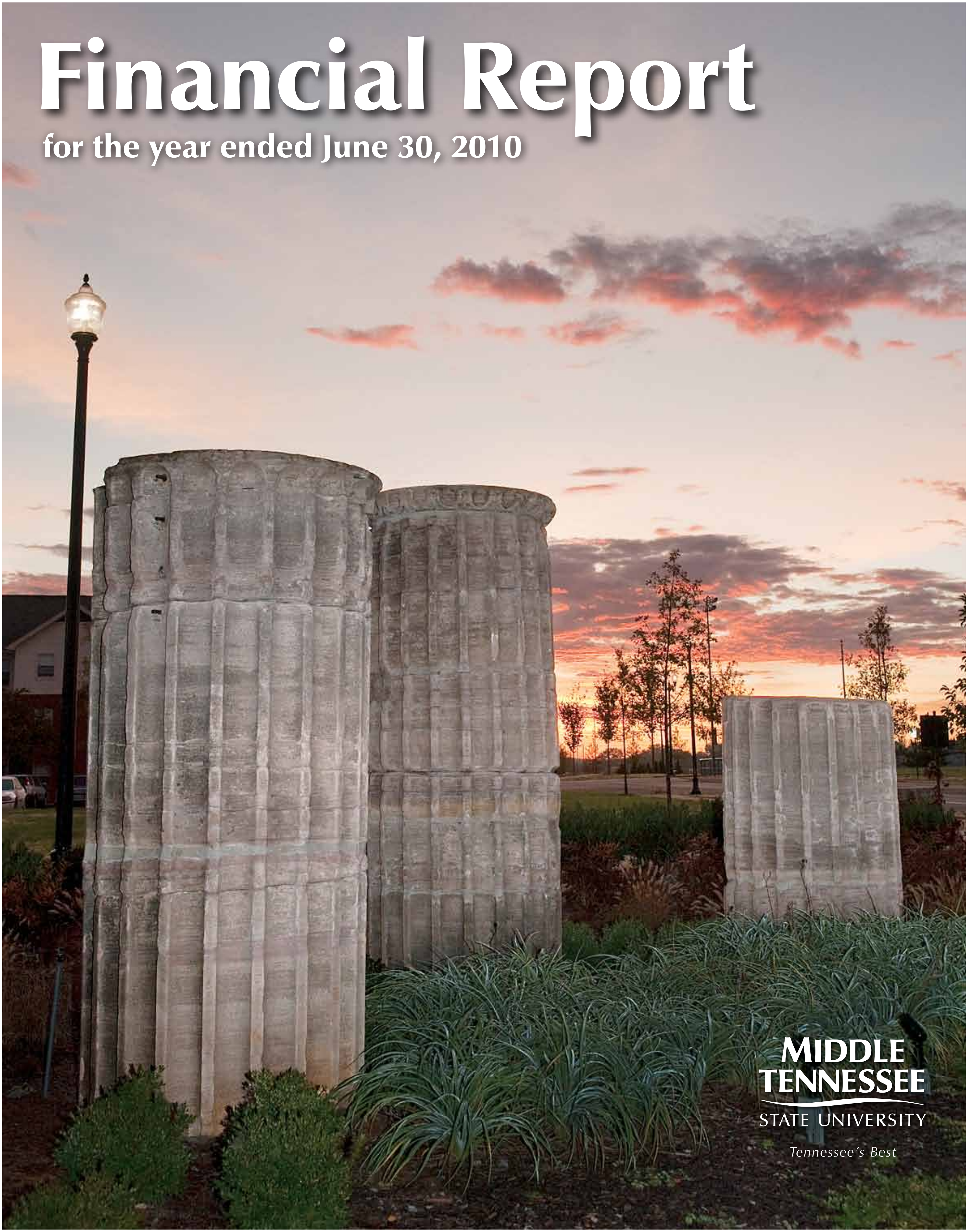
Financial Report

for the year ended June 30, 2010



MIDDLE TENNESSEE STATE UNIVERSITY

Tennessee's Best

Middle Tennessee State University

FINANCIAL REPORT

For the Year Ended June 30, 2010

MIDDLE
TENNESSEE
STATE UNIVERSITY

Office of the President
Middle Tennessee State University
110 Cope Administration Building
Murfreesboro, Tennessee 37132
615-898-2622
FAX: 615-898-2507

MIDDLE TENNESSEE STATE UNIVERSITY

October 1, 2010

Mr. John Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, TN 37217

Dear Chancellor Morgan:

Enclosed is the annual Financial Report for the fiscal year ended June 30, 2010. This report has been prepared in accordance with Generally Accepted Accounting Principles.

Sincerely,

Sidney A. McPhee
President

Enclosures

Senior Vice President
119 Cope Administration Building
Middle Tennessee State University
1301 East Main Street
Murfreesboro, Tennessee 37132
Office: 615-898-2852 • Fax: 615-898-5906

MIDDLE TENNESSEE STATE UNIVERSITY

October 1, 2010

Dr. Sidney A. McPhee
President
Middle Tennessee State University
Murfreesboro, TN 37132

Dear Dr. McPhee:

I am transmitting the annual Financial Report for the fiscal year ended June 30, 2010.

This report has been prepared in accordance with Generally Accepted Accounting Principles. The Financial Report has not been audited. The last audit by the State Comptroller's Office was completed as of June 30, 2009. An audit is currently in progress for fiscal year ended June 30, 2010.

Sincerely,

John W. Cothern

John W. Cothern
Senior Vice President

Enclosures

MIDDLE TENNESSEE STATE UNIVERSITY
FINANCIAL REPORT
for Year Ended June 30, 2010

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MIDDLE TENNESSEE STATE UNIVERSITY
Management's Discussion and Analysis
For the Year Ended June 30, 2010

This section of Middle Tennessee State University's annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2010, with comparative information presented for the fiscal year ended June 30, 2009. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Middle Tennessee State University as a whole and present a long-term view of the University's finances.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities–net assets–is an indicator of the current financial condition of the University. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant, and equipment owned. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

Middle Tennessee State University
Statement of Net Assets
(In thousands of dollars)

	2010	2009
Assets		
Current assets	$ 66,568	$ 73,592
Capital assets, net	312,113	293,028
Other assets	87,881	47,733
Total Assets	**$ 466,562**	**$ 414,353**
Liabilities		
Current liabilities	$ 45,301	$ 47,799
Noncurrent liabilities	179,419	165,470
Total Liabilities	**$ 224,720**	**$ 213,269**
Net Assets		
Invested in capital assets, net of debt	$ 148,272	$ 141,859
Restricted - expendable	19,712	13,560
Restricted - nonexpendable	739	704
Unrestricted	73,119	44,961
Total Net Assets	**$ 241,842**	**$ 201,084**

The University had the following significant changes between fiscal years on the Statement of Net Assets:

- Noncurrent assets, along with the corresponding increase in unrestricted net assets, increased as a result of uncertainty in the amount of state appropriations the University would receive for the year. Administration restricted spending by campus departments due to uncertainty of revenues and the nation's economic condition.
- The increase in net capital assets, along with the corresponding increase in invested in capital assets (net of debt), between fiscal years is a result of additions to the University's capitalized assets. More detailed information about the University's capital assets is presented in the Capital Asset and Debt Administration section of this report.
- Noncurrent liabilities increased primarily due to an increase in the amount of other post employment benefits to be recognized under GASB 45 and the issuance of bonds and/or commercial paper by the Tennessee State School Bond Authority (TSSBA) on behalf of the University for various capital projects. More detailed information about the University's debt is presented in the Capital Asset and Debt Administration section of this report.
- The restricted–expendable section of Net Assets increased as a result of the accumulation of debt service fee reserves for the new Student Union project. This fee was approved in June 2007 and added as a student fee starting with the 2007-08 fiscal year. The Student Union project is currently in the construction stage. These reserves will be used toward the overall construction project, along with proceeds from TSSBA issued debt, in future years.

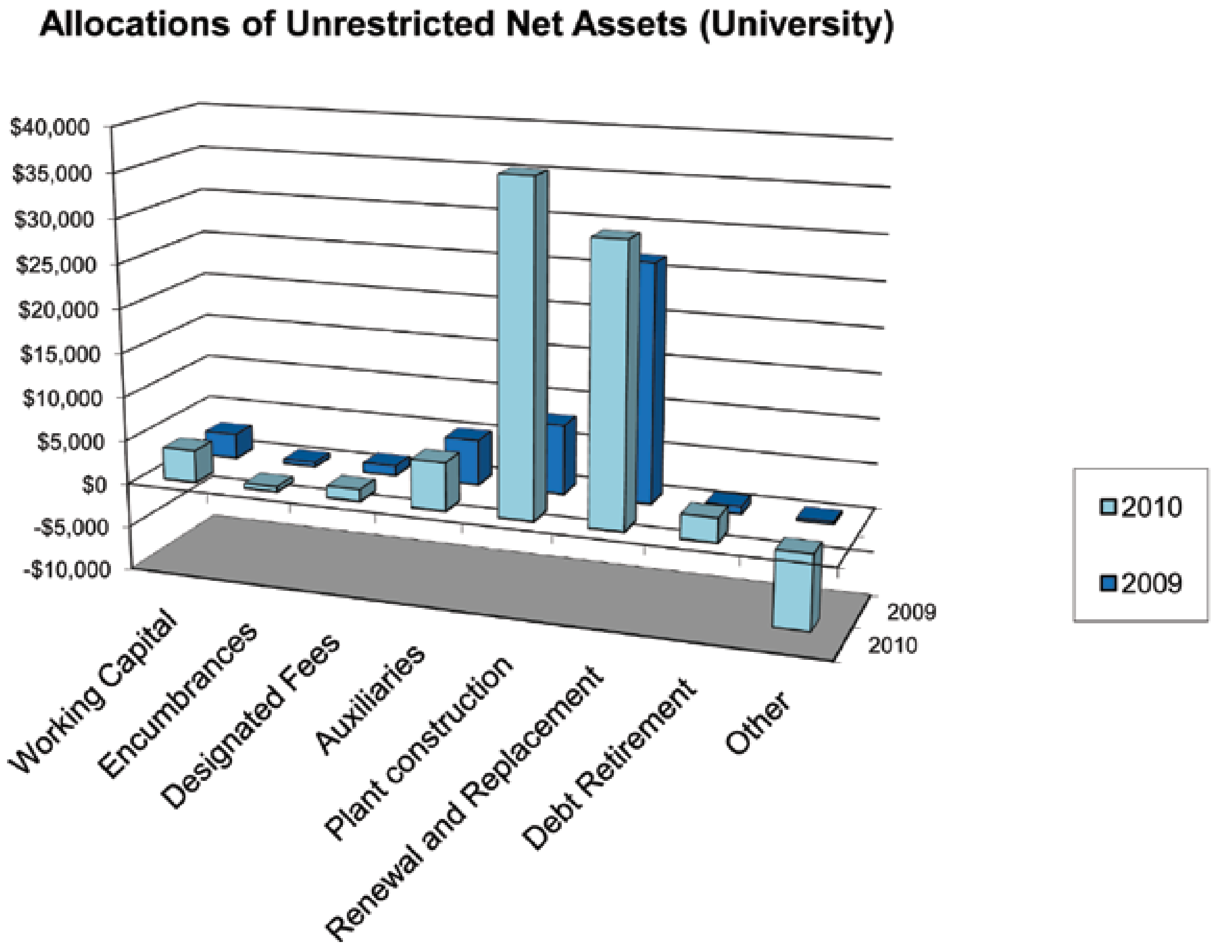
Component Unit
Statement of Net Assets
(in thousands of dollars)

