



2012 Financial Report



Hockey, research, creating the future and other successful students made 2011-12 a very good year.

MICHIGAN TECHNOLOGICAL UNIVERSITY

Michigan Tech

Create the Future

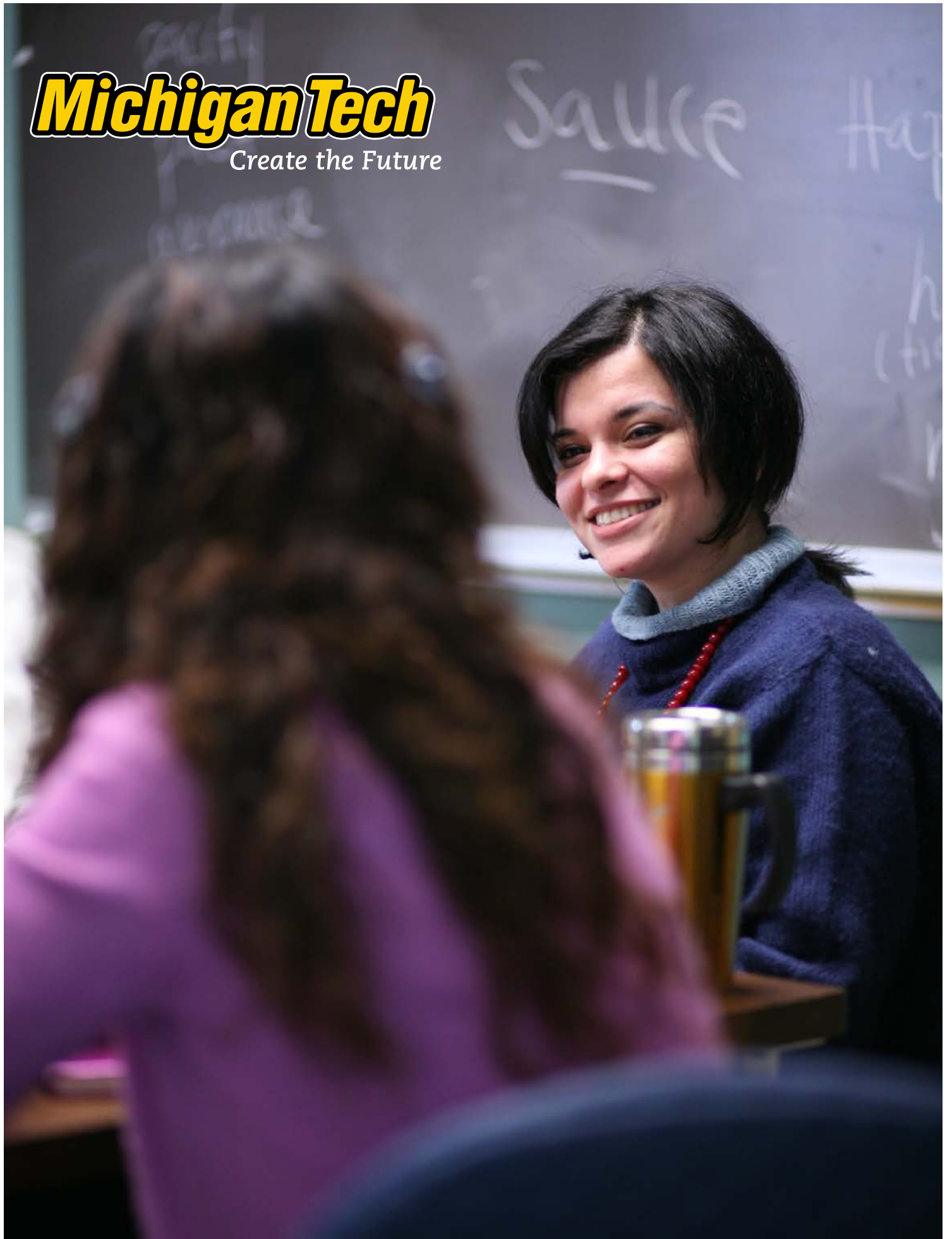


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THE MICHIGAN TECH *PLAN*

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

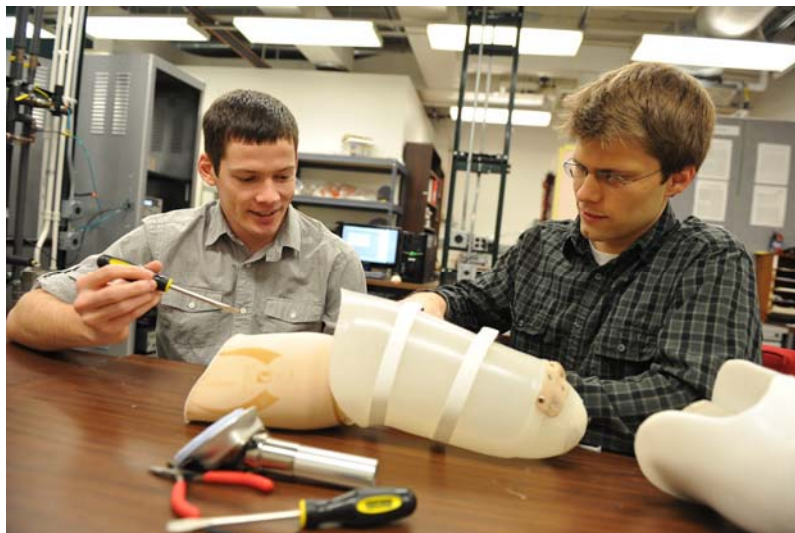
Michigan Tech will be a leader in creating solutions for society's challenges through education and interdisciplinary endeavors that advance sustainable economic prosperity, health and safety, ethical conduct, and responsible use of natural resources in Michigan, the nation, and the world. We will attract exceptional faculty, staff, and students who understand, develop, apply, manage, and communicate science and technology—all with the goal of a prosperous, sustainable world.

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

Goal 1: A world-class and diverse faculty, staff, and student population.

Goal 2: 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: World-class research, scholarship, entrepreneurship, innovation, and creative work that promotes sustainable economic and social development in Michigan, the nation, and the world.



LETTER FROM THE PRESIDENT

As we move forward, Michigan Tech's long-term vision must be constantly updated to continue to create the best possible university. We did so with *Vision for 2035: A Premier Technological University of International Stature*.

Our goals are ambitious, yet attainable, and will position the University for an even greater tomorrow.

The 2035 portrait envisions an internationally competitive faculty with 40 percent in endowed positions. Our overall enrollment of 8,750 will be supported by \$500 million in scholarship endowment and will include some 1,000 PhD and 2,000 master's students. Importantly, 40 percent of the total enrollment will be female, and we will be in the top ten nationally for undergraduate—engineering degrees granted to women.

We will stress global literacy and communication skills in a variety of media as a prominent part of our education, which will continue to be transformational, resident-based, and technologically rich. We will continue to be recognized nationally and internationally for research development and innovation.

Michigan Tech will operate under a sustainable financial model with less reliance on state funding, and our University culture will be entrepreneurial with high-quality services that are efficient, responsive, and sustainable.

Finally, we will be using a year-round calendar, a more efficient way to operate our facilities, while allowing students to progress through their degree programs more quickly, beating the competition to the job market. It's just one more way they will still be creating the future in 2035.



Dr. Glenn D. Mroz
President

ADMINISTRATIVE OFFICERS

BOARD OF CONTROL

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2012	Martha K. Richardson	Dr. Kathryn Clark
2014	Lenora Ashford	Stephen J. Hicks, Chair
2016	Thomas L. Baldini	Paul G. Ollila
2018	Julie A. Fream, Vice Chair	Terry J. Woychowski

EXECUTIVE AND BOARD OFFICERS

Dr. Glenn D. Mroz
President

Dr. Maximilian J. Seel
Provost and Vice President for Academic Affairs

Dr. David D. Reed
Vice President for Research

Dr. Les P. Cook
Vice President for Student Affairs

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

Daniel D. Greenlee, CPA
Chief Financial Officer
and Treasurer of the Board of Control

Shea McGrew
Vice President for Advancement

Ellen S. Horsch
Vice President for Administration

Dr. Walter W. Milligan
Chief Information Officer



UNIVERSITY *UPDATE*

Student Stories

It's been another great year for our students: especially those involved in national and international competitions, groundbreaking research, and giving back to communities here and elsewhere.

Teamwork

Michigan Tech's Concrete Canoe Team brought home the bronze from the 2012 American Society of Civil Engineers National Concrete Canoe Competition, held at the University of Nevada–Reno. Their third-place finish equals Michigan Tech's best previous showing, in 2005, at the national level. Advisor Bill Baxandall, an adjunct professor of civil and environmental engineering, chalked it up to determination. "They just wanted to prove that we could produce an outstanding canoe, and they sure did that," he said. Photo on page 3.

Michigan Tech students placed first in the New Venture Competition held on the campus of Central Michigan University. The first place team also was named Best Social Venture. Ben Mitchell and Wade Aitken-Palmer won for creating better bicycle components for rural Africans who depend on their bicycles for their livelihood. Their idea, called Baisikeli Ugunduzi (Swahili for "modern bicycle"), captured a \$30,000 first prize and another \$10,000 for Best Social Venture, for its sustainability and social impact, among other criteria. The invention is a tube that eliminates flat tires.

Michigan Tech's vehicle took first place and nabbed honors for creativity at the North Central Region Chem-E-Car Competition, held in April at the University of Akron. The event is sponsored by the American Institute of Chemical Engineers and Chevron. Chem-E-Car entrants build small cars, about the size of a shoebox, and power them using chemical reactions. About an hour before the competition, they are told the length of the course and the weight of the payload. Then, they configure their vehicles to roll as close as they can to the finish line.

