respectively, these amounts are net of an allowance for uncollectible accounts of \$169,461 for both years,



(4) CAPITAL ASSETS

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2011:

Changes in Capital Assets				
2011				
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable capital assets				
Land	\$ 9,089,086	\$ 23,308	\$ -	\$ 9,112,394
Mineral collections	5,376,921	139,939	-	5,516,860
Timber holdings	368,394	-	-	368,394
Construction in progress	19,902,764	13,057,331	(23,075,312)	9,884,783
Cost of nondepreciable capital assets	34,737,165	13,220,578	(23,075,312)	24,882,431
Depreciable capital assets				
Land improvements	1,627,265	-	(110,167)	1,517,098
Infrastructure	5,048,949	-	-	5,048,949
Buildings	304,617,384	24,689,934	-	329,307,318
Equipment	42,653,293	6,843,782	(12,823,251)	36,673,824
Library books	1,166,252	117,889	(429,166)	854,975
Cost of depreciable capital assets	355,113,143	31,651,605	(13,362,584)	373,402,164
Total cost of capital assets	389,850,308	44,872,183	(36,437,896)	398,284,595
Less: accumulated depreciation				
Land improvements	753,085	75,855	(110,167)	718,773
Infrastructure	1,684,030	267,408	-	1,951,438
Buildings	120,615,715	7,626,914	-	128,242,629
Equipment	24,375,691	5,128,663	(12,694,563)	16,809,791
Library books	732,718	149,382	(429,166)	452,934
Total accumulated depreciation	148,161,239	13,248,222	(13,233,896)	148,175,565
Capital assets, net	\$ 241,689,069	\$ 31,623,961	\$ (23,204,000)	\$ 250,109,030

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

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

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, 2011 and 2010, respectively, construction in progress consisted of several building renovation projects and the initial costs of one new building as detailed below.

Construction in Progress		
As of June 30		
Project	2011	2010
Seaman Mineral Museum	\$ 1,555,726	\$ 1,555,726
Lakeshore building renovation	-	33,210
KRC office and lab building	-	2,078,896
Great Lakes Research Center	8,244,794	879,300
Student apartment building	-	14,911,624
Other projects	84,263	444,008
Total	\$ 9,884,783	\$ 19,902,764

The funding for the capital projects in progress as of June 30, 2011 and the expected sources of financing for these projects is as follows:

Construction Costs and Financing				
As of June 30, 2011				
	Seaman Mineral Museum	Great Lakes Research Center	Other Projects	Total
Estimated cost of construction	\$ 4,000,000	\$ 25,337,000	\$ 1,000,000	\$ 30,337,000
Less: costs incurred to date	(1,555,726)	(8,244,794)	(84,263)	(9,884,783)
Estimated cost to complete	\$ 2,444,274	\$ 17,092,206	\$ 915,737	\$ 20,452,217
Expected sources of financing:				
Federal funds	2,444,274	-	-	2,444,274
State funds	-	17,092,206	-	17,092,206
University funds & gifts	-	-	915,737	915,737
Estimated financing	\$ 2,444,274	\$ 17,092,206	\$ 915,737	\$ 20,452,217

(5) LINES OF CREDIT

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

(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30, 2011 and 2010.

Accounts Payable and Other Accrued Liabilities				
	2011		2010	
Accounts payable				
Vendors for supplies and services	\$	3,570,595	\$	3,745,810
Employee benefits		972,446		890,009
Construction payables		1,762,592		4,405,661
Total	\$	6,305,633	\$	9,041,480
Other accrued liabilities				
Payroll and payroll taxes	\$	6,060,656	\$	5,588,159
Accrued compensated absences		3,733,268		3,885,952
Deposits payable		680,571		699,390
Total	\$	10,474,495	\$	10,173,501



(7) NONCURRENT LIABILITIES

Noncurrent Liabilities					
As of June 30, 2011					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue bonds, 2003	\$ 4,295,000	\$ -	\$ 105,000	\$ 4,190,000	\$ 110,000
General revenue bonds, 2004A	30,145,000	-	715,000	29,430,000	735,000
General revenue bonds, 2006	2,840,000	-	50,000	2,790,000	50,000
General revenue bonds, 2008	15,785,000	-	100,000	15,685,000	125,000
General revenue bonds, 2009A/2009B	18,235,000	-	350,000	17,885,000	360,000
General revenue bonds, 2010A	-	10,975,000	-	10,975,000	205,000
Total bonds payable	71,300,000	10,975,000	1,320,000	80,955,000	1,585,000
Bond premium	1,376,648	-	58,568	1,318,080	-
Capital lease	437,025	-	213,861	223,164	223,164
Total debt	73,113,673	10,975,000	1,592,429	82,496,244	1,808,164
Other liabilities					
Insurance and post employment benefits	3,760,157	2,979,454	3,400,220	3,339,391	2,972,727
Funds held for others	687,900	206,500	214,400	680,000	-
Other liabilities	600,000	-	500,000	100,000	100,000
Postemployment benefit health care	1,070,002	-	60,018	1,009,984	-
Total	\$ 79,231,732	\$ 14,160,954	\$ 5,767,067	87,625,619	\$ 4,880,891
Due within one year				(4,880,891)	
Total noncurrent liabilities				\$ 82,744,728	