	2010	2009
Assets		
Current assets	$ 1,295	$ 1,460
Capital assets, net	19,001	18,908
Other assets	44,444	38,315
Total Assets	**$ 64,740**	**$ 58,683**
Liabilities		
Current liabilities	$ 314	$ 185
Noncurrent liabilities	-	-
Total Liabilities	**$ 314**	**$ 185**
Net Assets		
Invested in capital assets, net of debt	$ 19,001	$ 18,908
Restricted - expendable	16,795	11,769
Restricted - nonexpendable	28,757	26,889
Unrestricted	(127)	932
Total Net Assets	**$ 64,426**	**$ 58,498**

The component unit had the following significant change between fiscal years on the Statement of Net Assets:

- ♦ Other assets increased primarily due to an increase in fair market values of investments during the year and an increase in bequests over the prior year. As a result, restricted-expendable net assets also increased between fiscal years.
- ♦ Restricted expendable net assets increased from an increase in deferred gifts and bequests to the Foundation of over $2 million. A misclassification of quasi endowments in the previous fiscal year and corrected in the current year also attributed to the increase. Quasi endowment balances of $2.4 million were moved from restricted nonexpendable net assets to restricted expendable net assets.
- ♦ Unrestricted net assets decreased as a result of recording a charge for underwater investments. These investments are held as temporarily restricted and permanently restricted investments; however, as a result of past economic conditions, some investment accounts have not yet recovered. The underwater amount of these investments was charged to unrestricted net assets.

Many of the University's unrestricted net assets have been designated for specific purposes such as repairs and replacement of equipment, future debt service, quasi-endowments, capital projects, and student loans. The following graph shows the allocations (in thousands of dollars).



- Allocations for plant construction increased as a result of restricted spending by campus departments. Administration restricted spending by departments anticipating future cuts in state appropriations and planning for reduced budgets starting with the 2010-11 fiscal year. These operating funds were transferred to plant construction as a reserve for offsetting some of the above cuts.
- Other unrestricted net assets decreased due to the transfer of funds explained in the previous paragraph.
- The remaining allocations remained relatively unchanged.

The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the University as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

Middle Tennessee State University
Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

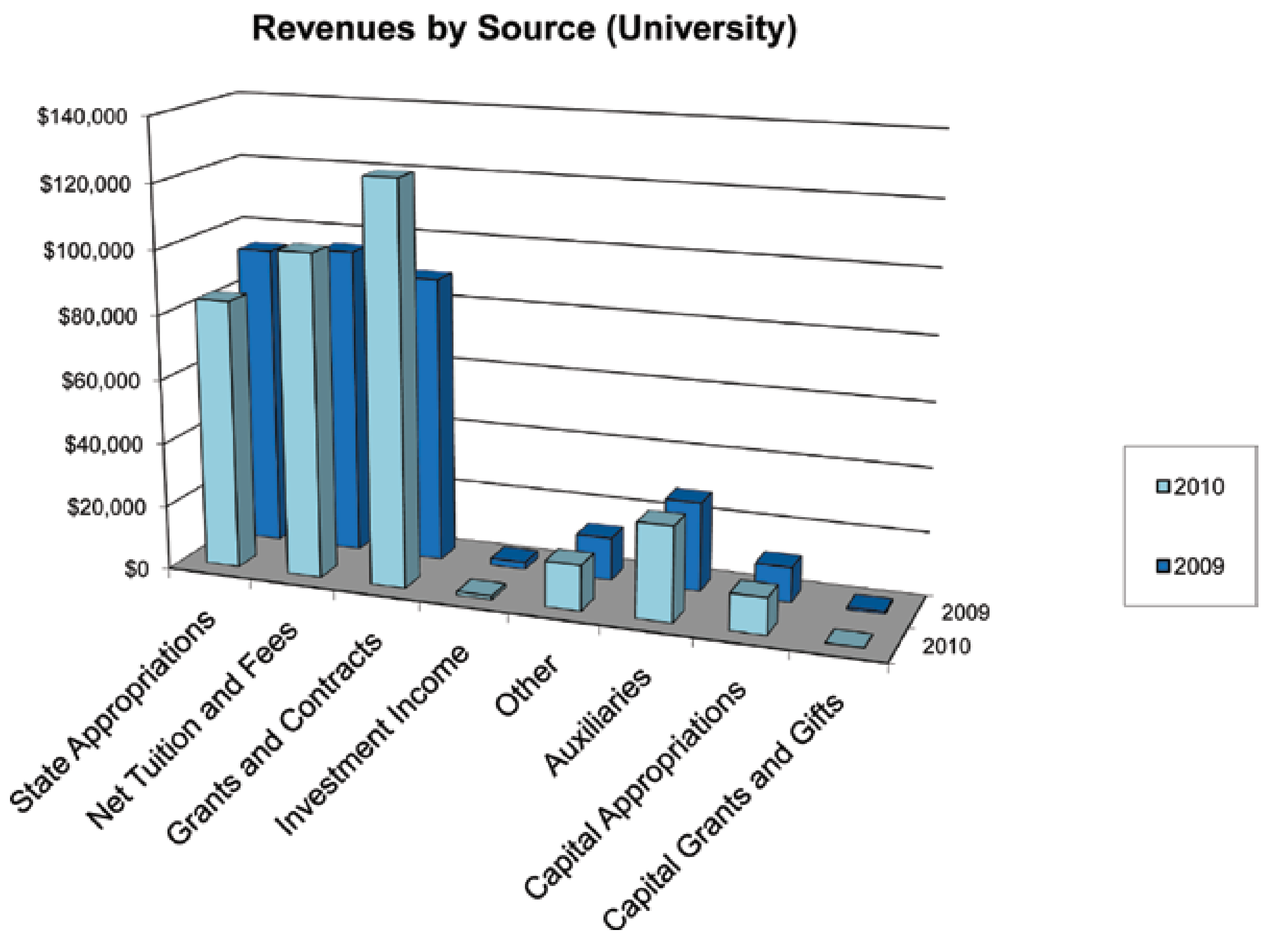
	2010	2009
Operating revenues		
Net tuition and fees	$ 100,725	$ 95,450
Auxiliaries	29,522	27,735
Grants and contracts	31,424	31,690
Other	13,420	12,809
Total operating revenues	$ 175,091	$ 167,684
Operating expenses	$ 317,936	$ 308,327
Operating loss	$ (142,845)	$ (140,643)
Nonoperating revenues and expenses		
State appropriations	$ 83,893	$ 93,791
Gifts	740	548
Grants and contracts	93,219	57,263
Investment income	1,151	2,240
Other revenues and expenses	(6,973)	(5,104)
Total nonoperating revenues and expenses	$ 172,030	$ 148,738
Income (loss) before other revenues, expenses, gains, or losses	$ 29,185	$ 8,095
Other revenues, expenses, gains, or losses		
Capital appropriations	$ 11,454	$ 10,904
Capital grants and gifts	119	811
Other	-	27
Total revenues, expenses, gains, or losses	$ 11,573	$ 11,742
Increase (decrease) in net assets	$ 40,758	$ 19,837
Net assets at beginning of year	$ 201,084	$ 180,031
Prior period adjustment	-	1,216
Net assets at end of year	$ 241,842	$ 201,084

Component Unit
Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	2010	2009
Operating revenues		
Gifts	$ 5,774	$ 3,677
Endowment Income	584	-
Grants and contracts	18	18
Other	12	-
Total operating revenues	$ 6,388	$ 3,695
Operating expenses	$ 4,100	$ 5,625
Operating income (loss)	$ 2,288	$ (1,930)
Nonoperating revenues and expenses		
Investment income	$ 2,297	$ (5,169)
Other revenues and expenses	(7)	(11)
Total nonoperating revenues and expenses	$ 2,290	$ (5,180)
Income (loss) before other revenues, expenses, gains, or losses	$ 4,578	$ (7,110)
Other revenues, expenses, gains, or losses		
Capital grants and gifts	$ -	$ 15
Additions to permanent endowments	1,350	402
Total revenues, expenses, gains, or losses	$ 1,350	$ 417
Increase (decrease) in net assets	$ 5,928	$ (6,693)
Net assets at beginning of year	$ 58,498	$ 65,191
Net assets at end of year	$ 64,426	$ 58,498

