

STANDARD 7 - FINANCE



STANDARD 7.A - FINANCIAL PLANNING

7.A.1 Governing boards and, where applicable, state agencies have given the institution appropriate autonomy in financial planning and budgeting matters within overall mandates and priorities.

The governance and control of the Montana University System (MUS) is vested exclusively in the Montana Board of Regents of Higher Education, which has full power, responsibility, and authority to supervise, coordinate, manage, and to control the entire Montana University System. The MUS consists of two flagship campuses, The University of Montana in Missoula, and Montana State University in Bozeman. Both of these campuses have three affiliated campuses, of which Montana Tech is an affiliated campus of The University of Montana. In addition, the Board of Regents exercises programmatic oversight of Montana's three community colleges.

The President of a unit of the Montana University System is the chief executive officer at that unit and is vested with the responsibility of administering board policies under the supervision and control of the Commissioner of Higher Education. Each president is under the direction of and is responsible to the Commissioner of Higher Education. Presidents are appointed by the Board of Regents upon the advice and recommendation of the commissioner.

A chancellor is under direction of and is responsible to the president of the affiliated university. Chancellors are appointed by the Board of Regents upon the advice and recommendation of the appropriate university President and the Commissioner. The chancellor is the chief executive officer who is responsible for management of a four-year campus affiliated with a university. The chancellor provides leadership and coordination for all campus activities, including academic, fiscal, and student affairs.

The Executive leadership for the Montana Tech campus includes the Vice Chancellor for Academic Affairs and Research, the Vice Chancellor for Administration and Finance, and the Vice Chancellor for Development and Student Services. Also included in the executive management team is the Controller. Collectively, this group of administrators works closely with the Chancellor to focus on the college's goals and to meet overall mandates and priorities in planning and budgeting.

When discussing financial planning, it is important to note that the Montana University System is first allocated a lump sum appropriation on a biennial basis which, in turn, is then allocated among the campuses. The Office of Commissioner of Higher Education works with representatives from all of the eleven campuses of the Montana University System to determine how that appropriation is allocated, based on numerous variables that include enrollment projections, staffing levels, and anticipated increases in operating expenses.

It is within this structure that Montana Tech is provided with appropriate autonomy in financial planning and budgeting matters. Montana Tech creates a biennial budget request that allocates resources which are based on inflationary factors established

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at the system level and tied to any constraints facing the Montana University System during that given biennium. The allocation at the campus level are determined by the Executive Budget Committee which is composed of the Chancellor, Vice Chancellors, and the Controller. The Executive Budget Committee solicits input from the various academic deans, department heads, and directors to develop the annual current unrestricted budget.

In addition to the current unrestricted budget, Montana Tech also creates annual budgets for auxiliary, designated, loan, restricted, and plant funds. These budgets are developed on the basis of projected revenues from student fees or third parties and on the estimated expenditures associated with those revenues.

All fund group budgets are submitted to the Board of Regents for approval at the September board meeting.

7.A.2 The institution demonstrates that financial planning for the future is a strategically guided process. This planning includes a minimum of a three-year projection of major categories of income, specific plans for major categories of expenditures, and plans for the management of capital revenue and expenditures. Short and long-range capital budgets reflect the institution's goals and objectives and relate to the plans for physical facilities and acquisition of equipment.

There are two principal administrative campus groups which not only develop operational plans but which also recommend priority expenditure of institution financial resources in support of these plans. The Academic Deans Council provides input or advice, through the Vice Chancellor for Academic Affairs and Research, to the Executive Budget committee. The Executive Budget Committee relies on the Academic Deans Council and several other groups for input and advice when developing plans. These plans, which generally consider two to three-year periods of time, are in accord with the institution's mission and vision and are tied to the campus priorities established by the institution's leadership.

Montana Tech has very clear vision and mission statements:

Mission Statement

To meet the changing needs of society by supplying knowledge and education through a strong undergraduate curriculum augmented by research, graduate education and service.

Vision Statement

To be a leader for undergraduate and graduate education and research in the Pacific Northwest in engineering, science, energy, health, information sciences and technology.

Montana Tech also has clear guiding principles which are as follows:

- » To honor our heritage as a premier engineering institution;
- » To attract and educate motivated and capable students;
- » To provide a quality education that blends theory with practice;
- » To recruit, encourage, and enable faculty to develop regional and national reputations in teaching and research;

- » To collaborate with others to serve the needs of the community, the State of Montana, and the Nation.