Noncurrent Liabilities					
As of June 30, 2010					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue bonds, 2003	\$ 4,400,000	\$ -	\$ 105,000	\$ 4,295,000	\$ 105,000
General revenue bonds, 2004A	30,845,000	-	700,000	30,145,000	715,000
General revenue bonds, 2006	2,890,000	-	50,000	2,840,000	50,000
General revenue bonds, 2008	15,880,000	-	95,000	15,785,000	100,000
General revenue bonds, 2009A/2009B	-	18,235,000	-	18,235,000	350,000
Total bonds payable	54,015,000	18,235,000	950,000	71,300,000	1,320,000
Bond premium	1,455,718	-	79,070	1,376,648	-
Capital lease	641,970	-	204,945	437,025	213,860
Total debt	56,112,688	18,235,000	1,234,015	73,113,673	1,533,860
Other liabilities					
Insurance and post employment benefits	3,304,915	2,908,644	2,453,402	3,760,157	2,865,598
Funds held for others	713,500	190,350	215,950	687,900	-
Other liabilities	600,000	-	-	600,000	500,000
Postemployment benefit health care	1,255,099	-	185,097	1,070,002	-
Total	\$ 61,986,202	\$ 21,333,994	\$ 4,088,464	79,231,732	\$ 4,899,458
Due within one year				(4,899,458)	
Total noncurrent liabilities				\$ 74,332,274	

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			
	Total issued	Outstanding	
		2011	2010
General revenue bond series 2003, (2% – 5%) final maturity 2033	\$ 4,900,000	\$ 4,190,000	\$ 4,295,000
General revenue bond series 2004, (2% – 4.49%) final maturity 2034	32,850,000	29,430,000	30,145,000
General revenue bond series 2006, (4% – 5%) final maturity 2036	2,990,000	2,790,000	2,840,000
General revenue bond series 2008, (3% – 5.25%) final maturity 2038	15,880,000	15,685,000	15,785,000
General revenue bond series 2009A/2009B, (2.58%-6.69%), final maturity 2039	18,235,000	17,885,000	18,235,000
General revenue bond series 2010A, (1.37%-6.55%), final maturity 2040	10,975,000	10,975,000	-
Total bonds payable	85,830,000	80,955,000	71,300,000
Plus: unamortized net premium	1,651,732	1,318,080	1,376,648
Bonds payable, net	\$ 87,481,732	\$ 82,273,080	\$ 72,676,648

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

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

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

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

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

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

During fiscal year 2011, the University's Board of Control approved the issuance of General Revenue Bonds, Series 2010A in the amount of \$10.975 million. The Series 2010A bonds were issued as taxable Build America Bonds. Under this federal program, thirty-five percent of the interest related to this bond issue shown below in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of \$2.855 million with maturities of October 2011 through October 2017 and interest rates ranging from 1.37% to 3.84%. Three term bonds totaling \$8.12 million were also issued in this series. The first term bond in the amount of \$2.085 million matures in October 2025 and bears an interest rate of 5.569%. The second term bond in the amount of \$1.66 million matures in October 2030 and bears an interest rate of 6.2%. The third term bond in the amount of \$4.755 million matures in October 2040 and bears an interest rate of 6.55%. The proceeds of this bond issue were used to construct, acquire, and equip new research facilities and to construct and equip a new museum building. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

Principal and Interest Amounts Due on Bonded Debt			
For Fiscal Years Ending June 30			
Fiscal Year	Principal	Interest	Total
2012	\$ 1,585,000	\$ 4,109,212	\$ 5,694,212
2013	1,970,000	4,057,157	6,027,157
2014	2,130,000	3,993,163	6,123,163
2015	2,190,000	3,922,111	6,112,111
2016	1,910,000	3,850,022	5,760,022
Total 5 years	9,785,000	19,931,665	29,716,665
2017 to 2021	19,400,000	16,566,603	35,966,603
2022 to 2026	12,195,000	12,905,549	25,100,549
2027 to 2031	15,350,000	9,218,326	24,568,326
2032 to 2036	16,595,000	4,580,661	21,175,661
2037 to 2041	7,630,000	1,037,731	8,667,731
Total bonds	\$ 80,955,000	\$ 64,240,535	\$ 145,195,535

Capital and Operating Lease Obligations

The University previously entered into a capital lease for the purchase of \$1.069 million of computer equipment. The lease has a fixed interest rate of 4.4% for the term of the contract. Annual payments for principal and interest of \$232,871 began in August 2007 and the final payment was made in August 2011.