Research

Felicia Nip, a third-year biochemistry and molecular biology major, was immersed in the world of fruit flies this summer. Through a Summer Undergraduate Research Fellowship (SURF) and with mentor Thomas Werner, assistant professor of genetics and developmental biology, Nip explored how certain fruit fly strains evolved resistance to deadly mushroom toxins. The flies (*Drosophila melanogaster*) are not known to feed on mushrooms in nature, yet they can resist the poisons, thanks to their multi-drug resistance (MDR) genes.

In another SURF project, civil engineering undergraduate Daniel Cerminaro is developing better algorithms to analyze remote-sensing images of areas struck by earthquakes. Using high-resolution satellite and aerial images of the recent earthquakes in Haiti and New Zealand, he aims to pinpoint damage more quickly and accurately. The ultimate goal is to support emergency responders and decision makers during the recovery process. Cerminaro is working under the tutelage of Thomas Oommen, assistant professor of geological and mining engineering and sciences.

For the second summer in a row, graduate and undergraduate students have been working with Tim Scarlett, Associate Professor in Social Sciences on the Cliff Mine site in Keweenaw County. Part of the summer field school, the students have uncovered more of the mine's mill and, in a new dig, the town of

Clifton is being studied. Foundations of churches, houses, and other buildings have been the focus of students such as chemistry undergraduate Trevor Curtis and Sean Gohman, graduate student in the industrial archaeology program in the Department of Social Sciences. The students also describe their research to visitors who come from all over the Keweenaw, and elsewhere, to view their work. See photo on page 32.

Giving Back

Two teams of undergraduate engineering students have developed two low-cost, workable prostheses—one a knee, one a foot—and brought them to India, the first step in an effort to make them available to that nation's many poor. Kelsy Ryskamp was on the knee team that traveled to Jaipur and New Delhi to meet orthopedic surgeons over spring break. "They were impressed with our work," she says. "It's amazing we had this opportunity, and it's crazy to think that a group of six students could do something this big—potentially change the way people live in a developing country." See photo on page 1.

With help from a group of Michigan Tech students, low-income and fixed-income households in nearby communities aren't feeling the chill. With support from River Valley Bank and the Ford College Community Challenge grant, members of Michigan Tech's Efficiency through Engineering and Construction Enterprise (ETEC) are working with local service agencies on an energy-saving initiative to winterize homes in this cold and snowy community.

Graduate student Ben Savonen is a Peace Corps Master's International student pursuing a degree in environmental engineering, studying water resources and purification techniques. And, he's spearheading a Water-to-Water event, with multiple universities and club swim teams raising funds for underdeveloped countries with drinking water problems. He raised \$2,600 in a similar project as an undergraduate.

As evidenced here, Michigan Tech students go far beyond the lab and classroom to work together, discover new ideas, and help their fellow humans, as they create the future.



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 35% of accepted students enroll at the University. Michigan residents account for 65% of the University's enrollment.

	Accepted Students* Summer and Fall Terms					Average ACT Scores for Incoming Freshmen, Fall		
	2011	2010	2009	2008	2007	MI Tech	Nat'l	
Freshmen	3,441	3,353	3,456	3,781	3,485	2011	26.4	21.1
Transfer Students	401	415	403	352	470	2010	26.1	21.0
Graduate Students	1,258	1,252	1,217	962	701	2009	26.0	21.1
Total	5,100	5,020	5,076	5,095	4,656	2008	25.6	21.1
						2007	25.6	21.2

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

	Selected Enrollment Data* Summer and Fall Terms				
	2011	2010	2009	2008	2007
New Freshmen	1,161	1,115	1,160	1,365	1,223
New Transfer Students	219	230	236	216	229
Graduate Students	402	364	443	265	233
Total	1,782	1,709	1,839	1,846	1,685

	Enrollment by Residency*				
	2011	2010	2009	2008	2007
Resident	4,511	4,550	4,782	4,652	4,441
Nonresident	1,404	1,381	1,457	1,526	1,599
International	1,011	985	892	819	647
Total	6,926	6,916	7,131	6,997	6,687

	Full-Time Equivalent Students by Residency*				
	2011	2010	2009	2008	2007
Resident	4,200	4,239	4,410	4,315	4,114
Nonresident	1,319	1,307	1,378	1,433	1,495
International	962	925	848	780	619
Total	6,481	6,471	6,636	6,528	6,228

**Does not include Distance Learning*

DEGREES AWARDED

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

Degrees Awarded					
	2011	2010	2009	2008	2007
Associate	3	6	23	20	26
Bachelor's	1,026	1,149	1,073	1,146	966
Master's	269	202	169	196	184
Doctorate	55	56	57	54	65
Total	1,353	1,413	1,322	1,416	1,241



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, 2012, 2011, and 2010. 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. Under the Governmental Accounting Standards Board (GASB) Statement No. 39-*Determining Whether Certain Organizations are Component Units*, 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			
	2012	2011	2010
Assets			
Current assets	\$ 29,415,290	\$ 35,892,138	\$ 40,100,788
Noncurrent assets:			
Capital assets, net	258,576,556	250,109,030	241,689,069
Other	21,232,635	21,504,141	20,166,676
Total assets	\$ 309,224,481	\$ 307,505,309	\$ 301,956,533
Liabilities			
Current liabilities	\$ 20,995,821	\$ 24,693,524	\$ 26,634,623
Noncurrent liabilities	84,066,142	82,744,728	74,332,274
Total liabilities	\$ 105,061,963	\$ 107,438,252	\$ 100,966,897
Net assets			
Invested in capital assets, net of related debt	\$ 174,526,525	\$ 168,275,083	\$ 168,775,108
Restricted for expendable purposes	20,989,571	22,185,869	23,776,567
Unrestricted	8,646,422	9,606,105	8,437,961
Total net assets	\$ 204,162,518	\$ 200,067,057	\$ 200,989,636

Changes from 2011 to 2012

Current assets decreased by \$6.5 million. Cash and cash equivalents decreased by \$4.7 million due to the use of bond proceeds on capital construction projects and increased financial aid allowances. Accounts receivable decreased by \$1.9 million due to decreases in receivables for research and state appropriations.

Capital assets, net increased by \$8.4 million. Asset additions during fiscal year 2012 totaled \$22.8 million, book value of disposals was \$1.5 million and the depreciation charge for the year was \$12.8 million. Capital additions for fiscal 2012 included \$4.5 million in academic and research equipment and \$14.8 million for the additional construction costs of a new research facility.

Other noncurrent assets decreased by \$272,000 as the value of investments decreased by \$24,000 and student loans receivable decreased by \$247,000.

Current liabilities decreased by \$3.7 million. Accounts payable decreased by \$1.7 million mainly due to decreased payables to vendors. In FY11, a carryover policy was initiated whereby any unspent general fund budget allocation will be allowed to carry forward to the next fiscal year; this has had the effect of greatly reducing payables to vendors at year end. Other accrued liabilities decreased by \$2.0 million as the unpaid payroll at year end was for a lesser period of time, current portion of noncurrent liabilities decreased by \$361,000, and current portion of long-term debt increased by \$432,000.

Noncurrent liabilities increased by \$1.3 million as additional bonds were issued to finance the refurbishment of the ice hockey arena. Long-term debt increased by \$1.6 million and insurance and benefit reserves decreased by \$267,000.

Total net assets increased by \$4.1 million. The University's investment in capital assets, net of related debt, increased by \$6.3 million. This is a result of the capitalization of the new research facility, other construction in progress, and equipment additions less the annual depreciation charge. Restricted net assets decreased by \$1.2 million and unrestricted net assets decreased by \$960,000. The June 30, 2012 unrestricted reserves of \$8.6 million consist of reserves in designated funds, auxiliary funds and the plant renewal and replacement fund offset by deficits in the general fund and retirement and insurance fund.

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 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.

NET ASSETS

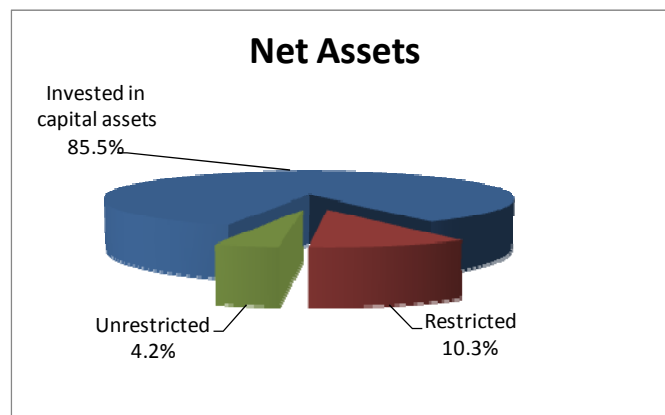
Net assets represent the residual interest in the University's assets after liabilities are deducted. The composition of the University's net assets is summarized as follows:

Net Assets Summary			
As of June 30			
	2012	2011	2010
Invested in capital assets, net of related debt	\$ 174,526,525	\$ 168,275,083	\$ 168,775,108
Restricted-expendable			
Gifts and sponsored programs	3,590,414	2,808,383	2,692,577
Capital projects and debt service	3,387,405	5,479,269	7,303,870
Student loans	14,011,752	13,898,217	13,780,120
Total restricted net assets	20,989,571	22,185,869	23,776,567
Unrestricted net assets (deficit)			
Capital projects and repairs	651,704	(1,763,284)	(2,343,381)
Auxiliary enterprises	9,235,156	6,850,582	8,109,036
Designated for departmental use	15,816,151	17,482,191	17,669,080
Uncommitted	(17,056,589)	(12,963,384)	(14,996,774)
Total unrestricted net assets	8,646,422	9,606,105	8,437,961
Total net assets	\$ 204,162,518	\$ 200,067,057	\$ 200,989,636

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 change from year to year reflects the University's improvement, maintenance, and usage of its capital assets in accordance with its long-range capital plan.