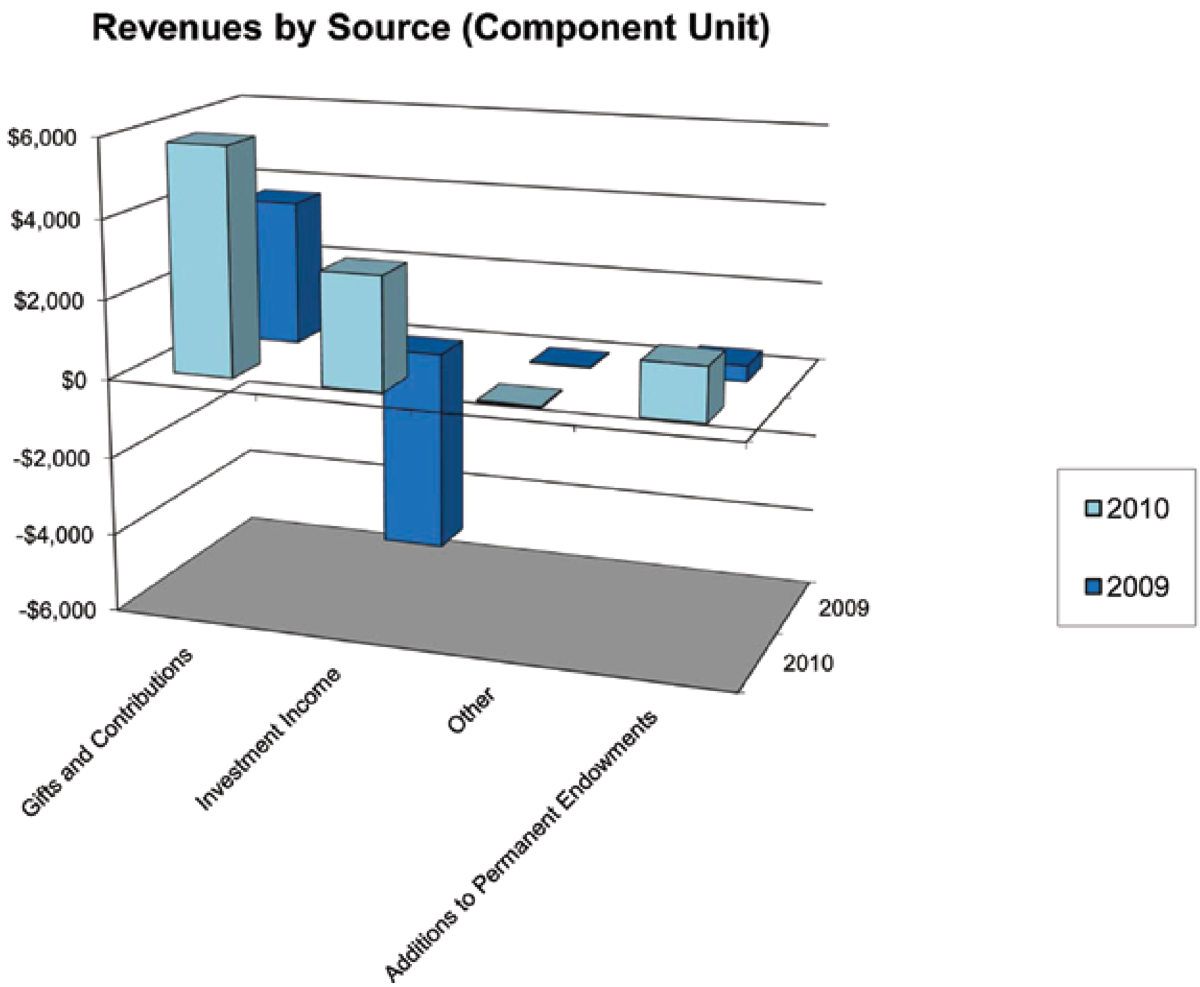
Revenues

The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the University's operating activities for the year ended June 30, 2010, and June 30, 2009 (amounts are presented in thousands of dollars).



The University had the following significant changes in revenues between fiscal years:

- State appropriations decreased as a result of budget cuts by the State of Tennessee, resulting from decreased tax revenues.
- Tuition and fees increased due to a 6% fee increase and a 5.5% increase in enrollment.
- Non-operating grants and contracts increased as a result of an increase in the University's federal PELL award, an increase in the amount of scholarships from the Tennessee Education Lottery Scholarship (TELS) Program, and the receipt of American Recovery and Reinvestment Act (ARRA) funds from the federal government.
- Investment income decreased due to the current market conditions.
- Capital grants and gifts decreased due to fewer capital transfers from the campus foundation.



The component unit had the following significant changes in revenues between fiscal years:

- Gifts, along with additions to permanent endowments, increased during the fiscal year as a result of deferred gifts and bequests to the Foundation of over $2 million. In the previous year, the amount of such gifts was very small due to the nation's economic conditions.
- The increase in investment income resulted from a more favorable outlook in the financial market over the previous year. Investment income is comprised of both realized and unrealized gains and losses, as well as interest earnings on invested funds.

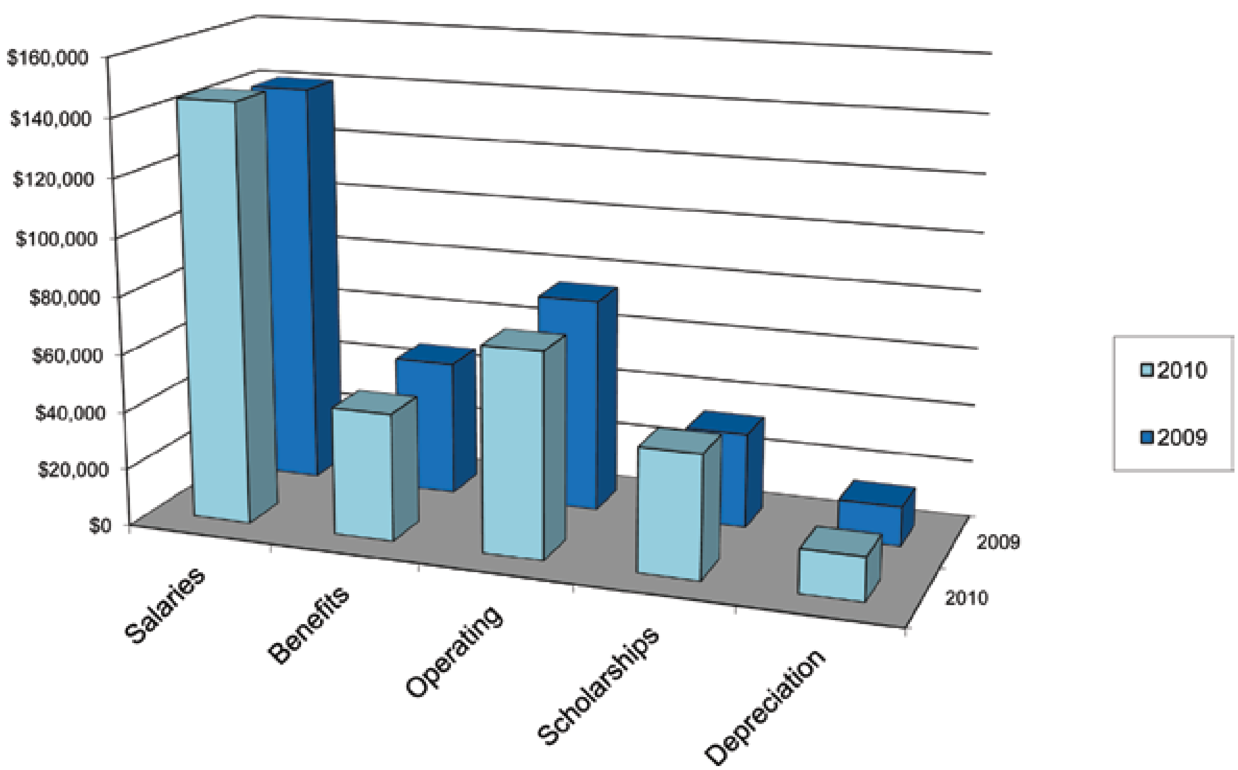
Expenses

Operating expenses can be displayed in two formats, natural classification and program classification. Both formats are displayed below in thousands.

Middle Tennessee State University
Natural Classification
(in thousands)

	2010	2009
Salaries	$ 144,947	$ 140,567
Benefits	44,315	46,914
Operating	70,921	74,259
Scholarships	42,593	32,899
Depreciation	15,160	13,688
Total	$ 317,936	$ 308,327

Expenses by Natural Classification (University)



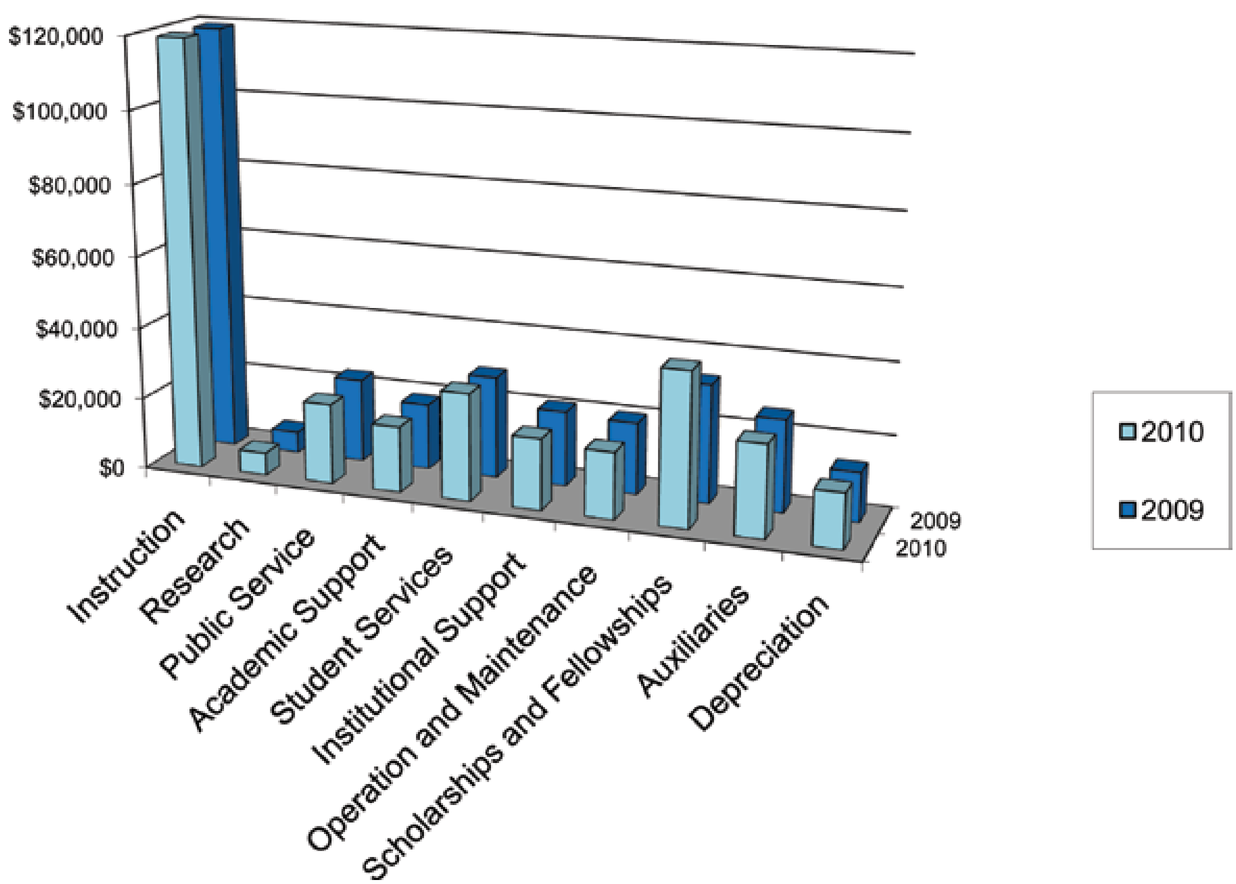
The University had the following significant changes in expenses between fiscal years:

- Salaries increased primarily due to the University's Voluntary Buyout Program offered to employees during the year. More detailed information about the program is presented in Note 18 of this report.
- Operating expenses decreased as a result of uncertainty in the amount of state appropriations the University would receive for the year. Administration restricted spending by campus departments due to uncertainty of revenues and the nation's economic condition.
- Scholarship expenses increased due to increased funding from the TELS program and federal scholarship award programs.

Middle Tennessee State University
Program Classification
(in thousands)

	2010	2009
Instruction	$ 119,267	$ 119,079
Research	6,291	5,907
Public Service	22,397	23,337
Academic Support	18,386	18,418
Student Services	29,882	28,384
Institutional Support	19,849	20,927
Operation and Maintenance	18,553	20,054
Scholarships and Fellowships	42,593	32,899
Auxiliaries	25,558	25,634
Depreciation	15,160	13,688
Total	$ 317,936	$ 308,327

Expenses by Program Classification (University)



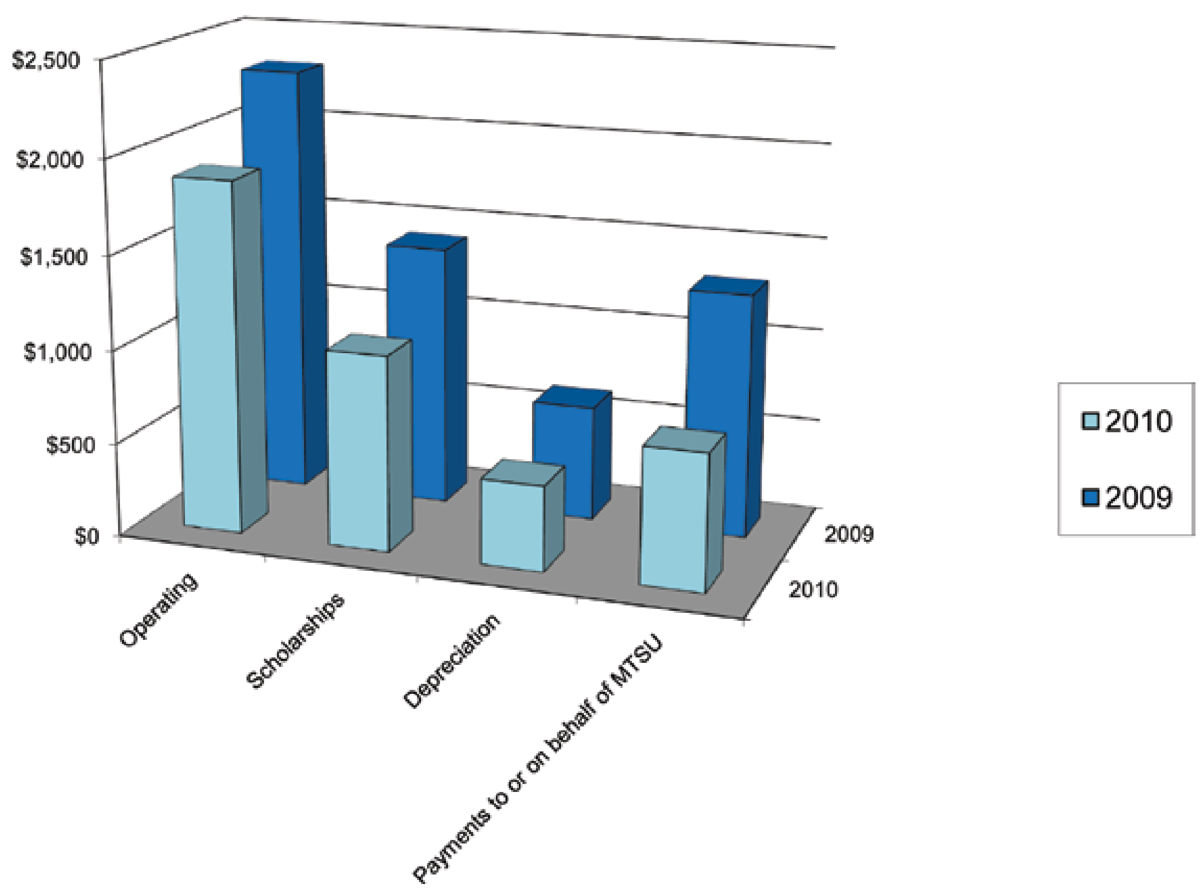
The University had the following significant changes in program expenses between fiscal years:

- Scholarship expenses increased due to increased funding from the TELS program and federal scholarship award programs.
- Expenditures in other areas remained relatively unchanged.

Component Unit
Natural Classification
(in thousands)

	2010	2009
Operating	$ 1,880	$ 2,303
Scholarships	1,043	1,404
Depreciation	455	616
Payments to or on behalf of MTSU	722	1,302
Total	$ 4,100	$ 5,625

Expenses by Natural Classification (Component Unit)



The component unit had the following significant change in expenses between fiscal years:

- Operating expenses for the component unit fluctuate from year to year based on the amount of requests received from University departments to purchase items to support University functions. Due to the administration's restriction on spending, fewer payment requests were received by the Foundation.
- Scholarship expenses decreased from the previous year as a result of the Foundation Board not approving a spending plan payout this fiscal year. The Board decided to suspend the payout for one year due to the unfavorable financial market. This decision then restricted the amount departments could award for scholarships.
- Payments to or on behalf of MTSU decreased for the year due to the same factors described above for the decrease in operating expenses.

Capital Asset and Debt Administration

Capital Assets - University

Middle Tennessee State University had $312.1 million invested in capital assets, net of accumulated depreciation of $176.2 million at June 30, 2010; and $293.0 million invested in capital assets, net of accumulated depreciation of $165.3 million at June 30, 2009. Depreciation charges totaled $15.2 million and $13.7 million for the years ended June 30, 2010, and June 30, 2009, respectively. Details of these assets are shown below.

Middle Tennessee State University
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2010	2009
Land	$ 11,609	$ 11,368
Land improvements and infrastructure	18,866	20,817
Buildings	178,391	160,754
Equipment	14,739	16,261
Library holdings	8,832	9,302
Intangible assets	2,357	2,820
Projects in progress	77,319	71,706
Total	$ 312,113	$ 293,028

Highlights of the information presented on the Schedule of Capital Assets for the University are as follows:

- ♦ Buildings increased during the year as a result of completion of the following major projects: renovations to the campus school, upgrades to the Cope Administration electrical service, and University housing renovations.
- ♦ Although several projects were completed during the fiscal year and removed from Projects in Progress, several additions were made to this category for the following projects: new student union building, college of education building, University housing renovations, and updates to Tucker Theatre. Projects completed during the fiscal year were moved to a specific capital asset category as discussed above.

The University expects to make major capital expenditures during the upcoming fiscal year for the following projects: continued renovation to the University's housing facilities, including Deere and Nicks Halls, which will be funded from the issuance of TSSBA bonds; construction of a new student union facility funded through the issuance of TSSBA bonds; and construction of new academic facilities for the College of Education funded from capital appropriations. The request for construction funding for the new science building remains a top capital priority for the University. Planning and design funding of the science building was appropriated in 2007-08 and the construction documents are now complete. Commencement of construction will require future capital appropriations from the State.

More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

Capital Assets – Component Unit

The component unit had $19.0 million invested in capital assets, net of accumulated depreciation of $4.4 million at June 30, 2010; and $18.9 million invested in capital assets, net of accumulated depreciation of $3.9 million at June 30, 2009. Depreciation charges totaled $.5 million and $.6 million for the years ended June 30, 2010, and June 30, 2009, respectively. Details of these assets are shown below.

Component Unit
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2010	2009
Land	$ 2,302	$ 2,237
Land improvements and infrastructure	775	624
Buildings	15,918	16,047
Equipment	6	-
Total	$ 19,001	$ 18,908

Categories presented on the Schedule of Capital Assets for the component unit remained relatively unchanged between fiscal years.

More detailed information about the component unit's capital assets is presented in Note 19 to the financial statements.

Debt

The University had $170.5 million and $158.3 million in debt outstanding at June 30, 2010, and June 30, 2009, respectively. The table below summarizes these amounts by type of debt instrument (in thousands of dollars).

Middle Tennessee State University
Outstanding Debt Schedule
(in thousands of dollars)

	2010	2009
TSSBA bonds	$ 132,839	$ 138,715
TSSBA commercial paper	35,167	17,621
General Obligation commercial paper	2,543	1,983
Total Debt	$ 170,549	$ 158,319

TSSBA did not issue any new bonds for any capital projects during the fiscal year. However, additional commercial paper was issued on behalf of the University for the following major projects: renovations of various University housing facilities and construction of a new Student Union facility. General Obligation commercial paper was issued by the State for the purchase of property located within the University's master plan.

The ratings on debt issued by the Tennessee State School bond Authority at June 30, 2010, were as follows: Fitch rating of AA, Moody's Investor's rating of Aa2, and Standard & Poor's rating of AA.