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, 2011 and 2010 are insignificant.

Other Liabilities

The University received a \$1 million loan from the Fund that was used to purchase MTRI. The repayment agreement states that the University shall deliver no less than (i) a cumulative total of \$400,000 to the Fund by September 30, 2008; (ii) a cumulative total of \$900,000 to the Fund by September 30, 2010, and (iii) a cumulative total of \$1,000,000 to the Fund by September 30, 2011. The first two payments totaling \$900,000 were made timely. The unpaid balance of \$100,000 is included in current portion of long-term debt of the University at June 30, 2011 and was paid, as required, on September 30, 2011.

(8) SELF-INSURANCE

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

Self-Insured Claims Liability				
	Medical Benefits	Unemployment Comp	Worker's Comp	Total
Claims liability, July 1, 2009	\$ 1,435,144	\$ 110,473	\$ 359,500	\$ 1,905,117
Claims incurred, including changes in estimates	14,527,612	179,555	(34,365)	14,672,802
Less: claims paid	(14,310,670)	(159,528)	(108,861)	(14,579,059)
Claims liability, June 30, 2010	1,652,086	130,500	216,274	1,998,860
Claims incurred, including changes in estimates	14,726,833	318,470	251,892	15,297,195
Less: claims paid	(14,748,919)	(185,371)	(220,166)	(15,154,456)
Claims liability, June 30, 2011	\$ 1,630,000	\$ 263,599	\$ 248,000	\$ 2,141,599

Health Care Plan

Plan Description

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

Funding Policy

For participants choosing Husky Care PPO, the contribution requirements of the plan participants are established annually by the University. Illustrative premiums are established which estimate the annual costs on a pay-as-you-go funding basis. As of January 1, 2010, participating employees were required to pay 15% of the illustrative premium to continue to receive health care benefits. As of January 1, 2011 plan participants are required to pay 20% of the illustrative premium.

Participants in the Husky Care HSA are covered for catastrophic medical expenses by a high deductible PPO health care plan. To fund the out-of-pocket medical costs of this type of plan, employees may

deposit pre-tax earnings into a health savings account. The University also contributes funds to these accounts on behalf of the participating employee. Funds deposited into a health savings account are owned exclusively by the employee, even after the employee is no longer employed by the University. The cost of the high deductible health care policy is paid by the University.

Liability and Property Insurance

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

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

(9) POST EMPLOYMENT BENEFITS

Retirement Plans

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

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

The University utilizes the funding policy 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, 2011, the University is required to contribute 3.21% (4.11% during the period of October 1, 2010 through September 30, 2011) of MPSERS covered payroll for normal pension costs and 13.41% (9.73% during the period of October 1, 2010 through September 30, 2011) for the unfunded pension liability. The rates that become effective in October 2011 are intended to remain unchanged for two years. 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 post employment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating universities. Participating universities are contractually required to

make monthly contributions to the plan at amounts assessed each year by MPSERS. The University's contributions to the MPSERS healthcare plan are summarized in the Retirement Plan Contributions table.

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

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

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

Retirement Plan Contributions			
	2011	2010	2009
MPSERS normal pension costs	\$ 1,610,296	\$ 1,511,610	\$ 1,556,759
MPSERS unfunded pension costs	807,591	554,560	667,895
MPSERS retiree health insurance	2,722,063	2,602,717	2,643,206
Total University contributions to MPSERS	5,139,950	4,668,887	4,867,860
Payroll covered under MPSERS	11,108,911	12,161,500	12,178,994
University contributions to TIAA-CREF	5,961,207	7,176,430	7,922,430
Payroll covered under TIAA-CREF	71,883,893	67,877,796	63,454,913

Retirement Supplemental Voluntary Plan

The University has a 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. The value of the RSVP liability was approximately \$978,000 and \$1,200,000 at June 30, 2011 and 2010, respectively.

Employee Severance Plan

The University has an 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 \$416,000 and \$624,000 at June 30, 2011 and 2010, respectively.

Health Care Plan

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of generally accepted accounting principles. 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, 2011 and 2010 respectively:

OPEB Cost and Obligation			
		2011	2010
Annual required contribution	\$	569,580	\$ 577,592
Interest on net OPEB obligation		42,800	51,311
Adjustment to annual required contribution		(61,879)	(74,183)
Annual OPEB cost		550,501	554,720
Contributions made		-	-
Total benefits paid (pay-as-you go)		(610,519)	(767,490)
Decrease in net OPEB obligation		(60,018)	(212,770)
Net OPEB obligation - beginning of year		1,070,002	1,282,772
Net OPEB obligation, end of year	\$	1,009,984	\$ 1,070,002

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

Historical Annual OPEB Cost and Net OPEB Obligation			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 1,060,496	67.6%	\$ 1,282,772
June 30, 2010	\$ 554,720	138.4%	\$ 1,070,002
June 30, 2011	\$ 550,501	110.9%	\$ 1,009,984

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, 2011, the most recent actuarial valuation date, the plan was 0% funded.