Expendable restricted net assets represent assets whose use is restricted by a party independent of the University. This includes restrictions related to gifts, research contracts, grants, 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			
	2012	2011	2010
Operating revenues			
Tuition and fees, net	\$ 71,441,863	\$ 67,034,320	\$ 65,590,647
Grants and contracts	48,133,325	48,226,440	42,899,049
Educational activities	4,481,022	4,126,664	4,790,916
Auxiliary activities	30,102,941	28,083,511	28,302,646
Total operating revenues	154,159,151	147,470,935	141,583,258
Operating expenses	223,851,370	217,025,253	210,515,343
Operating loss	(69,692,219)	(69,554,318)	(68,932,085)
Nonoperating revenues and expenses			
Federal Pell grants	5,756,429	6,321,778	6,035,503
State appropriations	40,733,597	47,924,200	47,870,800
Capital grants and gifts	14,391,859	14,184,105	15,335,072
Other nonoperating revenues and expenses, net	12,905,795	201,656	(105,171)
Net nonoperating revenues	73,787,680	68,631,739	69,136,204
Net increase (decrease) in net assets	4,095,461	(922,579)	204,119
Net assets			
Beginning of year	200,067,057	200,989,636	200,785,517
End of year	\$ 204,162,518	\$ 200,067,057	\$ 200,989,636

Changes from 2011 to 2012

Operating revenues increased by a total of \$6.7 million. Tuition and fees, net of scholarship allowance, increased by \$4.4 million (6.5%) as enrollment was level and tuition increases amounted to 6.98% for undergrad students and 9.5% for graduate students. Grant and contract revenues decreased by \$93,000 (no percentage change), Educational activities revenues increased by \$354,000 (8.6%) and Auxiliary activities increased by \$2.0 million (7.2%) due to an increase in housing occupancy.

Operating expenses increased by \$6.8 million. Salary and benefit costs increased by \$4.3 million (3.1%). A breakdown of these costs shows that salary costs increased by \$1.7 million (1.6%) and benefit costs increased by \$2.6 million (7.5%). Salaries increased due to a mid-year wage adjustment and benefits increased due to higher health care costs and the increasing costs of the state MPSERS retirement program. Supplies and services increased by \$3.3 million (7.0%), utilities decreased by \$342,000 (4.2%), and annual depreciation decreased by \$380,000.

Net nonoperating revenues increased by \$5.2 million. Federal Pell grants decreased by \$565,000, state appropriations decreased by \$7.2 million, gifts to the University, including gifts of capital assets, increased by \$207,000 (non-capital gifts increased by \$991,000), investment return decreased by \$1.8 million, capital appropriations increased by \$13.9 million, and other nonoperating revenues amounted to \$1.8 million.

The net result of operations for the year was an increase in net assets of \$4.1 million.

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.

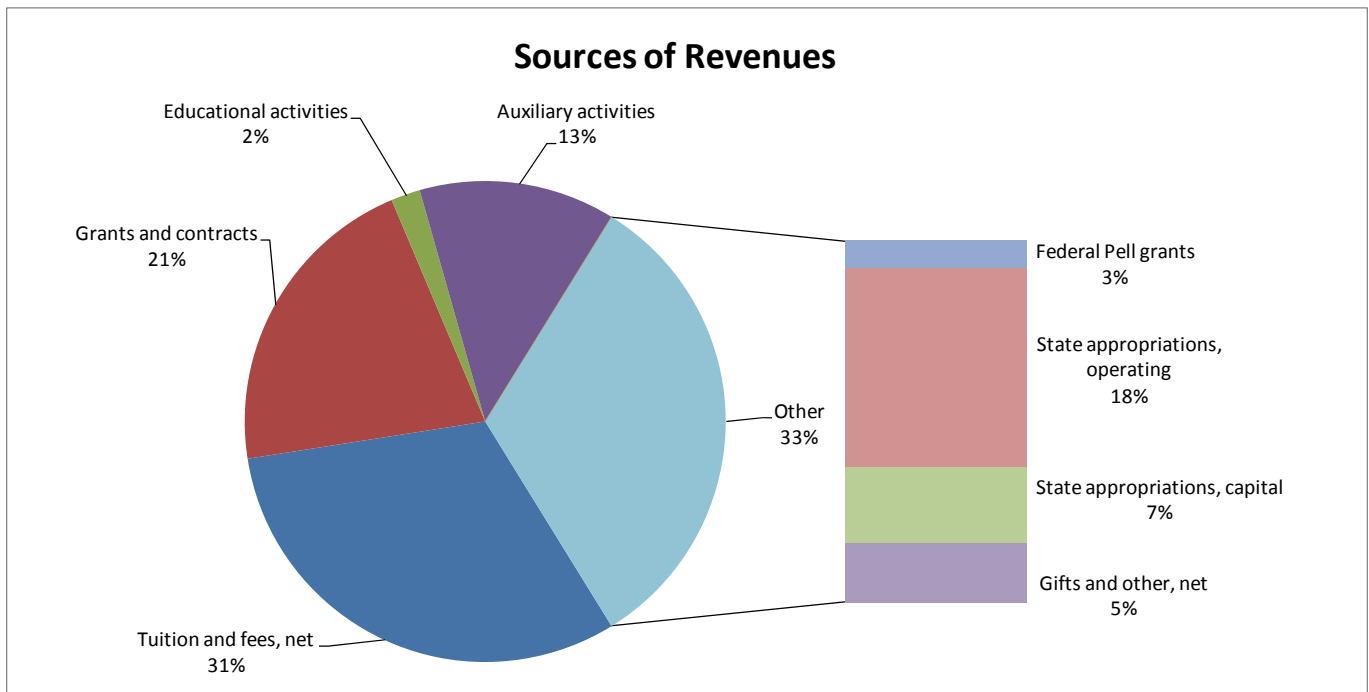
Net nonoperating revenues decreased by \$504,000. Federal Pell grants increased by \$286,000, state appropriations increased by \$54,000, gifts to the University, including gifts of capital assets, decreased by \$1.2 million (noncapital gifts increased by \$2.5 million), investments showed a gain of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

Revenue Diversification

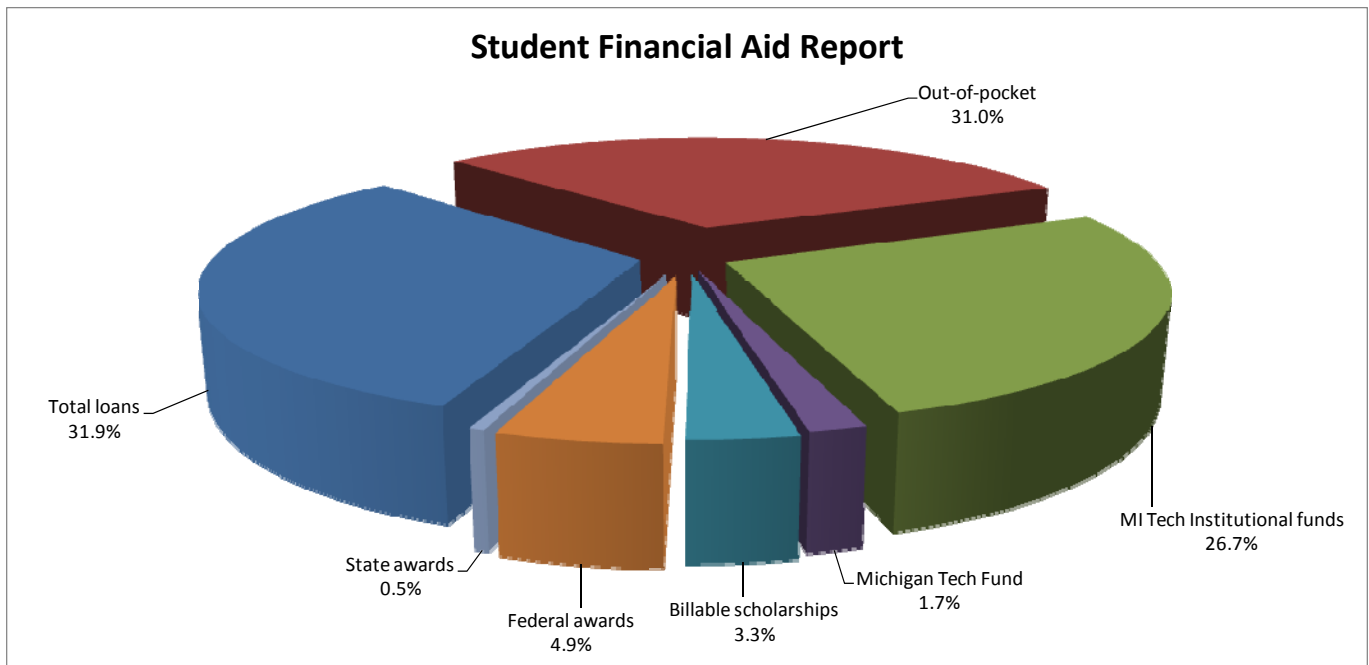
The University relies on multiple sources of revenues to supplement student tuition. The University continues to aggressively increase funding from other sources consistent with its mission.