More detailed information about the University's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors that Will Affect the Future

A negative economic outlook for the State of Tennessee continues due to large decreases in the state tax collections. As a result, the University's appropriation for 2010-11 is expected to decrease by $5.9 million.

The State of Tennessee will participate in the American Recovery and Reinvestment Act (ARRA) by receiving State Fiscal Stabilization Funds (SFSF) through September 2011. The University is expected to receive $6.6 million under this federal program for previously committed capital projects. Additional funds under the SFSF program were expected in 2010-11; however, the State of Tennessee will be replacing these funds with non-recurring operating appropriations in the amount of $17.6. The University will also receive $5.5 million in 2010-11 from the State under the Maintenance of Effort (MOE) state funded program. The University is continuing to work on budget reductions consistent with its Positioning the University for the Future plan.

The Tennessee Board of Regents approved a 5.2% tuition increase at its June 2010 meeting. New revenue generated from this increase will first be used to cover fixed cost increases such as utilities, scholarship increases, faculty promotion, and increased fringe benefits costs. A portion of the revenue may also be used for new initiatives that have been designed to position the University for the future.

We are not aware of any other factors, decisions, or conditions that are expected to have a significant impact on the financial position or results of operation during this fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the institution's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Alan Thomas, Controller and Executive Director of Finance Technology and Compliance, Middle Tennessee State University, CAB 211, Murfreesboro, TN 37132.

BASIC FINANCIAL STATEMENTS

Middle Tennessee State University
Unaudited Statement of Net Assets
June 30, 2010

	University	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2 and 19)	$ 39,351,656.54	$ 853,286.13
Accounts, notes, and grants receivable (net) (Note 4)	17,378,758.85	
Due from primary government	4,903,857.24	
Pledges receivable (net) (Note 19)		422,957.73
Inventories (at lower of cost or market)	2,436,695.76	
Prepaid expenses and deferred charges	2,472,484.17	
Accrued interest receivable	24,923.05	18,685.89
Total current assets	$ 66,568,375.61	$ 1,294,929.75
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 19)	$ 84,082,493.37	$ 13,577,356.51
Investments (Notes 3 and 19)	711,238.33	30,022,900.43
Accounts, notes, and grants receivable (net) (Note 4)	3,087,042.60	
Pledges receivable (net) (Note 19)		844,013.86
Capital assets (net) (Notes 5 and 19)	312,112,776.25	19,000,845.47
Total noncurrent assets	399,993,550.55	63,445,116.27
Total assets	$ 466,561,926.16	$ 64,740,046.02
LIABILITIES		
Current liabilities:		
Accounts payable (Note 6)	$ 5,333,818.27	$ 313,672.79
Accrued liabilities	18,381,416.26	
Student deposits	911,178.79	
Deferred revenue	10,358,915.80	
Compensated absences (Note 7)	1,702,518.76	
Accrued interest payable	1,189,513.44	
Long-term liabilities, current portion (Note 7)	6,628,413.54	
Deposits held in custody for others	795,279.50	
Total current liabilities	$ 45,301,054.36	$ 313,672.79
Noncurrent liabilities:		
Net OPEB obligation (Notes 7 and 12)	$ 8,370,476.42	
Compensated absences (Note 7)	4,423,529.37	
Long-term liabilities (Note 7)	163,920,496.53	
Due to grantors (Note 7)	2,704,659.41	
Total noncurrent liabilities	$ 179,419,161.73	
Total liabilities	$ 224,720,216.09	$ 313,672.79
NET ASSETS		
Invested in capital assets, net of related debt	$ 148,272,270.51	$ 19,000,845.47
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	10,900.00	25,198,893.25
Research		949,078.35
Instructional department uses		2,583,807.27
Other	728,463.98	25,245.99
Expendable:		
Scholarships and fellowships	193,466.50	4,948,321.51
Research	581,849.82	69,631.11
Instructional department uses	188,636.87	4,884,252.57
Loans	1,869,683.84	
Capital projects		2,612,684.84
Debt service	14,581,231.51	
Other	2,296,500.48	4,280,467.24
Unrestricted (Note 9)	73,118,706.56	(126,854.37)
Total net assets	$ 241,841,710.07	$ 64,426,373.23

The notes to the financial statements are an integral part of this statement.

Middle Tennessee State University
Unaudited Statement of Revenues, Expenses, and Changes in Net Assets
for the year ended June 30, 2010

	University	Component Unit
REVENUES		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $46,251,832.72)	$ 100,725,326.61	
Gifts and contributions		$ 5,773,944.29
Endowment income (per spending plan)		583,534.55
Governmental grants and contracts	30,714,704.60	
Non-governmental grants and contracts	708,745.90	18,265.06
Sales and services of educational departments	12,160,693.23	
Auxiliary enterprises:		
Residential life (net of scholarship allowances of $3,933,901.77. All residential life revenues are used as security for revenue bonds, see Note 7)	8,568,218.52	
Bookstore (net of scholarship allowances of $3,201,382.13. All bookstore revenues are used as security for revenue bonds, see Note 7)	6,975,011.87	
Food service	1,181,919.79	
Wellness facility (net of scholarship allowances of $873,597.50. All wellness facility revenues are used as security for revenue bonds, see Note 7)	1,900,999.58	
Other auxiliaries	10,895,644.16	
Interest earned on loans to students	95,455.44	
Other operating revenues	1,163,984.49	11,857.23
Total operating revenues	$ 175,090,704.19	$ 6,387,601.13
EXPENSES		
Operating Expenses		
Salaries and wages	$ 144,946,558.29	
Benefits	44,315,211.41	
Utilities, supplies, and other services	70,921,065.87	$ 1,880,170.42
Scholarships and fellowships	42,593,476.12	1,042,792.45
Depreciation expense	15,159,896.73	454,578.78
Payments to or on behalf of MTSU		721,936.86
Total operating expenses	$ 317,936,208.42	$ 4,099,478.51
Operating income (loss)	$ (142,845,504.23)	$ 2,288,122.62
NONOPERATING REVENUES (EXPENSES)		
State appropriations	$ 83,893,384.00	
Gifts, including $643,190.50 from component unit	739,529.50	
Grants and contracts	93,218,600.60	
Investment income (net of investment expense of $8,883.80 for the university and $113,952.68 for the component unit)	1,151,218.78	$ 2,296,470.88
Interest on capital asset-related debt	(6,857,527.11)	
Other non-operating revenues/(expenses)	(115,126.10)	(6,951.98)
Net nonoperating revenues	$ 172,030,079.67	$ 2,289,518.90
Income before other revenues, expenses, gains, or losses	$ 29,184,575.44	$ 4,577,641.52
Capital appropriations	11,454,123.44	
Capital grants and gifts, including $78,746.36 from component unit	118,746.36	
Additions to permanent endowments		1,350,336.17
Total other revenues	$ 11,572,869.80	$ 1,350,336.17
Increase in net assets	$ 40,757,445.24	$ 5,927,977.69
NET ASSETS		
Net Assets - beginning of year	$ 201,084,264.83	$ 58,498,395.54
Net Assets - end of year	$ 241,841,710.07	$ 64,426,373.23

The notes to the financial statements are an integral part of this statement.

Middle Tennessee State University
Unaudited Statement of Cash Flows
for the year ended June 30, 2010

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 101,760,827.34
Grants and contracts	27,446,753.02
Sales and services of educational activities	12,325,333.06
Payments to suppliers and vendors	(72,179,829.14)
Payments to employees	(143,427,747.59)
Payments for benefits	(41,378,209.95)
Payments for scholarships and fellowships	(42,593,476.12)
Loans issued to students	(131,932.13)
Collection of loans from students	208,205.86
Interest earned on loans to students	88,475.35
Auxiliary enterprise charges:	
Residence halls	9,678,132.25
Bookstore	6,610,239.86
Food services	1,228,815.88
Wellness facility	1,900,999.58
Other auxiliaries	10,809,442.65
Other receipts (payments)	882,316.78
Net cash used by operating activities	$ (126,771,653.30)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	$ 83,766,000.00
Gifts and grants received for other than capital or endowment purposes, including $643,190.50 from component unit	86,146,360.60
Federal student loan receipts	109,121,074.10
Federal student loan disbursements	(108,974,688.82)
Changes in deposits held for others	(43,564.55)
Net cash provided by non-capital financing activities	$ 170,015,181.33
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	$ 18,399,310.98
Capital - state appropriation	11,454,123.44
Capital grants and gifts received	40,000.00
Purchase of capital assets and construction	(34,226,130.14)
Principal paid on capital debt and lease	(6,169,127.79)
Interest paid on capital debt and lease	(6,858,776.00)
Other capital and related financing receipts (payments)	(55,191.41)
Net cash used by capital and related financing activities	$ (17,415,790.92)
CASH FLOWS FROM INVESTING ACTIVITIES	
Income on investments	$ 1,100,184.68
Purchase of Investments	(16,018.20)
Net cash provided by investing activities	$ 1,084,166.48
Net increase in cash and cash equivalents	$ 26,911,903.59
Cash and cash equivalents - beginning of year	96,522,246.32
Cash and cash equivalents - end of year (Note 2)	$ 123,434,149.91

Middle Tennessee State University
Unaudited Statement of Cash Flows
for the year ended June 30, 2010

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$(142,845,504.23)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	15,159,896.73
Other adjustments	138,184.00
Change in assets and liabilities:	
Receivables, net	(4,636,920.92)
Inventories	(67,245.18)
Prepaid/deferred items	(1,488,789.34)
Other assets	(6,980.09)
Accounts payable	(219,818.52)
Accrued liabilities	4,591,149.46
Deferred revenues	3,115,742.75
Deposits	(112,889.19)
Compensated absences	(234,924.54)
Due to grantors	(95,390.01)
Loans to students	(68,119.22)
Other	(45.00)
Net cash used by operating activities	$(126,771,653.30)
Non-cash investing, capital, or financing transactions	
Gifts in-kind - capital	171,795.36
Unrealized gains/(losses) on investments	35,136.03
Loss on disposal of capital assets	(83,358.55)
Trade-in allowance	23,423.86

The notes to the financial statements are an integral part of this statement.

1. **Summary of Significant Accounting Policies**

REPORTING ENTITY
Middle Tennessee State University is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the Tennessee Comprehensive Annual Financial Report.