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets* a	Actuarial 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, 2009	\$ -	\$ 15,089,017	\$ 15,089,017	0.0%	\$ 60,406,000	25.0%
June 30, 2010	\$ -	\$ 10,219,329	\$ 10,219,329	0.0%	\$ 67,114,000	15.2%
June 30, 2011	\$ -	\$ 10,006,604	\$ 10,006,604	0.0%	N/A	N/A

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuations performed for the University utilize the unit credit actuarial cost method. The initial valuations included an annual health care cost trend rate of 11% which was then reduced by 1% per year to an ultimate rate of 5% by fiscal year 2014. The trend rate assumption was reset to an initial rate of 11% for medical (7% for dental) in 2010 grading down by 1% per year to an ultimate rate of 5% for medical (4% for dental). The assumptions also included a 4% salary scale assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. For actuarial purposes, the University has chosen a thirty year amortization period, so the remaining amortization period at June 30, 2011, was twenty-six years. However, with the implementation of the seven year phased elimination of the retiree health care subsidy, the University's actual amortization period decreases accordingly.

(10) COMMITMENTS AND CONTINGENCIES

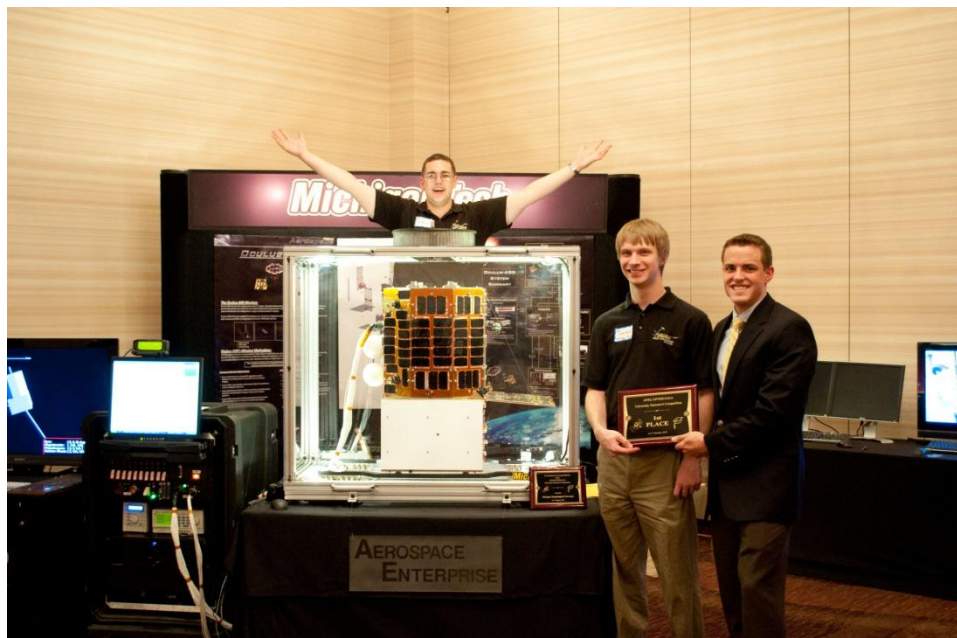
The University has internally funded reserves for certain employee benefits. Accrued liabilities are generally based on actuarial valuations and represent the present value of unpaid expected claims, including estimates of claims incurred but not reported.

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

Certain employees of the University are covered under the MPSERS retirement plan. As of June 30, 2011 and June 30, 2010 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is not determinable at June 30, 2011 and June 30, 2010. 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.

The University has an arrangement with the State of Michigan and the State Building Authority (the "SBA") to finance a large portion of the Great Lakes Research Center currently under construction on the campus of the University. The arrangement is based upon a lease agreement that is signed by the University. The lease stipulates that the SBA will hold title to the building and the State will make all the lease payments to the SBA on behalf of the University, and the University will pay all operating and maintenance costs. At the expiration of the lease, the SBA has agreed to sell the building to the University for \$1.