The following graph illustrates the fiscal year 2012 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 2012, the University implemented a 6.98% average increase in tuition and mandatory fees for Michigan undergraduates and graduate students saw a 9.5% 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, 2012. The graph shows that 37.1% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

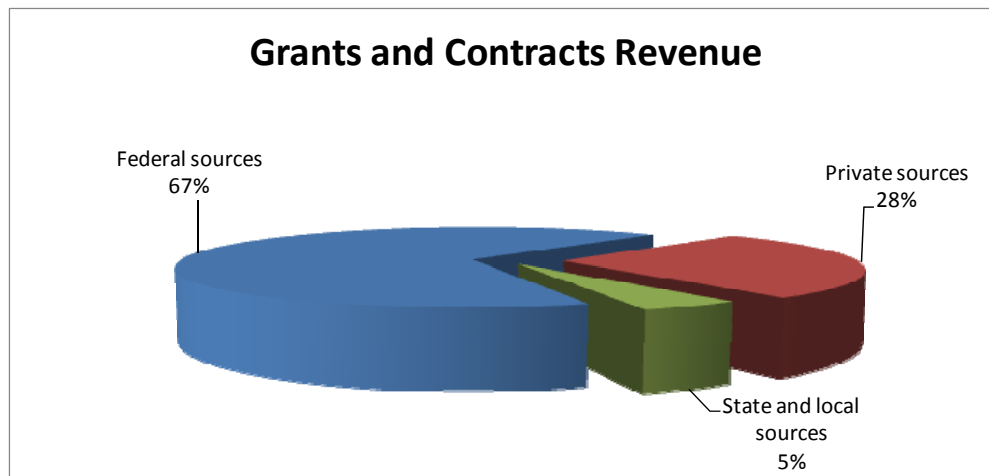


GRANT AND CONTRACT REVENUE

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 \$43.4 and \$54.1 million dollars of research and sponsored programs awarded to the University in fiscal years 2012 and 2011, 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			
	2012	2011	2010
Federal sources			
Department of Agriculture	\$ 2,915,001	\$ 2,607,963	\$ 2,273,438
Department of Defense	9,781,331	9,345,988	7,601,392
Department of Education	831,035	2,018,251	2,036,102
Department of Energy	3,443,292	4,408,612	4,197,431
Department of Interior	637,404	887,116	597,926
Department of Transportation	1,638,899	1,134,734	866,759
Environmental Protection Agency	781,229	228,126	65,483
National Aeronautics and Space Administration	1,671,224	1,348,565	1,054,346
National Science Foundation	9,145,161	8,200,144	7,400,441
Health and Human Services	1,220,475	2,276,522	1,525,436
Other federal sources	417,676	157,829	257,256
Total federal sources	32,482,727	32,613,850	27,876,010
Nonfederal sources			
State and local	2,280,914	2,644,867	3,384,630
Private	13,369,684	12,967,723	11,638,409
Total nonfederal sources	15,650,598	15,612,590	15,023,039
Total all sources	\$ 48,133,325	\$ 48,226,440	\$ 42,899,049

The following graphic illustrates the fiscal year 2012 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			
	2012	2011	2010
Cash (used in) provided by			
Operating activities	\$ (58,776,353)	\$ (56,991,631)	\$ (55,875,854)
Noncapital financing activities	62,705,328	66,780,281	65,076,130
Capital and related financing activities	(9,239,822)	(17,036,095)	(5,901,982)
Investing activities	581,577	854,738	322,163
Net (decrease) increase in cash and cash equivalents	(4,729,270)	(6,392,707)	3,620,457
Cash and cash equivalents, beginning of the year	13,116,547	19,509,254	15,888,797
Cash and cash equivalents, end of the year	\$ 8,387,277	\$ 13,116,547	\$ 19,509,254

Changes from 2011 to 2012

Cash used in operations increased by \$1.8 million. Significant changes in cash provided by operations include an increase from tuition and fees of \$4.8 million, an increase from auxiliary and educational activities of \$2.5 million, and an increase from grants and contracts of \$855,000. The most significant changes in cash used in operations include an increase in payments to employees and employee benefits of \$7.0 million and an increase in payments to suppliers and utilities of \$2.6 million.

Cash provided by noncapital financing activities decreased by \$4.1 million. Gifts to the University increased by \$1.0 million and the University had a recovery of a previous write-off of \$1.1 million. Pell grants decreased by \$482,000 and state appropriations decreased by \$5.9 million.

Net cash used by capital and related financing activities decreased by \$7.8 million. During fiscal year 2012 there was a decrease in cash provided by the issuance and payment of long-term debt of \$6.2 million. Cash received for capital appropriation increased by \$13.9 million.

Cash provided by investing activities decreased by \$273,000 primarily due to 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 \$4.7 million for the year ended June 30, 2012.

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 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.

MICHIGAN TECH BOARD APPROVES BUDGET, LOWEST TUITION INCREASE IN 8 YEARS FOR 2012-13

At a special meeting on June 21, 2012, Michigan Technological University's Board of Control approved a general fund budget of \$165.5 million for fiscal year 2013, which started July 1, 2012. The general fund, which covers the operating expenses of the University, is one of five components of the current fund, which will total \$256.5 million for FY2013.

The general fund budget includes a tuition increase of 3.9 percent for Michigan resident undergraduates, less than the 4 percent cap set by the state for universities to receive tuition restraint funding. The average tuition for Michigan residents will be \$14,448, an increase of \$538 over FY2012.

State appropriations for Michigan Tech are expected to total \$42.4 million, approximately 17 percent of the total University budget. State funding will increase \$1.7 million over the current year.

The increase in state funding enabled Michigan Tech to pass the lowest tuition increase in eight years.

State law requires the University to return \$5.6 million of the state appropriation to the state to pay the University's levy for retirees still covered under the Michigan Public School Employees Retirement System (MPERS), costing Michigan Tech the equivalent of \$800 per student.

President Glenn Mroz praised the state and the Business Leaders of Michigan—who campaigned for an increased higher education budget—for their efforts to reverse “a decade of disinvestment in higher education. They have recognized that we need more educated people, particularly in the STEM (science, technology, engineering and mathematics) fields to power Michigan's economy,” Mroz said. “And STEM is what we do,” he said. “It's an investment in the future of Michigan.”

INDEPENDENT AUDITORS' REPORT

October 31, 2012

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, 2012 and 2011 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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET ASSETS

	June 30	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,387,277	\$ 13,116,547
Accounts receivable, net	19,228,194	21,177,336
Other assets	1,799,819	1,598,255
Total current assets	29,415,290	35,892,138
Noncurrent assets:		
Student loans receivable, net	12,207,214	12,454,408
Investments	8,046,877	8,071,189
Capital assets, net	258,576,556	250,109,030
Goodwill	978,544	978,544
Total noncurrent assets	279,809,191	271,613,171
Total assets	\$ 309,224,481	\$ 307,505,309
Liabilities		
Current liabilities		
Accounts payable	\$ 4,602,384	\$ 6,305,633
Other accrued liabilities	8,451,085	10,474,495
Deferred revenue	2,990,127	3,032,505
Current portion of long-term debt	2,240,000	1,808,164
Current portion of insurance and benefit reserves	2,712,225	3,072,727
Total current liabilities	20,995,821	24,693,524
Noncurrent liabilities		
Funds held for others	680,450	680,000
Insurance and benefit reserves	1,109,300	1,376,648
Long-term debt, net of current portion	82,276,392	80,688,080
Total noncurrent liabilities	84,066,142	82,744,728
Total liabilities	105,061,963	107,438,252
Net assets		
Invested in capital assets, net of related debt	174,526,525	168,275,083
Restricted for expendable purposes	20,989,571	22,185,869
Unrestricted	8,646,422	9,606,105
Total net assets	204,162,518	200,067,057
Total liabilities and net assets	\$ 309,224,481	\$ 307,505,309

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	
	2012	2011
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$34,728,480 and \$32,959,557 in 2012 and 2011, respectively)	\$ 71,441,863	\$ 67,034,320
Federal grants and contracts	32,482,727	32,613,850
State and local grants and contracts	2,280,914	2,644,867
Nongovernmental grants and contracts	13,369,684	12,967,723
Educational activities	4,481,022	4,126,664
Departmental activities	8,810,327	8,262,911
Student resident fees	21,292,614	19,820,600
Total operating revenues	154,159,151	147,470,935
Expenses		
Operating expenses		
Compensation and benefits	145,396,793	141,065,079
Supplies and services	50,050,849	46,772,343
Student financial support	7,656,008	7,717,978
Utilities	7,879,942	8,221,631
Depreciation	12,867,778	13,248,222
Total operating expenses	223,851,370	217,025,253
Operating loss	(69,692,219)	(69,554,318)
Nonoperating revenues (expenses)		
Federal Pell grants	5,756,429	6,321,778
Federal grants, other	609,604	462,619
State appropriations	40,733,597	47,924,200
Gifts	13,068,363	12,076,991
Investment return	557,313	2,371,471
Interest on capital asset-related debt	(3,747,041)	(3,814,113)
Loss on disposal of capital assets	(1,541,352)	(128,687)
Net nonoperating revenues	55,436,913	65,214,259
Loss before other revenues	(14,255,306)	(4,340,059)
Other revenues		
Capital appropriations	15,196,597	1,310,366
Capital grants and gifts	1,323,496	2,107,114
Other nonoperating revenues	1,830,674	-
Net increase (decrease) in net assets	4,095,461	(922,579)
Net assets		
Beginning of year	200,067,057	200,989,636
End of year	\$ 204,162,518	\$ 200,067,057