The financial statements present only that portion of the Tennessee Board of Regents' activities that is attributable to the transactions of Middle Tennessee State University.

The Middle Tennessee State University Foundation is considered a component unit of the University. Although the University does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, the foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the foundation can only be used by or for the benefit of Middle Tennessee State University, the foundation is considered a component unit of the University and is discretely presented in the University's financial statements. See Note 19 for more detailed information about the component unit and how to obtain the report.

BASIS OF PRESENTATION
The University's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

BASIS OF ACCOUNTING
For financial statement purposes, Middle Tennessee State University is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The University has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to the above limitation. Middle Tennessee State University has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Amounts reported as operating revenues include (1) tuition and fees, net of waivers and discounts; (2) certain federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises; and (4) other sources of revenue. Operating expenses for the University include (1) salaries and wages; (2) employee benefits; (3) scholarships and fellowships; (4) depreciation; and (5) utilities, supplies, and other services.

All other activity is nonoperating in nature. This activity includes (1) state appropriations for operations; (2) investment income; (3) bond issuance costs; (4) interest on capital asset-related debt; and (5) gifts and non-exchange transactions.

When both restricted and unrestricted resources are available for use, generally it is the University's policy to use the restricted resources first.

CASH EQUIVALENTS
This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

INVENTORIES
Inventories are valued at the lower of cost or market. Textbooks included in the inventory are recorded on a weighted average basis. All other items are maintained on an average cost or first-in, first-out basis.

COMPENSATED ABSENCES
Middle Tennessee State University's employees accrue annual leave at varying rates, depending upon length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are reported in the Statement of Net Assets.

CAPITAL ASSETS
Capital assets, which include property, plant, equipment, library holdings, and intangible assets, are reported in the Statement of Net Assets at historical cost or at fair value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of $100,000 is used for buildings and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000.

These assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives of these assets, which range from 5 to 40 years.

NET ASSETS
Middle Tennessee State University's net assets are classified as follows:

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT. This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

RESTRICTED NET ASSETS – NONEXPENDABLE. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may be expendable or added to principal.

RESTRICTED NET ASSETS – EXPENDABLE. Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET ASSETS. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of Middle Tennessee State University to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discount and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by Middle Tennessee State University and the amount that is paid by the students and/or third parties making payments on the students' behalf. Certain governmental grants such as Pell grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

2. **Cash**

This classification includes demand deposits and petty cash on hand. At June 30, 2010, cash and cash equivalents consisted of $52,179,978.88 in bank accounts; $99,291.36 of petty cash on hand; $66,038,736.21 in the State of Tennessee Local Government Investment Pool administered by the state treasurer; $5,098,917.81 in the LGIP Deposits – Capital Projects account; and $17,225.65 in a money market account.

LGIP Deposits – Capital Projects. Payments related to Middle Tennessee State University's capital projects are made by the State of Tennessee's Department of Finance and Administration. The University's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenditures are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the University for any other purpose until the project is completed and the Tennessee Board of Regents releases any remaining funds.

3. **Investments**

All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

As of June 30, 2010, Middle Tennessee State University had the following investments and maturities.

	Investment Maturities (in Years)					
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**	**No Maturity Date**
Mutual bond funds	$475,312.10	$ -	$ -	$ -	$ -	$475,312.10
Mutual equity funds	235,926.23	-	-	-	-	235,926.23
Total	$711,238.33	$ -	$ -	$ -	$ -	$711,238.33

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. Middle Tennessee State 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. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Middle Tennessee State University is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies that are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds, and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the University and that endowment investments be prudently diversified. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale.

TBR policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime bankers acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime banker's acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services. If there is no long term debt rating, the short-term debt must be A1 by all rating services(minimum of two). 2) The ratings should be based on the merits of the issuer or guarantee by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

As of June 30, 2010, the University's investments were rated as follows:

Investment Type	Fair Value	Unrated
LGIP	$71,137,654.02	$71,137,654.02
Mutual bond funds	475,312.10	475,312.10
Total	$71,612,966.12	$71,612,966.12

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Middle Tennessee State University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a deposit policy for custodial credit risk. At June 30, 2010, Middle Tennessee State University had $ 711,238.33 of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the University's name.

4. **Accounts, Notes, and Grants Receivable**

Accounts receivable included the following:

	June 30, 2010
Student accounts receivable	$ 6,049,458.10
Grants receivable	9,277,549.02
Notes receivable	291,140.32
State appropriation receivable	375,100.00
Other receivables	3,048,393.84
Subtotal	$ 19,041,641.28
Less allowance for doubtful accounts	(1,662,882.43)
Total	$ 17,378,758.85

Federal Perkins Loan Program funds include the following:

	June 30, 2010
Perkins Loans receivable	$3,752,531.91
Less allowance for doubtful accounts	(665,489.31)
Total	$3,087,042.60

5. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 11,367,547.20	$ 241,700.00	$ -	$ -	$ 11,609,247.20
Improvements and infrastructure	41,362,292.72	-	-	-	41,362,292.72
Buildings	265,733,746.88	605,000.00	24,312,286.12	-	290,651,033.00
Equipment	44,883,712.33	1,966,090.72	-	2,396,934.78	44,452,868.27
Library holdings	19,022,684.03	1,590,121.50	-	1,964,965.99	18,647,839.54
Intangible assets	4,269,300.27	-	-	-	4,269,300.27
Projects in progress	71,705,981.85	29,925,388.14	(24,312,286.12)	-	77,319,083.87
Total	$ 458,345,265.28	$ 34,328,300.36	$ -	$ 4,361,900.77	$ 488,311,664.87
Less accumulated depreciation					
Improvements and infrastructure	$ 20,545,362.54	$ 1,950,458.22	$ -	$ -	$ 22,495,820.76
Buildings	104,980,157.83	7,280,253.63	-	-	112,260,411.46
Equipment	28,622,219.75	3,405,496.62	-	2,313,576.23	29,714,140.14
Library holdings	9,720,756.01	2,059,968.78	-	1,964,965.99	9,815,758.80
Intangible assets	1,449,037.98	463,719.48	-	-	1,912,757.46
Total accumulated depreciation	$ 165,317,534.11	$ 15,159,896.73	$ -	$ 4,278,542.22	$ 176,198,888.62
Capital assets, net	$ 293,027,731.17	$ 19,168,403.63	$ -	$ 83,358.55	$ 312,112,776.25

6. Accounts Payable

Accounts payable included the following:

	June 30, 2010
Vendors payable	$5,099,095.94
Unapplied student payments	205,118.38
Other payables	29,603.95
Total	$5,333,818.27

7. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables					
TSSBA Debt:					
Bonds	$ 138,714,813.21	$ 293,128.19	$ 6,169,127.79	$ 132,838,813.61	$ 6,628,413.54
Commercial paper	17,620,632.49	17,546,850.55		35,167,483.04	-
General Obligation Debt:					
Commercial paper	1,983,281.18	559,332.24	-	2,542,613.42	-
Subtotal	$ 158,318,726.88	$ 18,399,310.98	$ 6,169,127.79	$ 170,548,910.07	$ 6,628,413.54
Other liabilities					
Compensated absences	$ 6,360,972.67	$ 2,930,891.86	$ 3,165,816.40	$ 6,126,048.13	$ 1,702,518.76
Due to grantors	2,800,049.42	344,823.00	440,213.01	2,704,659.41	-
Net OPEB obligation	5,859,034.64	2,511,441.78	-	8,370,476.42	-
Subtotal	$ 15,020,056.73	$ 5,787,156.64	$ 3,606,029.41	$ 17,201,183.96	$ 1,702,518.76
Total long-term liabilities	$ 173,338,783.61	$ 24,186,467.62	$ 9,775,157.20	$ 187,750,094.03	$ 8,330,932.30

TSSBA Debt - Bonds Payable

Bond issues with interest rates ranging from 2.0% to 5.50% were issued by the Tennessee State School Bond Authority. The bonds are due serially until 2038 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the University, including state appropriations (see Note 10 for further details). The bonded indebtedness with the Tennessee State School Bond Authority included in long-term liabilities on the Statement of Net Assets is shown net of assets held by the authority in the debt service reserve and net of unexpended debt proceeds. The reserve amount was $ 5,646,021.19 at June 30, 2010. Unexpended debt proceeds were $847,960.16 at June 30, 2010.

Debt service requirements to maturity for the University's portion of TSSBA bonds at June 30, 2010, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2011	6,628,413.54	6,549,804.05	13,178,217.59
2012	6,925,132.34	6,268,652.77	13,193,785.11
2013	7,036,758.72	6,008,690.58	13,045,449.30
2014	7,124,013.67	5,686,025.22	12,810,038.89
2015	7,283,330.62	5,377,330.57	12,660,661.19
2016-2020	38,594,163.23	21,685,667.79	60,279,831.02
2021-2025	34,992,781.64	12,144,188.24	47,136,969.88
2026-2030	18,297,778.31	4,211,852.98	22,509,631.29
2031-2035	4,037,534.19	1,499,811.37	5,537,345.56
2036-2038	1,918,907.35	336,782.32	2,255,689.67
Total	$132,838,813.61	$69,768,805.89	$202,607,619.50

TSSBA Debt - Commercial Paper

The Tennessee State School Bond Authority issues commercial paper to finance costs of various capital projects during the construction phase. When a project is placed in service, long-term, fixed-rate debt is issued by TSSBA to finance the project over its useful payback period and the commercial paper is redeemed. The amount outstanding for projects at Middle Tennessee State University was $35,167,483.04 at June 30, 2010.

For the commercial paper program, the Tennessee State School Bond Authority maintains an interest rate reserve fund. Middle Tennessee State University contributes amounts to the reserve fund based on the amounts drawn. The principal of the reserve will be contributed to pay off notes or credited back to the University when the notes are converted to bonds. The interest earned on the reserve is used to pay interest due during the month.

More detailed information regarding the bonds and commercial paper can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report is available on the state's Web site at http;//tn.gov/comptroller/bf/tssbacafr.htm.