(11) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

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

Operating Expenses by Natural and Functional Classification						
2011						
	Compensation and Benefits	Supplies and Services	Student Financial Support	Utilities	Depreciation	Total
Instruction	\$ 47,812,865	\$ 6,572,483	\$ 3,495,655	\$ 15,767	\$ -	\$ 57,896,770
Research	37,464,502	12,334,662	2,643,516	168,206	-	52,610,886
Public service	3,648,449	4,291,119	448,467	9,477	-	8,397,512
Academic support	6,300,073	3,769,978	35,077	4,486	-	10,109,614
Student services	5,049,985	1,825,347	250,840	10,794	-	7,136,966
Institutional support	21,149,250	7,875,679	-	20,761	-	29,045,690
Operations and maintenance of plant	6,035,160	1,385,462	-	4,514,958	-	11,935,580
Student financial support	1,124,134	179,769	844,423	-	-	2,148,326
Departmental activities	6,478,625	1,257,002	-	-	-	7,735,627
Student residents	6,002,036	7,280,842	-	3,477,182	-	16,760,060
Depreciation	-	-	-	-	13,248,222	13,248,222
	\$ 141,065,079	\$ 46,772,343	\$ 7,717,978	\$ 8,221,631	\$ 13,248,222	\$ 217,025,253

Operating Expenses by Natural and Functional Classification						
2010						
	Compensation and Benefits	Supplies and Services	Student Financial Support	Utilities	Depreciation	Total
Instruction	\$ 47,987,133	\$ 6,391,943	\$ 3,499,407	\$ 20,323	\$ -	\$ 57,898,806
Research	34,818,313	10,540,037	2,352,524	147,358	-	47,858,232
Public service	3,809,226	4,183,431	121,238	6,199	-	8,120,094
Academic support	6,221,194	3,890,884	32,913	5,390	-	10,150,381
Student services	5,280,506	1,820,821	166,518	16,180	-	7,284,025
Institutional support	20,371,966	7,018,211	-	39,291	-	27,429,468
Operations and maintenance of plant	6,355,378	1,149,201	-	4,804,075	-	12,308,654
Student financial support	1,128,544	156,319	1,315,268	-	-	2,600,131
Departmental activities	6,426,235	1,870,510	-	-	-	8,296,745
Student residents	5,969,204	7,314,843	-	3,382,350	-	16,666,397
Depreciation	-	-	-	-	11,902,410	11,902,410
	\$ 138,367,699	\$ 44,336,200	\$ 7,487,868	\$ 8,421,166	\$ 11,902,410	\$ 210,515,343

(12) SUBSEQUENT EVENTS

In preparing these financial statements, University management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2011, the most recent statement of net assets presented herein, through October 6, 2011, the date these financial statements were available to be issued. No significant events or transactions were identified.



SUPPLEMENTARY **INFORMATION**



Rehmann Robson

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

October 6, 2011

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, 2011 and 2010 appears on page 18. 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 50 through 52 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.

A handwritten signature in black ink that reads "Rehmann Robson".