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2012	2011
Cash flows from operating activities		
Student tuition and fees	\$ 71,631,238	\$ 66,872,535
Grants and contracts	48,762,430	47,907,164
Payments to employees	(110,326,619)	(106,019,253)
Payments for benefits	(37,803,478)	(35,124,359)
Payments to suppliers	(49,914,407)	(47,126,480)
Payments for utilities	(8,018,237)	(8,122,381)
Payments for financial aid	(7,656,008)	(7,717,978)
Loans issued to students	(1,771,607)	(1,697,145)
Collection of loans to students	2,018,801	1,890,037
Departmental activities	8,781,308	8,362,941
Educational activities	4,532,326	4,051,325
Student resident fees	21,321,795	19,769,142
Other payments	(333,895)	(37,179)
Net cash used in operating activities	(58,776,353)	(56,991,631)
Cash flows from noncapital financing activities		
Federal Pell grants	5,816,208	6,297,983
Federal grants, other	609,604	462,619
State appropriations	42,040,980	47,914,497
Gifts and grants for other than capital purposes	13,068,363	12,076,991
Recovery of write-off	1,100,000	-
William D. Ford direct lending cash received	30,823,218	31,713,395
William D. Ford direct lending cash disbursed	(30,753,045)	(31,685,204)
Net cash provided by noncapital financing activities	62,705,328	66,780,281
Cash flows from capital and related financing activities		
Capital appropriations	15,196,597	1,310,366
Capital grants and gifts received	613,988	373,912
Proceeds from sale of capital assets	209,511	59,619
Purchases of capital assets	(23,900,531)	(23,947,466)
Proceeds on issuance of debt	35,728,341	10,975,000
Principal paid on capital debt and leases	(33,023,164)	(2,033,860)
Interest paid on capital debt and leases	(4,064,564)	(3,773,666)
Net cash used in capital and related financing activities	(9,239,822)	(17,036,095)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	300,971	599,871
Purchase of investments	(142,887)	(132,938)
Income on investments	423,493	387,805
Net cash provided by investing activities	581,577	854,738
Net (decrease) in cash and cash equivalents	(4,729,270)	(6,392,707)
Cash and cash equivalents, beginning of year	13,116,547	19,509,254
Cash and cash equivalents, end of year	\$ 8,387,277	\$ 13,116,547

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (continued)

	Year Ended June 30	
	2012	2011
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (69,692,219)	\$ (69,554,318)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	12,867,778	13,248,222
Changes in operating assets and liabilities:		
Receivables, net	909,526	(999,970)
Other assets	(201,564)	(56,585)
Student loans receivable	247,194	192,892
Accounts payable	(278,793)	(133,225)
Other accrued liabilities	(2,023,410)	300,994
Deferred revenue	(77,465)	499,042
Funds held for others	450	(7,900)
Insurance and benefit reserves	(527,850)	(480,783)
Net cash used in operating activities	\$ (58,776,353)	\$ (56,991,631)

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



*MICHIGAN TECH FUND
STATEMENTS OF NET ASSETS*

	June 30	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,873,414	\$ 4,404,099
Amount due from Michigan Technological University	-	100,000
Current portion of pledges receivable, net	4,991,445	2,758,931
Other assets	150,379	158,242
Total current assets	11,015,238	7,421,272
Noncurrent assets:		
Investments	90,297,647	96,864,373
Pledges receivable, net of current portion	3,091,844	3,326,909
Beneficial interest in charitable remainder trusts	4,496,015	4,678,875
Cash surrender value, life insurance	933,665	907,099
Property held for sale	119,000	65,000
Capital assets, net	6,897	11,069
Total noncurrent assets	98,945,068	105,853,325
Total assets	\$ 109,960,306	\$ 113,274,597
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 651,114	\$ 663,911
Deferred revenue	-	1,000,000
Current portion of annuity obligations	323,948	333,670
Total current liabilities	975,062	1,997,581
Annuity and pooled income obligations, net of current portion	4,205,783	3,937,970
Total liabilities	5,180,845	5,935,551
Net assets		
Nonexpendable	66,069,720	61,274,672
Expendable	37,450,730	41,541,165
Unrestricted	1,259,011	4,523,209
Total net assets	104,779,461	107,339,046
Total liabilities and net assets	\$ 109,960,306	\$ 113,274,597

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	
	2012	2011
Revenues		
Operating revenues		
Gifts and contributions	\$ 8,914,060	\$ 13,006,419
Other operating revenues	150,414	310,443
Total operating revenues	9,064,474	13,316,862
Operating expenses	934,541	960,638
Operating revenue	8,129,933	12,356,224
Nonoperating (expenses) revenues		
Investment return, net	(435,040)	15,846,489
Distributions to Michigan Technological University	(15,049,526)	(14,467,436)
Net nonoperating (expenses) revenues	(15,484,566)	1,379,053
(Loss) income before other revenues	(7,354,633)	13,735,277
Other revenues		
Additions to permanent endowments	4,795,048	3,696,731
Net (decrease) increase in net assets	(2,559,585)	17,432,008
Net assets		
Beginning of year	107,339,046	89,907,038
End of year	\$ 104,779,461	\$ 107,339,046

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") 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. Since its inception, MTESC has no significant financial activity other than an initial infusion of cash to be used as start up funds that was provided through a donation to MTESC and payment of initial legal and registration fees.

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 postemployment 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 that 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 custodial institutions 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 advisor to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced as necessary. The Fund's Investment Committee of the Board of Trustees provides oversight of the investment advisor and makes recommendations to the Board of Directors concerning any changes in the asset allocation. 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. 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 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 annually analyzes 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 University 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; and (3) most federal, state, and local grants and contracts and federal appropriations. 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 University include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, interest on institutional student loans, 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 presented in this report.

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.

Subsequent Events

In preparing these financial statements, Fund management has evaluated significant events or transactions that occurred during the period subsequent to June 30, 2012, the most recent statement of net assets presented herein, through October 31, 2012, the date these financial statements were available to be issued. Any significant events or transactions will be disclosed in subsequent footnotes.

(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; 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 \$7,107,298 and \$13,102,002 as of June 30, 2012 and 2011, respectively. There were no bank deposit balances exposed to custodial credit risk because they were uninsured or uncollateralized, as of June 30, 2012 and 2011.

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, 2012 are as follows:

Investment Portfolio					
2012					
Investment type	Fair Value	Interest Rate	Maturity Date	Rating	
Mutual fund cash reserve	\$ 2,072,704	0.02%	N/A	N/A	
Equity index mutual fund	8,046,877	N/A	N/A	N/A	
	10,119,581				
Less investments reported as "cash and cash equivalents" on the accompanying Statement of Net Assets	(2,072,704)				
Total investments	\$ 8,046,877				

The University's investments at June 30, 2011 were 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 net investment return is comprised of the following for the years ended June 30, 2012 and 2011.

Investment Return				
Year ended June 30				
	2012		2011	
Investment return				
Interest	\$	280,321	\$	240,662
Dividends		143,219		133,518
Net increase in the fair value of investments		133,773		1,997,291
Investment return		557,313		2,371,471

The annualized returns on investments and marketable securities for the University, excluding the base cash pool reserve for the years ended June 30, 2012 and 2011, are as follows:

Annual Return		
	2012	2011
Intermediate fixed income	0.02%	0.05%
Equity investments	3.43%	32.57%

The fair value of the Fund's investments at June 30, 2012 and 2011 are categorized as follows:

Michigan Tech Fund-Investment Portfolio		
	2012	2011
Marketable securities		
Equities	\$ 354,804	\$ 336,553
Mutual funds-equities	40,686,554	40,943,940
Mutual funds-fixed income	12,555,494	38,165,685
Corporate bonds and notes	115,573	27,658
US government obligations	20,540,614	949,709
Total marketable securities	74,253,039	80,423,545
Alternative investments		
Hedge funds	5,054,643	4,934,818
Real estate and natural resources	4,112,379	3,976,200
Private equity	6,857,586	7,480,810
Total alternative investments	16,024,608	16,391,828
Closely held stock	20,000	49,000
Total investments	\$ 90,297,647	\$ 96,864,373

At June 30, 2012, the Fund's remaining future capital commitments for investment in limited partnerships (alternative investments) are approximately \$1,694,000.

The Fund's net investment return is comprised of the following for the years ended June 30, 2012 and 2011:

Michigan Tech Fund-Investment Return		
	2012	2011
Interest and dividends	\$ 2,049,053	\$ 1,850,878
Capital gain distributions	-	436,565
Net gain on sales of investments	3,420,430	1,633,639
Net unrealized (loss) gain on investments	(5,668,873)	12,168,358
Asset-based management and administrative fees	(235,650)	(242,951)
Total investment return	\$ (435,040)	\$ 15,846,489



(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30, 2012 and 2011.