General Obligation Debt – Commercial Paper
The Tennessee State Funding Board issues commercial paper for the purpose of, among other things, acquisition of certain sites and existing structures for expansion purposes for the TBR on behalf of the University. The amount outstanding for projects at Middle Tennessee State University was $ 2,542,613.42 at June 30, 2010. More detailed information regarding the commercial paper can be found in the notes to the financial statements in the financial report for the Tennessee State Funding Board. The Tennessee Comprehensive Annual Financial Report is available on the state's Web site at http://tennessee.gov/finance/act/cafr.html.

8. **Endowments**
If a donor has not provided specific instructions to Middle Tennessee State University, state law permits the University to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the University is required to consider its long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

Middle Tennessee State University chooses to spend the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, all interest earnings have been authorized for expenditure. At June 30, 2010, net appreciation of $457.06 was available to be spent, of which $457.06 was included in unrestricted net assets.

9. **Unrestricted Net Assets**
Unrestricted net assets include funds that have been designated for specific purposes. These purposes include the following:

	June 30, 2010
Working capital	$3,658,459.46
Encumbrances	556,313.12
Designated fees	1,329,871.38
Auxiliaries	5,417,079.51
Plant construction	36,898,457.80
Renewal and replacement of equipment	30,990,837.78
Debt retirement	2,687,445.85
Undesignated balance	(8,419,758.34)
Total	$73,118,706.56

10. **Pledged Revenues**
The University has pledged certain revenues and fees, including state appropriations, to repay $132,838,813.61 in revenue bonds issued from June 1976 to April 2009. Proceeds from the bonds provided financing for the following projects: construction of a cogeneration plant, the Wood/Stegall development facility, a printing services building, and Greek Row housing; demolition at 1403 East Main Street; a chiller conversion project; dormitory and family housing upgrades; student health,

wellness, and recreation facility upgrades; purchase of the Woodfin property; purchase of Steinway pianos; purchase of a new fleet of airplanes for the Aerospace Department; energy savings and performance contracts; parking and transportation projects; football stadium enhancements; baseball stadium improvements; and purchase of the Ingram Building. The bonds are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 4% of available revenues. The total principal and interest remaining to be paid on the bonds is $202,607,619.50. Principal and interest paid for the current year and total available revenues were $12,919,578.55 and $301,187,781.13, respectively.

11. **Pension Plans**

Defined Benefit Plan

PLAN DESCRIPTION. Middle Tennessee State University contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer-defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, Tennessee Code Annotated, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's Web site at www.state.tn.us/treasury/tcrs/index.html.

FUNDING POLICY. Plan members are noncontributory. Middle Tennessee State University is required to contribute at an actuarially determined rate. The current rate is 13.02% of annual covered payroll. The contribution requirements of the University are established and may be amended by the TCRS Board of Trustees. Middle Tennessee State University's contributions to TCRS for the years ending June 30, 2010, 2009, and 2008 were $5,982,087.97, $6,254,322.27, and $6,649,192.21, respectively, equal to the required contributions for each year.

Defined Contribution Plans

PLAN DESCRIPTION. Middle Tennessee State University contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), ING Life and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly.

FUNDING POLICY. Plan members are noncontributory. Middle Tennessee State University contributes an amount equal to 10% of the employee's salary up to the Social Security wage base and 11% above the Social Security wage base. Contribution requirements are established and amended by state statute. The contribution made by Middle Tennessee State University to the plans for the year ended June 30, 2010, was $7,188,747.29 and for the year ended June 30, 2009, was $7,790,975.75. Contributions met the requirements for each year.

12. **Other Postemployment Benefits**

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program that provides postemployment health insurance benefits to eligible Middle Tennessee State University retirees. This program includes two plans available to higher education employees – the State Plan and the Medicare Supplement Plan.

Both plans are agent multiple-employer-defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201. Prior to reaching age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered medicare supplement that does not include pharmacy. The state makes on-behalf payments to the Medicare supplement plan for the University's eligible retirees (see Note 17). The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's Web site at http://tennessee.gov/finance.act/cafr.html.

FUNDING POLICY. The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. In accordance with TCA 8-27-205(b), retirees not eligible for Medicare pay a percentage of the total state premium under the State Employee Group Plan based on years of service, leaving a portion of retiree premiums effectively subsidized by contributions to the State Employee Group Plan for active employees. Retirees with 30 years of service pay 20% of the total premium under the State Employee Group Plan. Retirees with 20 years but less than 30 years of service pay 30% of the total premium under the State Employee Group Plan. Retirees 55 and older with less than 20 years but more than 10 years of service pay 40% of the total premium under the State Employee Group Plan.

Contributions for the state plan for the year ended June 30, 2010, were $17,527,028.47, which consisted of $14,528,673.44 from the University and $2,998,355.03 from the employees.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

	State Plan
Annual Required Contribution (ARC)	$ 4,286,000.00
Interest on the Net Postemployment Obligation (NPO)	263,656.56
Adjustment to the ARC	(249,735.08)
Annual OPEB Cost	4,299,921.48
Amount of Contribution	1,788,479.70
Increase/Decrease in NPO	2,511,441.78
Net OPEB Obligation - Beginning of Year	5,859,034.64
Net OPEB Obligation - End of Year	$ 8,370,476.42

Year-End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-End
6/30/2008	State Employee Group Plan	$4,866,000.00	37.5%	$3,040,105.45
6/30/2009	State Employee Group Plan	$4,924,653.67	42.8%	$5,859,034.64
6/30/2010	State Employee Group Plan	$4,299,921.48	41.6%	$8,370,476.42

FUNDED STATUS AND FUNDING PROGRESS. The funded status of the plan as of June 30, 2010, was as follows:

Actuarial Valuation Date	July 1, 2009
Actuarial Accrued Liability (AAL)	$ 38,764,000.00
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	38,764,000.00
Actuarial Value of Assets as a % of the AAL	0.0%
Covered Payroll (Active Plan Members)	$ 117,734,804.41
UAAL as Percentage of Covered Payroll	32.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6 percent initially, increased to 10% in the second year and then reduced by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

13. **Chairs of Excellence**

Middle Tennessee State University had $20,669,682.07 on deposit at June 30, 2010, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in these financial statements.

14. **Insurance-Related Activities**

It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. The Risk Management Fund is also responsible for claims for damages to state-owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from $25,000 per occurrence, depending on the type of coverage, to an aggregate of $5 million.

Middle Tennessee State University participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to Middle Tennessee State University based on a percentage of the University's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2010, and June 30, 2009, are presented in the Tennessee Comprehensive Annual Financial Report. The CAFR is available on the state's Web site at http://tennessee.gov/finance/act/cafr.html. Since Middle Tennessee State University participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Tennessee Code Annotated, Section 9-8-101 et seq. Liability for negligence of Middle Tennessee State University for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Tennessee Code Annotated, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. The amount of cash and cash equivalents designated for payment of claims held by the Risk Management Fund at June 30, 2010, was not available. At June 30, 2009, the Risk Management Fund held $127 million in cash and cash equivalents designated for payment of claims.

At June 30, 2010, the scheduled coverage for Middle Tennessee State University was $853,724,285.00 for buildings and $298,006,696.00 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for employees of the state with the risk retained by the state. Middle Tennessee State University participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the University based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

15. **Commitments and Contingencies**

SICK LEAVE. Middle Tennessee State University records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $54,164,468.78 at June 30, 2010.

OPERATING LEASES. Middle Tennessee State University has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real and personal property were $ 467,924.04 and $ 42,257.99 respectively for the year ended June 30, 2010. All operating leases are cancelable at the lessee's option.

CONSTRUCTION IN PROGRESS. At June 30, 2010, outstanding commitments under construction contracts totaled $ 69,436,454.07 for major projects including life safety renovations; underground electrical updates; several buildings safety code corrections; sewer system and manhole updates; science facilities updates; Jones Hall HVAC; TN Livestock Center updates; the Ingram Building; concrete industry projects; Tucker Theatre improvements; campus lighting; energy management; a fiber redundant ring; several buildings roof replacements; performance contracting; Middle Tennessee Boulevard planning; university mitigation; dormitory renovations; the new student union and KUC; and the College of Education and Behavioral Science Building, of which $ 9,596,795.85 will be funded by future state capital outlay appropriations.

LITIGATION. Middle Tennessee State University is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

16. **Natural Classifications with Functional Classifications**

Middle Tennessee State University's operating expenses by functional classification for the year ended June 30, 2010, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Operating	Scholarships	Depreciation	Total
Instruction	$ 82,158,342.85	$ 23,306,091.50	$ 13,802,163.15	$ -	$ -	$ 119,266,597.50
Research	3,428,247.22	851,066.66	2,011,576.11	-	-	6,290,889.99
Public Service	7,671,427.83	2,555,310.19	12,170,442.98	-	-	22,397,181.00
Academic Support	14,141,177.77	4,678,609.12	(433,866.28)	-	-	18,385,920.61
Student Services	13,615,712.06	4,366,809.33	11,899,590.32	-	-	29,882,111.71
Institutional Support	11,892,664.99	4,255,764.75	3,700,482.14	-	-	19,848,911.88
M & O	5,191,418.12	2,081,073.42	11,280,221.62	-	-	18,552,713.16
Scholarships and Fellowships	-	-	-	42,593,476.12	-	42,593,476.12
Auxiliaries	6,847,567.45	2,220,486.44	16,490,455.83	-	-	25,558,509.72
Depreciation	-	-	-	-	15,159,896.73	15,159,896.73
Total Expenses	$ 144,946,558.29	$ 44,315,211.41	$ 70,921,065.87	$ 42,593,476.12	$15,159,896.73	$ 317,936,208.42

17. **On-Behalf Payments**

During the year ended June 30, 2010, the State of Tennessee made payments of $138,184.00 on behalf of Middle Tennessee State University for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a post-employment benefit healthcare plan and is discussed further in Note 12. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's Web site at http://tennessee.gov/finance/act/cafr.html.

18. **Voluntary Buyout Program**

Middle Tennessee State University implemented a Voluntary Buyout Plan in fiscal year 2010 as a strategy to assist the University in addressing budgetary constraints due to state appropriation reversions and potential budget reductions in the forthcoming fiscal year. The University had one hundred twenty-one employees participate in the Voluntary Buyout Plan, with all terminating by June 30, 2010.