Michigan Technological University
Schedule of Net Assets by Fund, June 30, 2011

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Combined Total 2011	Combined Total 2010
Assets											
Current assets:											
Cash and cash equivalents	\$ (13,218,186)	\$ 17,300,527	\$ 5,591,848	\$ 728,063	\$ (2,914,774)	\$ 7,487,478	\$ 1,439,030	\$ 2,809,736	\$ 1,380,303	\$ 13,116,547	\$ 19,509,254
Accounts receivable, net	9,280,884	540,843	412,994	164,962	8,893,974	19,293,657	-	1,822,424	61,255	21,177,336	19,049,864
Other assets	212,031	13,525	1,352,699	20,000	-	1,598,255	-	-	-	1,598,255	1,541,670
Total current assets	(3,725,271)	17,854,895	7,357,541	913,025	5,979,200	28,379,390	1,439,030	4,632,160	1,441,558	35,892,138	40,100,788
Noncurrent assets:											
Student loans receivable, net	-	-	-	-	-	-	12,454,408	-	-	12,454,408	12,647,300
Investments	-	-	-	8,071,189	-	8,071,189	-	-	-	8,071,189	6,540,832
Capital assets, net of depreciation	-	-	-	-	-	-	-	250,109,030	-	250,109,030	241,689,069
Other assets	-	-	-	-	-	-	-	978,544	-	978,544	978,544
Total noncurrent assets	-	-	-	8,071,189	-	8,071,189	12,454,408	251,087,574	-	271,613,171	261,855,745
Total assets	\$ (3,725,271)	\$ 17,854,895	\$ 7,357,541	\$ 8,984,214	\$ 5,979,200	\$ 36,450,579	\$ 13,893,438	\$ 255,719,734	\$ 1,441,558	\$ 307,505,309	\$ 301,956,533
Liabilities											
Current liabilities											
Accounts payable	\$ 1,295,310	\$ 372,704	\$ 421,385	\$ 963,886	\$ 627,537	\$ 3,680,822	\$ -	\$ 2,596,502	\$ 28,309	\$ 6,305,633	\$ 9,041,480
Other accrued liabilities	5,240,946	-	85,574	3,733,268	-	9,059,788	-	1,458	1,413,249	10,474,495	10,173,501
Deferred revenue	57,976	-	-	-	2,543,280	2,601,256	-	431,249	-	3,032,505	2,520,184
Current portion of long term debt	-	-	-	-	-	-	-	1,808,164	-	1,808,164	1,533,860
Current portion of insurance & benefi	-	-	-	2,972,727	-	2,972,727	-	100,000	-	3,072,727	3,365,598
Total current liabilities	6,594,232	372,704	506,959	7,669,881	3,170,817	18,314,593	-	4,937,373	1,441,558	24,693,524	26,634,623
Noncurrent liabilities											
Funds held for others	680,000	-	-	-	-	680,000	-	-	-	680,000	687,900
Insurance and benefit reserves	-	-	-	1,376,648	-	1,376,648	-	-	-	1,376,648	1,964,561
Other liabilities	-	-	-	-	-	-	-	-	-	-	100,000
Long-term debt, net of current portior	-	-	-	-	-	-	-	80,688,080	-	80,688,080	71,579,813
Total non-current liabilities	680,000	-	-	1,376,648	-	2,056,648	-	80,688,080	-	82,744,728	74,332,274
Total liabilities	7,274,232	372,704	506,959	9,046,529	3,170,817	20,371,241	-	85,625,453	1,441,558	107,438,252	100,966,897
Net assets											
Invested in capital assets	-	-	-	-	-	-	-	168,275,083	-	168,275,083	168,775,108
Restricted for expendable purposes	-	-	-	-	2,808,383	2,808,383	13,898,217	5,479,269	-	22,185,869	23,776,567
Unrestricted	(10,999,503)	17,482,191	6,850,582	(62,315)	-	13,270,955	(4,779)	(3,660,071)	-	9,606,105	8,437,961
Total net assets	(10,999,503)	17,482,191	6,850,582	(62,315)	2,808,383	16,079,338	13,893,438	170,094,281	-	200,067,057	200,989,636
Total liabilities and net assets	\$ (3,725,271)	\$ 17,854,895	\$ 7,357,541	\$ 8,984,214	\$ 5,979,200	\$ 36,450,579	\$ 13,893,438	\$ 255,719,734	\$ 1,441,558	\$ 307,505,309	\$ 301,956,533

Michigan Technological University
Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Object
For the Year Ended June 30, 2011