Accounts Receivable			
		2012	2011
Student tuition and fees	\$	488,928	\$ 593,445
State appropriations			
Operating		7,406,110	8,713,492
Capital		2,149,970	1,822,424
Grants and contracts		8,073,660	8,932,544
Auxiliary activities		427,491	414,494
Other		747,663	767,434
Less allowance for doubtful accounts		(65,628)	(66,497)
Accounts receivable, net	\$	19,228,194	\$ 21,177,336

In addition, the University has student loans receivable in the amount of \$12,207,214 and \$12,454,408, recorded at June 30, 2012 and 2011, 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, 2012:

Changes in Capital Assets				
2012				
	Beginning Balance	Additions	Disposals	Ending Balance
Nondepreciable capital assets				
Land	\$ 9,112,394	\$ 22,000	\$ -	\$ 9,134,394
Mineral collections	5,516,860	327,276	-	5,844,136
Timber holdings	368,394	-	-	368,394
Construction in progress	9,884,783	17,618,452	(24,332,964)	3,170,271
Cost of nondepreciable capital assets	24,882,431	17,967,728	(24,332,964)	18,517,195
Depreciable capital assets				
Land improvements	1,517,098	128,410	-	1,645,508
Infrastructure	5,048,949	88,068	-	5,137,017
Buildings	329,307,318	24,332,964	-	353,640,282
Equipment	36,673,824	4,638,086	(2,094,441)	39,217,469
Library books	854,975	54,364	-	909,339
Cost of depreciable capital assets	373,402,164	29,241,892	(2,094,441)	400,549,615
Total cost of capital assets	398,284,595	47,209,620	(26,427,405)	419,066,810
Less: accumulated depreciation				
Land improvements	718,773	78,537	-	797,310
Infrastructure	1,951,438	246,570	-	2,198,008
Buildings	128,242,629	7,824,130	-	136,066,759
Equipment	16,809,791	4,578,126	(553,089)	20,834,828
Library books	452,934	140,415	-	593,349
Total accumulated depreciation	148,175,565	12,867,778	(553,089)	160,490,254
Capital assets, net	\$ 250,109,030	\$ 34,341,842	\$ (25,874,316)	\$ 258,576,556

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

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 maintain and amend 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, 2012 and 2011, respectively, construction in progress consisted of several building renovation projects and the costs of one new building as detailed below.

Construction in Progress		
As of June 30		
Project	2012	2011
Seaman Mineral Museum	\$ 1,555,726	\$ 1,555,726
Great Lakes Research Center	431,784	8,244,794
Ice arena slab and cooling equipment	747,031	-
SDC roof replacement	260,986	
Other projects	174,744	84,263
Total	\$ 3,170,271	\$ 9,884,783

The funding for the capital projects in progress as of June 30, 2012 and the expected sources of financing for these projects are as follows:

Construction Costs and Financing					
As of June 30, 2012					
	Seaman Mineral Museum	Great Lakes Research Center	Ice Rink and Roof Replacement	Other Projects	Total
Estimated cost of construction	\$ 4,000,000	\$ 1,000,000	\$ 2,300,000	\$ 1,000,000	\$ 8,300,000
Less: costs incurred to date	(1,555,726)	(431,784)	(1,008,017)	(174,744)	(3,170,271)
Estimated cost to complete	\$ 2,444,274	\$ 568,216	\$ 1,291,983	\$ 825,256	\$ 5,129,729

Expected sources of financing:

Federal funds	2,444,274	-	-	-	2,444,274
State funds	-	568,216	-	-	568,216
Bond proceeds	-	-	1,291,983	-	1,291,983
University funds and gifts	-	-	-	825,256	825,256
Estimated financing	\$ 2,444,274	\$ 568,216	\$ 1,291,983	\$ 825,256	\$ 5,129,729

(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, 2012 and 2011.

Accounts Payable and Other Accrued Liabilities		
	2012	2011
Accounts payable		
Vendors for supplies and services	\$ 3,159,212	\$ 3,570,595
Employee benefits	787,513	972,446
Construction payables	655,659	1,762,592
Total	\$ 4,602,384	\$ 6,305,633
Other accrued liabilities		
Payroll and payroll taxes	\$ 3,723,870	\$ 6,060,656
Accrued compensated absences	4,049,533	3,733,268
Deposits payable	677,682	680,571
Total	\$ 8,451,085	\$ 10,474,495



(7) NONCURRENT LIABILITIES

Noncurrent Liabilities As of June 30, 2012					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue bonds, 2003	\$ 4,190,000	\$ -	\$ 4,075,000	\$ 115,000	\$ 115,000
General revenue bonds, 2004A	29,430,000	-	27,885,000	1,545,000	760,000
General revenue bonds, 2006	2,790,000	-	50,000	2,740,000	65,000
General revenue bonds, 2008	15,685,000	-	125,000	15,560,000	125,000
General revenue bonds, 2009A/2009B	17,885,000	-	360,000	17,525,000	365,000
General revenue bonds, 2010A	10,975,000	-	205,000	10,770,000	540,000
General revenue bonds, 2012A	-	33,070,000	-	33,070,000	270,000
Total bonds payable	80,955,000	33,070,000	32,700,000	81,325,000	2,240,000
Bond premium	1,318,080	2,658,341	785,029	3,191,392	-
Capital lease	223,164	-	223,164	-	-
Total debt	82,496,244	35,728,341	33,708,193	84,516,392	2,240,000
Other liabilities					
Insurance and postemployment benefits	3,339,391	2,754,068	3,214,638	2,878,821	2,712,225
Funds held for others	680,000	205,050	204,600	680,450	-
Other liabilities	100,000	-	100,000	-	-
Postemployment benefit health care	1,009,984	-	67,280	942,704	-
Total	\$ 87,625,619	\$ 38,687,459	\$ 37,294,711	89,018,367	\$ 4,952,225
Due within one year				(4,952,225)	
Total noncurrent liabilities				\$ 84,066,142	

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 postemployment 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	

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	
		2012	2011
General revenue bond series 2003, (2% – 5%) final maturity 2033	\$ 4,900,000	\$ 115,000	\$ 4,190,000
General revenue bond series 2004, (2% – 4.49%) final maturity 2034	32,850,000	1,545,000	29,430,000
General revenue bond series 2006, (4% – 5%) final maturity 2036	2,990,000	2,740,000	2,790,000
General revenue bond series 2008, (3% – 5.25%) final maturity 2038	15,880,000	15,560,000	15,685,000
General revenue bond series 2009A/2009B, (2.58%-6.69%), final maturity 2039	18,235,000	17,525,000	17,885,000
General revenue bond series 2010A, (1.37%-6.55%), final maturity 2040	10,975,000	10,770,000	10,975,000
General revenue bond series 2012A, (3%-5%), final maturity 2034	33,070,000	33,070,000	-
Total bonds payable	118,900,000	81,325,000	80,955,000
Plus: unamortized net premium	4,310,073	3,191,392	1,318,080
Bonds payable, net	\$ 123,210,073	\$ 84,516,392	\$ 82,273,080

All bonds of the University, unless otherwise specified, 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. Outstanding principal of \$3,965,000 was refunded with the Series 2012A bonds issued in April 2012.

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. Outstanding principal of \$27,150,000 was refunded with the Series 2012A bonds.

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 \$4.375 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 and have been rated as Aa3 by Moody's.

During fiscal year 2012, the University's Board of Control approved the issuance of General Revenue and Refunding Bonds, Series 2012A in the amount of \$33,070,000. The proceeds of this bond issue were used to partially refund Series 2003 bonds in the amount of \$3.965 million, to partially refund Series 2004 bonds in the amount of \$27.150 million with the remainder funding the replacement of the ice plant and rink slab in the hockey arena and partial replacement of the roof of the Student Development Center. The Series 2003 bonds to be refunded will be called for redemption on April 1, 2013 and the Series 2004 bonds to be refunded will be called for redemption on October 1, 2013 each at a redemption price to equal 100% of the principal amount plus accrued interest. The refunding resulted in a net present value interest savings of \$1.3 million and an economic gain of \$731,000. The 2012A bond series consists of serial bonds in the amount of \$19.75 million with maturities of October 2012 through October 2027 and interest rates ranging from 3.0% to 5.0%. The issue also included two term bonds totaling \$13.32 million. The first term bond in the amount of \$5.32 million matures in October 2030 and bears an interest rate of 4.0%. The second term bond in the amount of \$8.0 million matures in October 2034 and bears an interest rate of 5.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as Aa3 by Moody's.

Principal and Interest Amounts Due on Bonded Debt
For Fiscal Years Ending June 30

Fiscal Year	Principal	Interest	Total
2013	\$ 2,240,000	\$ 3,964,045	\$ 6,204,045
2014	2,335,000	3,962,261	6,297,261
2015	2,405,000	3,887,661	6,292,661
2016	2,125,000	3,814,025	5,939,025
2017	3,110,000	3,719,798	6,829,798
Total 5 years	12,215,000	19,347,790	31,562,790
2018 to 2022	19,930,000	15,336,003	35,266,003
2023 to 2027	12,790,000	11,799,203	24,589,203
2028 to 2032	15,895,000	8,145,578	24,040,578
2033 to 2037	14,760,000	3,676,448	18,436,448
2038 to 2041	5,735,000	611,338	6,346,338
Total bonds	\$ 81,325,000	\$ 58,916,360	\$ 140,241,360

Operating Lease Obligations

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, 2012 and 2011 are insignificant.

(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, 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
Claims incurred, including changes in estimates	15,855,872	164,067	337,251	16,357,190
Less: claims paid	(15,735,872)	(219,401)	(313,251)	(16,268,524)
Claims liability, June 30, 2012	\$ 1,750,000	\$ 208,265	\$ 272,000	\$ 2,230,265

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, 2011, plan participants are required to pay 20% of the illustrative premium. As of January 1, 2012, plan participants are required to pay a portion of the illustrative premium on a per adult/per child rate as determined annually by the University administration.

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) POSTEMPLOYMENT 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 contributory 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 postemployment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating universities. Participating universities are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS. The University's contributions to the MPSERS healthcare plan are summarized in the Retirement Plan Contributions table.