Severance pay was payable the month following the employee separation date between March and July 2010. Severance pay included:

- Base severance payment equal to three times the employee's monthly rate of pay in effect on November 30, 2009.
- Service payment of $500 for each full or partial year of University service as of the separation date.
- Amount equivalent to the employee's next longevity payment based on their years of creditable state service.
- Amount equivalent to six months of the University's portion of the monthly health insurance premium based on plan election as of November 30, 2009.

Severance benefits included:

- Tuition assistance of $10,800 over two years at technology centers, community colleges, and state universities in Tennessee.

As of June 30, 2010, expenditures for payout of accrued annual leave, compensatory time, or worked holidays for the Voluntary Buyout Plan were $403,697.55. Accrued expenses for severance pay were $2,261,689.64 at June 30, 2010.

19. **Component Unit**

The Middle Tennessee State University Foundation is a legally separate, tax-exempt organization supporting Middle Tennessee State University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The 34-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although Middle Tennessee State University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of Middle Tennessee State University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2010, the Foundation made distributions of $2,450,690.88 to or on behalf of Middle Tennessee State University for both restricted and unrestricted purposes, of which $1,728,754.02 is shown as utilities, supplies, and other services. Complete financial statements for the Foundation can be obtained from Joe Bales, Vice President for Development and University Relations, MTSU, 1301 East Main Street, Murfreesboro, TN 37132.

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from those of GASB. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

FAIR VALUE MEASUREMENTS. The Foundation reports certain assets and liabilities at fair value. Fair value has been determined using quoted prices in active markets for identical assets and liabilities that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following table categorizes the recurring fair value measurements for assets and liabilities at June 30, 2010:

	Total Fair Value at June 30, 2010	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Unobservable Inputs: Level 3
Assets:				
Cash equivalents	$ 3,241,639.59	$ 3,241,639.59		
Certificates of deposit	135,567.34	135,567.34		
U.S. Treasury	1,262,696.93	1,262,696.93		
Corporate stocks	2,732,732.55	2,732,732.55		
Mutual equity funds	13,384,284.35	13,384,284.35		
Mutual bond funds	3,695,973.42	1,706,123.42		$ 1,989,850.00
Real estate investment trust	2,385,285.32			2,385,285.32
Alternative investments	6,004,673.00			6,004,673.00
Pledges receivable	1,266,971.59			1,266,971.59
Total Assets	$ 34,109,824.09	$ 22,463,044.18	$ -	$ 11,646,779.91

The following table reconciles beginning and ending balances of all assets valued using Level 3 inputs:

	Beginning Balance	Total Gains/Losses, Realized & Unrealized	Purchases, Issuances, and Settlements	Transfers In/Out of Level 3	Ending Balance
Assets:					
Mutual bond funds	$ 3,210,402.00	$ 372,090.00	$ (1,592,642.00)	$ -	$ 1,989,850.00
Real estate investment trust	2,567,090.12	(312,020.00)	130,215.20	-	2,385,285.32
Alternative investments	5,631,632.00	373,041.00	-	-	6,004,673.00
Pledges receivable	1,254,882.42	12,089.17	-	-	1,266,971.59
Total Assets	$ 12,664,006.54	$ 445,200.17	$ (1,462,426.80)	$ -	$ 11,646,779.91

All gains and losses, both realized and unrealized, have been reported on the Statement of Revenues, Expenses, and Changes in Net Assets as investment income. Of this total, $1,819,996.78 is attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at June 30, 2010.

CASH AND CASH EQUIVALENTS. Cash and cash equivalents consist of demand deposit accounts, a State of Tennessee Local Government Investment Pool account administered by the state treasurer, and money market funds. Uninsured bank balances at June 30, 2010 totaled $4,912,783.90.

INVESTMENTS. Investments are recorded on the date of contribution and are stated at market value. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year. Investment securities held at year-end were as follows:

	Cost	Market Value
U.S. Treasury	$ 1,077,001.98	$ 1,262,696.93
Certificates of deposit	132,212.00	135,567.34
Corporate stocks	2,962,988.08	2,732,732.55
Mutual equity funds	11,616,202.10	13,384,284.35
Mutual bond funds	3,183,043.62	3,695,973.42
Cash surrender value of life insurance	N/A	421,687.52
Real estate investment trust	2,933,511.09	2,385,285.32
Alternative investments	5,896,305.00	6,004,673.00
Total investments		$ 30,022,900.43

ALTERNATIVE INVESTMENTS. The Foundation has investments in offshore hedge fund-of-funds. The estimated fair value of these assets is $6,004,673.00 at June 30, 2010.

The Foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2010. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. These investments are made in accordance with the Foundation's investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques. Each offshore hedge fund-of-funds owned by the Foundation has an annual independent CPA firm audit. Hedge fund values are determined by using monthly reports received directly from the hedge fund-of-funds managers, as well as from the Foundation's registered investment advisors and/or investment custodian.

PLEDGES RECEIVABLE. Pledges receivable are summarized below net of the allowance for doubtful accounts:

	June 30, 2010
Current pledges	$ 422,957.73
Pledges due in one to five years	620,824.15
Pledges due after five years	223,950.00
Subtotal	1,267,731.88
Less: Discounts to net present value	(760.29)
Total pledges receivable, net	$ 1,266,971.59

CAPITAL ASSETS. Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 2,237,371.29	$ 64,200.00	$	$	$ 2,301,571.29
Improvements and infrastructure	807,729.24	201,710.22	-	-	1,009,439.46
Buildings	19,793,108.02	275,556.78	-		20,068,664.80
Equipment	-	84,722.48		78,746.36	5,976.12
Total	$ 22,838,208.55	$ 626,189.48	$ -	$ 78,746.36	$ 23,385,651.67
Less accumulated depreciation					
Improvements and infrastructure	184,141.77	50,471.95	-	-	234,613.72
Buildings	3,746,085.65	403,957.43	-		4,150,043.08
Equipment	-	149.40			149.40
Total accumulated depreciation	$ 3,930,227.42	$ 454,578.78	$ -	$ -	$ 4,384,806.20
Capital assets, net	$ 18,907,981.13	$ 171,610.70	$ -	$ 78,746.36	$ 19,000,845.47

ENDOWMENTS. Middle Tennessee State University Foundation's endowment consists of approximately 500 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absences of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW. The Board of Trustees of the Middle Tennessee State University Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as requiring the preservation of the fair value of the original gift, as of the gift date, of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the portion of the investment return that is added to the fund's principal. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. the duration and preservation of the fund,
2. the purposes of the Foundation and the endowment fund,
3. general economic conditions,
4. the possible effect of inflation or deflation,
5. the expected total return from income and the appreciation of investments,
6. other resources of the Foundation, and
7. the investment policies of the Foundation.

Composition of Endowment by Net Asset Class
as of June 30, 2010

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 28,757,024.86			$ 28,757,024.86
Board-designated endowment funds		2,885,493.03	129,955.30	3,015,448.33
Total funds	$ 28,757,024.86	$ 2,885,493.03	$ 129,955.30	$ 31,772,473.19

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2010

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets, beginning of year	$ 26,480,656.76	$ 2,360,832.58	$ 99,782.40	$ 28,941,271.74
Investment return:				-
Investment income	557,764.89	52,426.55	2,219.68	612,411.12
Net depreciation (realized and unrealized)	2,197,299.92	25,600.06	9,139.69	2,232,039.67
Total investment return	2,755,064.81	78,026.61	11,359.37	2,844,450.79
Contributions	1,350,336.17	100.00		1,350,436.17
Expenditures	(304,932.10)	(2,499.08)	(105.63)	(307,536.81)
Appropriation of endowment assets for expenditure	(580,587.41)	(2,947.15)		(583,534.56)
Other changes:				-
Transfers	(943,513.37)	451,980.07	18,919.16	(472,614.14)
Endowment net assets, end of year	$ 28,757,024.86	$ 2,885,493.03	$ 129,955.30	$ 31,772,473.19

RETURN OBJECTIVES AND RISK PARAMETERS. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that provide for adequate long-term purchasing power preservation, as well as current scholarship and other institutional support as appropriate. The Foundation expects its endowment funds, over time, to provide an average total rate of return of approximately 9 percent annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE. The Foundation has a policy of appropriating for distribution each year 4.5% of the three-year rolling average total fair market value of the endowment. Payout policy is determined by the Foundation year-to-year, and in a year of significantly declining investment values, the board may choose to not make an annual payout to preserve the future purchasing and payout power of the endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.5 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Middle Tennessee State University
Required Supplementary Information
Schedule of Funding Progress
for the year ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	$-	$42,876,000.00	$42,876,000.00	0	$117,734,804.41	36.4%
July 1, 2009	$-	$38,764,000.00	$38,764,000.00	0	$117,734,804.41	32.9%

An additional year will be reported as the data becomes available. The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed.

Middle Tennessee State University
Supplementary Information
Unaudited Statement of Cash Flows - Component Unit
for the year ended June 30, 2010

		Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$	5,960,692.63
Endowment income (per spending plan)		583,534.55
Grants and contracts		23,048.62
Payments to suppliers and vendors		(1,751,722.56)
Payments for scholarships and fellowships		(1,042,792.45)
Payments to MTSU		(643,190.50)
Other receipts (payments)		11,857.23
Net cash provided by operating activities	$	3,141,427.52
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	$	1,151,498.66
Net cash provided by non-capital financing activities	$	1,151,498.66
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets and construction	$	(626,189.48)
Net cash used by capital and related financing activities	$	(626,189.48)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$	4,197,554.74
Income on investments		79,729.06
Purchase of investments		(2,654,208.28)
Other investing receipts (payments)		(6,951.98)
Net cash provided by investing activities	$	1,616,123.54
Net increase in cash and cash equivalents	$	5,282,860.24
Cash and cash equivalents - beginning of year		9,147,782.40
Cash and cash equivalents - end of year (Note 19)	$	14,430,642.64
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	2,288,122.62
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense		454,578.78
Other adjustments		
Change in assets and liabilities:		
Receivables, net		191,531.90
Accounts payable		128,447.86
Other		78,746.36
Net cash provided by operating activities	$	3,141,427.52
Non-cash investing, capital, or financing transactions		
Unrealized gains/(losses) on investments	$	(1,819,996.78)
Transfer of capital asset to MTSU		(78,746.36)

The notes to the financial statements are integral part of this statement.