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	Combined Total 2011	Combined Total 2010
Revenues											
Operating revenues											
Student tuition and fees, net	\$ 97,819,232	\$ 97,325	\$ 2,077,320	\$ -	\$ -	\$ 99,993,877	\$ -	\$ -	\$(32,959,557)	\$ 67,034,320	\$ 65,590,647
Federal grants and contracts	118,600	-	-	-	32,564,659	32,683,259	(69,409)	-	-	32,613,850	27,876,010
State and local grants and contracts	-	-	-	-	2,644,867	2,644,867	-	-	-	2,644,867	3,384,630
Nongovernmental grants and contracts	-	1,000	-	-	12,916,723	12,917,723	-	50,000	-	12,967,723	11,638,409
Indirect cost recoveries	11,280,166	-	-	-	(11,280,166)	-	-	-	-	-	-
Educational activities	549,619	2,606,508	626,397	(6,878)	459,641	4,235,287	-	(3,009)	(105,614)	4,126,664	4,790,916
Departmental activities	736	165,212	8,442,044	(1,451)	24,686	8,631,227	-	25,000	(393,316)	8,262,911	8,839,366
Student resident fees	-	-	19,629,943	-	-	19,629,943	-	-	190,657	19,820,600	19,463,280
Total operating revenues	109,768,353	2,870,045	30,775,704	(8,329)	37,330,410	180,736,183	(69,409)	71,991	(33,267,830)	147,470,935	141,583,258
Expenses											
Operating expenses											
Salaries and wages-non-faculty	28,878,640	4,326,275	7,798,648	1,585,911	8,235,713	50,825,187	-	-	-	50,825,187	48,767,872
Salaries and wages-faculty	36,367,039	564,170	15,810	868	4,067,213	41,015,100	-	-	-	41,015,100	39,836,522
Salaries and wages-graduate students	3,753,035	878,510	314,769	-	4,177,325	9,123,639	-	-	-	9,123,639	8,458,254
Salaries and wages-undergrad students	1,560,789	631,399	1,649,744	-	1,449,267	5,291,199	-	-	-	5,291,199	5,384,497
Fringe benefits	25,014,023	1,696,488	2,701,689	1,494,957	3,902,797	34,809,954	-	-	-	34,809,954	35,920,554
Supplies and services	16,483,021	9,542,308	10,502,159	876,471	14,396,105	51,800,064	121,756	35,601,524	(40,751,001)	46,772,343	44,336,200
Student financial support	25,542,860	768,565	308,273	-	14,366,110	40,985,808	-	-	(33,267,830)	7,717,978	7,487,868
Utilities	4,545,295	155,175	3,477,182	-	43,979	8,221,631	-	-	-	8,221,631	8,421,166
Depreciation	-	-	-	-	-	-	-	13,248,222	-	13,248,222	11,902,410
Total operating expenses	142,144,702	18,562,890	26,768,274	3,958,207	50,638,509	242,072,582	121,756	48,849,746	(74,018,831)	217,025,253	210,515,343
Operating loss	(32,376,349)	(15,692,845)	4,007,430	(3,966,536)	(13,308,099)	(61,336,399)	(191,165)	(48,777,755)	40,751,001	(69,554,318)	(68,932,085)
Transfers											
Mandatory transfers in	-	-	-	-	2,558,880	2,558,880	-	15,535,243	-	18,094,123	25,202,482
Mandatory transfers out	(1,394,234)	(317,766)	(3,629,292)	-	(1,236,125)	(6,577,417)	-	(11,516,706)	-	(18,094,123)	(25,202,482)
Non mandatory transfers in	7,394,427	18,847,791	17,975,541	3,934,865	3,575,274	51,727,898	-	31,564,349	-	83,292,247	56,259,058
Non mandatory transfers out	(21,506,712)	(9,883,702)	(20,330,487)	(262,114)	(2,048,465)	(54,031,480)	-	(29,260,767)	-	(83,292,247)	(56,259,058)
Total transfers	(15,506,519)	8,646,323	(5,984,238)	3,672,751	2,849,564	(6,322,119)	-	6,322,119	-	-	-
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	6,321,778	6,321,778	-	-	-	6,321,778	6,035,503
Federal grants, other	-	-	-	-	-	-	-	462,619	-	462,619	1,586,774
State appropriations	47,924,200	-	-	-	-	47,924,200	-	-	-	47,924,200	47,870,800
Gifts	219,254	6,859,633	748,405	-	4,249,699	12,076,991	-	-	-	12,076,991	9,533,412
Investment return	-	-	(30,051)	2,129,295	2,864	2,102,108	277,397	(8,034)	-	2,371,471	1,234,866
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,814,113)	-	(3,814,113)	(2,672,320)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(128,687)	(128,687)	(254,491)
Net nonoperating revenues	48,143,454	6,859,633	718,354	2,129,295	10,574,341	68,425,077	277,397	(3,359,528)	(128,687)	65,214,259	63,334,544
Loss before other revenues	260,586	(186,889)	(1,258,454)	1,835,510	115,806	766,559	86,232	(45,815,164)	40,622,314	(4,340,059)	(5,597,541)
Other revenues											
Capitol appropriations	-	-	-	-	-	-	-	1,310,366	-	1,310,366	-
Capital grants and gifts	-	-	-	-	-	-	-	2,107,114	-	2,107,114	5,801,660
Fund additions	-	-	-	-	-	-	-	40,622,314	(40,622,314)	-	-
Total other revenues	-	-	-	-	-	-	-	44,039,794	(40,622,314)	3,417,480	5,801,660
Net increase (decrease) in net assets	260,586	(186,889)	(1,258,454)	1,835,510	115,806	766,559	86,232	(1,775,370)	-	(922,579)	204,119
Net assets, beginning of year	(11,260,089)	17,669,080	8,109,036	(1,897,825)	2,692,577	15,312,779	13,807,206	171,869,651	-	200,989,636	200,785,517
Net assets, end of year	\$(10,999,503)	\$17,482,191	\$ 6,850,582	\$ (62,315)	\$ 2,808,383	\$ 16,079,338	\$ 13,893,438	\$170,094,281	\$ -	\$ 200,067,057	\$ 200,989,636



Michigan Technological University
 Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Function
 For the Year Ended June 30, 2011