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

The TIAA-CREF plan is a defined contribution retirement plan. All employees who work at least 3/4 time are eligible to participate in the TIAA-CREF plan. For employees hired between December 31, 1995 and December 31, 2007, employer contributions began two years after date of hire or age 35 whichever is sooner. For employees hired on or after January 1, 2008, employer contributions begin immediately and employee benefits vest immediately. Plan participants maintain individual investment accounts with TIAA-CREF, the plan administrator, or with Fidelity Investments. Employees 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			
	2012	2011	2010
MPSERS normal pension costs	\$ 1,593,797	\$ 1,610,296	\$ 1,511,610
MPSERS unfunded pension costs	1,338,958	807,591	554,560
MPSERS retiree health insurance	2,825,147	2,722,063	2,602,717
Total University contributions to MPSERS	5,757,902	5,139,950	4,668,887
Payroll covered under MPSERS	10,019,130	11,108,911	12,161,500
University contributions to TIAA-CREF	6,146,435	5,961,207	7,176,430
Payroll covered under TIAA-CREF	75,768,201	71,883,893	67,877,796

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 options upon retirement: 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 \$581,000 and \$978,000 at June 30, 2012 and 2011, 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 \$208,000 and \$416,000 at June 30, 2012 and 2011, 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, 2012 and 2011 respectively:

OPEB Cost and Obligation			
	2012		2011
Annual required contribution	\$	557,804	\$ 569,580
Interest on net OPEB obligation		40,399	42,800
Adjustment to annual required contribution		(58,407)	(61,879)
Annual OPEB cost		539,796	550,501
Contributions made		-	-
Total benefits paid (pay-as-you go)		(607,076)	(610,519)
Decrease in net OPEB obligation		(67,280)	(60,018)
Net OPEB obligation - beginning of year		1,009,984	1,070,002
Net OPEB obligation, end of year	\$	942,704	\$ 1,009,984

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
June 30, 2012	\$ 539,796	112.5%	\$ 942,704

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, 2012, the most recent actuarial valuation date, the plan was 0% funded.

Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability (AAL) Unit credit	Unfunded AAL (UAAL) (b-a)	Funded Ratio a/b	Covered Payroll c	UAAL as a percent of covered payroll (b-a)/c	
	a	b	(b-a)	a/b	c	(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%	\$ 62,215,709	16.1%	
June 30, 2012	\$ -	\$ 9,789,029	\$ 9,789,029	0.0%	\$ 59,243,846	16.5%	

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

Actuarial valuations of an ongoing plan involve estimates of the 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 use 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, 2012, was twenty-five 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, 2012 and June 30, 2011 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is not determinable at June 30, 2012 and June 30, 2011. 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 which 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.

The University entered into a capital lease agreement for certain computer equipment. Payments totaling \$1.5 million over a five year period will commence in August 2012.

(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						
2012						
	Compensation and Benefits	Supplies and Services	Student Financial Support	Utilities	Depreciation	Total
Instruction	\$ 47,866,389	\$ 6,848,842	\$ 3,674,515	\$ 18,980	\$ -	\$ 58,408,726
Research	38,657,392	13,844,562	2,411,617	317,725	-	55,231,296
Public service	3,886,963	4,131,953	819,761	10,064	-	8,848,741
Academic support	6,818,113	4,699,885	21,618	4,418	-	11,544,034
Student services	5,453,138	2,173,898	310,999	9,862	-	7,947,897
Institutional support	23,695,054	6,973,479	-	17,944	-	30,686,477
Operations and maintenance of plant	6,186,561	2,628,396	-	4,346,837	-	13,161,794
Student financial support	1,230,052	222,317	417,498	-	-	1,869,867
Departmental activities	6,335,939	894,253	-	-	-	7,230,192
Student residents	5,267,192	7,633,264	-	3,154,112	-	16,054,568
Depreciation	-	-	-	-	12,867,778	12,867,778
	\$ 145,396,793	\$ 50,050,849	\$ 7,656,008	\$ 7,879,942	\$ 12,867,778	\$ 223,851,370

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

SUPPLEMENTARY **INFORMATION**

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

October 31, 2012

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, 2012 and 2011 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 49 through 51 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.



Financial Report 2012

Michigan Technological University Schedule of Net Assets by Fund, June 30, 2012

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Combined Total 2012	Combined Total 2011
Assets											
Current assets:											
Cash and cash equivalents	\$ (15,965,305)	\$ 15,671,323	\$ 8,209,420	\$ (3,133,646)	\$ (1,610,331)	\$ 3,171,461	\$ 1,772,075	\$ 2,086,565	\$ 1,357,176	\$ 8,387,277	\$ 13,116,547
Accounts receivable, net	7,868,984	480,396	425,991	173,327	8,035,090	16,983,788	-	2,149,970	94,436	19,228,194	21,177,336
Other assets	497,098	13,525	1,269,196	20,000	-	1,799,819	-	-	-	1,799,819	1,598,255
Total current assets	(7,599,223)	16,165,244	9,904,607	(2,940,319)	6,424,759	21,955,068	1,772,075	4,236,535	1,451,612	29,415,290	35,892,138
Noncurrent assets:											
Student loans receivable, net	-	-	-	-	-	-	12,207,214	-	-	12,207,214	12,454,408
Investments	-	-	-	8,046,877	-	8,046,877	-	-	-	8,046,877	8,071,189
Capital assets, net	-	-	-	-	-	-	-	258,576,556	-	258,576,556	250,109,030
Other assets	-	-	-	-	-	-	-	978,544	-	978,544	978,544
Total noncurrent assets	-	-	-	8,046,877	-	8,046,877	12,207,214	259,555,100	-	279,809,191	271,613,171
Total assets	\$ (7,599,223)	\$ 16,165,244	\$ 9,904,607	\$ 5,106,558	\$ 6,424,759	\$ 30,001,945	\$ 13,979,289	\$ 263,791,635	\$ 1,451,612	\$ 309,224,481	\$ 307,505,309
Liabilities											
Current liabilities											
Accounts payable	\$ 1,270,868	\$ 349,093	\$ 570,717	\$ 787,297	\$ 425,979	\$ 3,403,954	\$ -	\$ 1,172,045	\$ 26,385	\$ 4,602,384	\$ 6,305,633
Other accrued liabilities	2,876,133	-	98,734	4,049,533	-	7,024,400	-	1,458	1,425,227	8,451,085	10,474,495
Deferred revenue	175,511	-	-	-	2,408,366	2,583,877	-	406,250	-	2,990,127	3,032,505
Current portion of long-term debt	-	-	-	-	-	-	-	2,240,000	-	2,240,000	1,808,164
Current portion of insurance & benefit	-	-	-	2,712,225	-	2,712,225	-	-	-	2,712,225	3,072,727
Total current liabilities	4,322,512	349,093	669,451	7,549,055	2,834,345	15,724,456	-	3,819,753	1,451,612	20,995,821	24,693,524
Noncurrent liabilities											
Funds held for others	680,450	-	-	-	-	680,450	-	-	-	680,450	680,000
Insurance and benefit reserves	-	-	-	1,109,300	-	1,109,300	-	-	-	1,109,300	1,376,648
Long-term debt, net of current portion	-	-	-	-	-	-	-	82,276,392	-	82,276,392	80,688,080
Total noncurrent liabilities	680,450	-	-	1,109,300	-	1,789,750	-	82,276,392	-	84,066,142	82,744,728
Total liabilities	5,002,962	349,093	669,451	8,658,355	2,834,345	17,514,206	-	86,096,145	1,451,612	105,061,963	107,438,252
Net assets											
Invested in capital assets	-	-	-	-	-	-	-	174,526,525	-	174,526,525	168,275,083
Restricted for expendable purposes	-	-	-	-	3,590,414	3,590,414	14,011,752	3,387,405	-	20,989,571	22,185,869
Unrestricted	(12,602,185)	15,816,151	9,235,156	(3,551,797)	-	8,897,325	(32,463)	(218,440)	-	8,646,422	9,606,105
Total net assets	(12,602,185)	15,816,151	9,235,156	(3,551,797)	3,590,414	12,487,739	13,979,289	177,695,490	-	204,162,518	200,067,057
Total liabilities and net assets	\$ (7,599,223)	\$ 16,165,244	\$ 9,904,607	\$ 5,106,558	\$ 6,424,759	\$ 30,001,945	\$ 13,979,289	\$ 263,791,635	\$ 1,451,612	\$ 309,224,481	\$ 307,505,309

Michigan Technological University											
Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Object											
For the Year Ended June 30, 2012											
	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	Combined Total 2012	Combined Total 2011
Revenues											
Operating revenues											
Student tuition and fees, net	\$ 105,185,390	\$ 75,588	\$ 909,364	\$ -	\$ -	\$ 106,170,342	\$ -	\$ -	\$ (34,728,480)	\$ 71,441,862	\$ 67,034,320
Federal grants and contracts	117,420	-	-	-	32,383,396	32,500,816	(18,089)	-	-	32,482,727	32,613,850
State and local grants and contracts	-	500	-	-	2,280,414	2,280,914	-	-	-	2,280,914	2,644,867
Nongovernmental grants and contracts	-	-	-	-	13,369,684	13,369,684	-	-	-	13,369,684	12,967,723
Indirect cost recoveries	11,315,085	-	-	-	(11,315,085)	-	-	-	-	-	-
Educational activities	522,069	2,774,057	670,957	-	442,390	4,409,473	-	188,148	(116,599)	4,481,022	4,126,664
Departmental activities	-	165,669	9,048,931	-	37,652	9,252,252	-	25,000	(466,925)	8,810,327	8,262,911
Student resident fees	-	-	21,038,409	-	-	21,038,409	-	-	254,205	21,292,614	19,820,600
Total operating revenues	117,139,964	3,015,814	31,667,661	-	37,198,451	189,021,890	(18,089)	213,148	(35,057,799)	154,159,150	147,470,935
Expenses											
Operating expenses											
Salaries and wages-non-faculty	29,531,485	4,042,213	7,324,081	1,662,530	9,278,756	51,839,065	-	-	-	51,839,065	50,825,187
Salaries and wages-faculty	38,035,420	630,932	24,017	29,265	3,496,146	42,215,780	-	-	-	42,215,780	41,015,100
Salaries and wages-graduate students	3,865,160	785,172	352,175	-	4,163,470	9,165,977	-	-	-	9,165,977	9,123,639
Salaries and wages-undergrad students	1,514,174	570,970	1,466,154	85	1,187,581	4,738,964	-	-	-	4,738,964	5,291,199
Fringe benefits	25,009,192	1,507,848	2,436,705	4,640,483	3,842,780	37,437,008	-	-	-	37,437,008	34,809,954
Supplies and services	17,049,261	9,601,016	9,630,883	565,708	14,561,568	51,408,436	176,221	30,333,485	(31,867,294)	50,050,848	46,772,343
Student financial support	29,554,711	618,631	329,319	-	12,211,145	42,713,806	-	-	(35,057,799)	7,656,007	7,717,978
Utilities	4,367,399	251,746	3,154,112	-	106,686	7,879,943	-	-	-	7,879,943	8,221,631
Depreciation	-	-	-	-	-	-	-	12,867,778	-	12,867,778	13,248,222
Total operating expenses	148,926,802	18,008,528	24,717,446	6,898,071	48,848,132	247,398,979	176,221	43,201,263	(66,925,093)	223,851,370	217,025,253
Operating loss	(31,786,838)	(14,992,714)	6,950,215	(6,898,071)	(11,649,681)	(58,377,089)	(194,310)	(42,988,115)	31,867,294	(69,692,220)	(69,554,318)
Net transfers in (out)	(12,734,629)	7,328,511	(5,168,765)	3,131,597	2,400,614	(5,042,672)	-	5,042,672	-	-	-
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	5,756,429	5,756,429	-	-	-	5,756,429	6,321,778
Federal grants, other	26,000	-	-	-	-	26,000	-	583,604	-	609,604	462,619
State appropriations	40,733,597	-	-	-	-	40,733,597	-	-	-	40,733,597	47,924,200
Gifts	2,159,188	5,998,163	603,124	-	4,274,556	13,035,031	-	33,333	-	13,068,364	12,076,991
Investment return	-	-	-	276,992	113	277,105	280,161	47	-	557,313	2,371,471
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,747,041)	-	(3,747,041)	(3,814,113)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(1,541,352)	(1,541,352)	(128,687)
Net nonoperating revenues	42,918,785	5,998,163	603,124	276,992	10,031,098	59,828,162	280,161	(3,130,057)	(1,541,352)	55,436,914	65,214,259
Loss before other revenues	(1,602,682)	(1,666,040)	2,384,574	(3,489,482)	782,031	(3,591,599)	85,851	(41,075,500)	30,325,942	(14,255,306)	(4,340,059)
Other revenues											
Capitol appropriations	-	-	-	-	-	-	-	15,196,597	-	15,196,597	1,310,366
Capital grants and gifts	-	-	-	-	-	-	-	1,323,496	-	1,323,496	2,107,114
Other nonoperating revenues	-	-	-	-	-	-	-	1,830,674	-	1,830,674	-
Fund additions	-	-	-	-	-	-	-	30,325,942	(30,325,942)	-	-
Total other revenues	-	-	-	-	-	-	-	48,676,709	(30,325,942)	18,350,767	3,417,480
Net increase (decrease) in net assets	(1,602,682)	(1,666,040)	2,384,574	(3,489,482)	782,031	(3,591,599)	85,851	7,601,209	-	4,095,461	(922,579)
Net assets, beginning 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
Net assets, end of year	\$ (12,602,185)	\$ 15,816,151	\$ 9,235,156	\$ (3,551,797)	\$ 3,590,414	\$ 12,487,739	\$ 13,979,289	\$ 177,695,490	\$ -	\$ 204,162,518	\$ 200,067,057

Financial Report 2012

Michigan Technological University

Schedule of Revenues, Expenses and Changes in Net Assets by Fund by Function

For the Year Ended June 30, 2012

	General	Designated	Auxiliary Activities	Retirement Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Eliminations	Combined Total 2012	Combined Total 2011
Revenues											
Operating revenues											
Student tuition and fees, net	\$ 105,185,390	\$ 75,588	\$ 909,363	\$ -	\$ -	\$ 106,170,341	\$ -	\$ -	\$ (34,728,480)	\$ 71,441,861	\$ 67,034,320
Federal grants and contracts	117,420	-	-	-	32,383,396	32,500,816	(18,089)	-	-	32,482,727	32,613,850
State and local grants and contracts	-	500	-	-	2,280,414	2,280,914	-	-	-	2,280,914	2,644,867
Nongovernmental grants and contracts	-	-	-	-	13,369,684	13,369,684	-	-	-	13,369,684	12,967,723
Indirect cost recoveries	11,315,085	-	-	-	(11,315,085)	-	-	-	-	-	-
Educational activities	522,069	2,774,057	670,957	-	442,390	4,409,473	-	188,148	(116,599)	4,481,022	4,126,664
Departmental activities	-	165,669	9,048,931	-	37,652	9,252,252	-	25,000	(466,925)	8,810,327	8,262,911
Student resident fees	-	-	21,038,409	-	-	21,038,409	-	-	254,205	21,292,614	19,820,600
Total operating revenues	117,139,964	3,015,814	31,667,660	-	37,198,451	189,021,889	(18,089)	213,148	(35,057,799)	154,159,149	147,470,935
Expenses											
Operating expenses											
Instruction	55,128,119	2,525,895	-	-	1,198,307	58,852,321	-	-	(443,593)	58,408,728	57,896,734
Research	17,698,228	9,065,540	-	-	30,402,102	57,165,870	-	-	(1,934,574)	55,231,296	52,610,887
Public service	520,866	939,696	-	-	7,413,954	8,874,516	-	-	(25,775)	8,848,741	8,397,511
Academic support	11,511,669	184,456	-	-	27,706	11,723,831	-	-	(179,798)	11,544,033	10,109,614
Student services	6,575,175	908,010	2,165	-	484,193	7,969,543	-	-	(21,647)	7,947,896	7,136,967
Institutional support	18,546,747	3,682,149	-	6,684,031	57,292	28,970,219	-	2,172,530	(456,273)	30,686,476	29,045,585
Student financial support	27,157,548	-	-	-	9,264,578	36,422,126	176,221	-	(34,728,480)	1,869,867	2,148,432
Operations and maintenance of plant	11,788,450	702,782	-	214,040	-	12,705,272	-	28,160,955	(27,704,433)	13,161,794	11,935,580
Sales and services of dept activities	-	-	24,715,280	-	-	24,715,280	-	-	(17,485,088)	7,230,192	7,735,661
Student residents	-	-	-	-	-	-	-	-	16,054,568	16,054,568	16,760,060
Depreciation	-	-	-	-	-	-	-	12,867,778	-	12,867,778	13,248,222
Total operating expenses	148,926,802	18,008,528	24,717,445	6,898,071	48,848,132	247,398,978	176,221	43,201,263	(66,925,093)	223,851,369	217,025,253
Operating loss	(31,786,838)	(14,992,714)	6,950,215	(6,898,071)	(11,649,681)	(58,377,089)	(194,310)	(42,988,115)	31,867,294	(69,692,220)	(69,554,318)
Transfers											
Net transfers in (out)	(12,734,629)	7,328,511	(5,168,765)	3,131,597	2,400,614	(5,042,672)	-	5,042,672	-	-	-
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	5,756,429	5,756,429	-	-	-	5,756,429	6,321,778
Federal grants, other	26,000	-	-	-	-	26,000	-	583,604	-	609,604	462,619
State appropriations	40,733,597	-	-	-	-	40,733,597	-	-	-	40,733,597	47,924,200
Gifts	2,159,188	5,998,163	603,124	-	4,274,556	13,035,031	-	33,333	-	13,068,364	12,076,991
Investment return	-	-	-	276,992	113	277,105	280,161	47	-	557,313	2,371,471
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,747,041)	-	(3,747,041)	(3,814,113)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(1,541,352)	(1,541,352)	(128,687)
Net nonoperating revenues	42,918,785	5,998,163	603,124	276,992	10,031,098	59,828,162	280,161	(3,130,057)	(1,541,352)	55,436,914	65,214,259
Loss before other revenues	(1,602,682)	(1,666,040)	2,384,574	(3,489,482)	782,031	(3,591,599)	85,851	(41,075,500)	30,325,942	(14,255,306)	(4,340,059)
Other revenues											
Capitol appropriations	-	-	-	-	-	-	-	15,196,597	-	15,196,597	1,310,366
Capital grants and gifts	-	-	-	-	-	-	-	1,323,496	-	1,323,496	2,107,114
Other nonoperating revenues	-	-	-	-	-	-	-	1,830,674	-	1,830,674	-
Fund additions	-	-	-	-	-	-	-	30,325,942	(30,325,942)	-	-
Total other revenues	-	-	-	-	-	-	-	48,676,709	(30,325,942)	18,350,767	3,417,480
Net increase (decrease) in net assets	(1,602,682)	(1,666,040)	2,384,574	(3,489,482)	782,031	(3,591,599)	85,851	7,601,209	-	4,095,461	(922,579)
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