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	Combined Total 2011	Combined Total 2010
Revenues											
Operating revenues											
Student tuition and fees, net	\$ 97,819,232	\$ 97,325	\$ 2,077,320	\$ -	\$ -	\$ 99,993,877	\$ -	\$ -	\$ (32,959,557)	\$ 67,034,320	\$ 65,590,647
Federal grants and contracts	118,600	-	-	-	32,564,659	32,683,259	(69,409)	-	-	32,613,850	27,876,010
State and local grants and contracts	-	-	-	-	2,644,867	2,644,867	-	-	-	2,644,867	3,384,630
Nongovernmental grants and contracts	-	1,000	-	-	12,916,723	12,917,723	-	50,000	-	12,967,723	11,638,409
Indirect cost recoveries	11,280,166	-	-	-	(11,280,166)	-	-	-	-	-	-
Educational activities	549,619	2,606,508	626,397	(6,878)	459,641	4,235,287	-	(3,009)	(105,614)	4,126,664	4,790,916
Departmental activities	736	165,212	8,442,044	(1,451)	24,686	8,631,227	-	25,000	(393,316)	8,262,911	8,839,366
Student resident fees	-	-	19,629,943	-	-	19,629,943	-	-	190,657	19,820,600	19,463,280
Total operating revenues	109,768,353	2,870,045	30,775,704	(8,329)	37,330,410	180,736,183	(69,409)	71,991	(33,267,830)	147,470,935	141,583,258
Expenses											
Operating expenses											
Instruction	54,713,857	2,381,082	-	-	1,624,575	58,719,514	-	-	(822,780)	57,896,734	57,898,806
Research	15,731,272	9,908,449	-	-	29,774,742	55,414,463	-	-	(2,803,576)	52,610,887	47,858,232
Public service	565,289	794,415	-	-	7,051,652	8,411,356	-	-	(13,845)	8,397,511	8,120,094
Academic support	10,062,496	188,811	-	-	14,151	10,265,458	-	-	(155,844)	10,109,614	10,150,381
Student services	6,100,719	680,586	-	-	406,877	7,188,182	-	-	(51,215)	7,136,967	7,284,025
Institutional support	20,221,342	3,734,833	-	3,783,488	40,596	27,780,259	-	1,796,514	(531,188)	29,045,585	27,429,468
Student financial support	23,260,317	-	-	-	11,725,916	34,986,233	121,756	-	(32,959,557)	2,148,432	2,600,131
Operations and maintenance of plant	11,489,410	874,714	-	174,719	-	12,538,843	-	33,805,010	(34,408,273)	11,935,580	12,308,654
Sales and services of dept activities	-	-	26,768,274	-	-	26,768,274	-	-	(19,032,613)	7,735,661	8,296,745
Student residents	-	-	-	-	-	-	-	-	16,760,060	16,760,060	16,666,397
Depreciation	-	-	-	-	-	-	-	13,248,222	-	13,248,222	11,902,410
Total operating expenses	142,144,702	18,562,890	26,768,274	3,958,207	50,638,509	242,072,582	121,756	48,849,746	(74,018,831)	217,025,253	210,515,343
Operating loss	(32,376,349)	(15,692,845)	4,007,430	(3,966,536)	(13,308,099)	(61,336,399)	(191,165)	(48,777,755)	40,751,001	(69,554,318)	(68,932,085)
Transfers											
Mandatory transfers in	-	-	-	-	2,558,880	2,558,880	-	15,535,243	-	18,094,123	25,202,482
Mandatory transfers out	(1,394,234)	(317,766)	(3,629,292)	-	(1,236,125)	(6,577,417)	-	(11,516,706)	-	(18,094,123)	(25,202,482)
Non mandatory transfers in	7,394,427	18,847,791	17,975,541	3,934,865	3,575,274	51,727,898	-	31,564,349	-	83,292,247	56,259,058
Non mandatory transfers out	(21,506,712)	(9,883,702)	(20,330,487)	(262,114)	(2,048,465)	(54,031,480)	-	(29,260,767)	-	(83,292,247)	(56,259,058)
Total transfers	(15,506,519)	8,646,323	(5,984,238)	3,672,751	2,849,564	(6,322,119)	-	6,322,119	-	-	-
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	6,321,778	6,321,778	-	-	-	6,321,778	6,035,503
Federal grants, other	-	-	-	-	-	-	-	462,619	-	462,619	1,586,774
State appropriations	47,924,200	-	-	-	-	47,924,200	-	-	-	47,924,200	47,870,800
Gifts	219,254	6,859,633	748,405	-	4,249,699	12,076,991	-	-	-	12,076,991	9,533,412
Investment return	-	-	(30,051)	2,129,295	2,864	2,102,108	277,397	(8,034)	-	2,371,471	1,234,866
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,814,113)	-	(3,814,113)	(2,672,320)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(128,687)	(128,687)	(254,491)
Net nonoperating revenues	48,143,454	6,859,633	718,354	2,129,295	10,574,341	68,425,077	277,397	(3,359,528)	(128,687)	65,214,259	63,334,544
Loss before other revenues	260,586	(186,889)	(1,258,454)	1,835,510	115,806	766,559	86,232	(45,815,164)	40,622,314	(4,340,059)	(5,597,541)
Other revenues											
Capitol appropriations	-	-	-	-	-	-	-	1,310,366	-	1,310,366	-
Capital grants and gifts	-	-	-	-	-	-	-	2,107,114	-	2,107,114	5,801,660
Fund additions	-	-	-	-	-	-	-	40,622,314	(40,622,314)	-	-
Total other revenues	-	-	-	-	-	-	-	44,039,794	(40,622,314)	3,417,480	5,801,660
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2011 Financial Report



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Annual Financial Reports of the University and the Fund can be found at

www.admin.mtu.edu/acct/reports/audited.php

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