The current strategic plan for Montana Tech has defined six main goals:

- » Goal #1 – Sustain and Enhance the Quality of All Academic Programs
- » Goal #2 – Advance the Reputation for Quality and Value
- » Goal #3 – Enhance Research and Scholarly Activities
- » Goal #4 – Enhance Relationships with Business and Industry
- » Goal #5 – Enhance Educational Access and Opportunities
- » Goal #6 – Increase Enrollment to 2,688 (FTE) by 2012

Each goal has a separate list of specific objectives and success indicators that define how the goal will be reached. All operational financial plans must support this strategic plan. A full copy of the strategic plan is presented in Exhibit 7.A.I, [*Montana Tech Strategic Plan*](#).

A strategic planning committee looks at larger, long-term visions for the institution. The institution has renewed its formal, campus-specific strategic planning activities and refined them into a document, [*Montana Tech Vision 2025*](#), listed in Exhibit 7.A.II. This document is specific for the Montana Tech campus. The Board of Regents actively develops a broader plan for the entire Montana University System. The strategic plan for Montana Tech and the long range vision are also developed to help achieve the goals of the [*Board of Regents' Strategic Plan*](#), presented in Exhibit 7.A.III. The main goals of this plan are increasing the educational attainment of Montanans, assisting in the expansion and improvement of the economy, and improving institutional efficiency and effectiveness.

The Chancellor's Cabinet, which is composed of the Vice Chancellors, the Deans, the Director of the Montana Bureau of Mines and Geology, a faculty senate representative, a staff senate representative, and senior staff members, serves as the primary advisory group to the Chancellor and Vice Chancellors. This Cabinet is an important clearinghouse for all proposals and initiatives that have campus-wide interest and fiscal impact. Strategic planning activities are ultimately considered by the Cabinet on the path to executive decisions. Other advisory groups tied directly or indirectly to this process of campus deliberation include the student government, the Faculty Senate, the Staff Senate, and the faculty assembly. Major financial considerations are part of on-going and major institutional planning activities and are generally discussed with the many constituent groups both on and off campus.

Two-year planning processes for educational and general programs begin when the campuses work with the Deputy Commissioner for Fiscal Affairs from the Office of the Commissioner of Higher Education on funding strategies for each legislative



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session. Topics addressed include funding model revisions, tuition projections, distance learning, enrollment projections, and pay plans. The Vice Chancellor for Administration and Finance at Montana Tech is responsible for submitting the biennium budget request. As a part of this budgeting process, each campus has the responsibility to prepare and justify the biennium budget request. After discussions and occasional compromises with the Office of Budget and Program Planning, Tech's biennium budget request becomes a part of the Governor's Executive Budget Request. In November of the year prior to the legislative session, the Governor's Executive Budget is presented to the members of the House and Senate. Exhibit 7.A.IV [The Governor's Executive Budget Request](#) and Legislative Budget Analysis set forth a balanced financial plan for all of Montana state government for the biennium. During the legislative session, the Office of the Commissioner of Higher Education and the Montana University System work collaboratively with both the Governor's Office and the legislature to obtain adequate funding for the entire Montana University System.



The Montana University System receives a biennial lump-sum appropriation from the legislature for the current unrestricted portion of operating funds. The Office of the Commissioner of Higher Education, under the authority of the Board of Regents, appropriates funds for the biennium. Allocations are made to individual campuses based on an institutional base level funding provided in the prior biennium, plus any present law adjustments (e.g. pay plan annualization or inflationary factors for specific operating expenses such as utilities or travel). These present law adjustments are presented individually for consideration. Any addition of staff or new program expenses are presented separately as decision packages for legislative consideration. This budgeting model varies from the previous funding model that was based on projected full-time equivalent students (FTE's). This change in budgeting philosophy was intended to ensure a base level of funding for institutions in the Montana University System in the face of anticipated reduction of graduating high school seniors in the state.

Capital planning for the institution is funded primarily through three sources: 1) the State of Montana Long Range Building Program (LRBP), 2) Auxiliary funds, and 3) student fees.

1. State of Montana Long Range Building Program:

The LRBP focuses on major building projects, renovation projects, and on maintenance projects. It is the primary mechanism through which the Montana University System and all other state agencies request state-funded building projects from the Montana Legislature. Requests for the Montana Tech campus are compiled by the Director of Physical Facilities who works in collaboration with the Chancellor, the Vice Chancellor for Administration and Finance, and with the Vice Chancellor

for Academic Affairs and Research. In this process, careful consideration is given to the needs identified through the various committees. A prioritized campus list is submitted to The University of Montana system committee for prioritization with the other three campuses, as shown in Exhibit 7.A.V – [Long Range Building Project Priority List](#). The outcome of that process is integrated or prioritized with those of the Montana State University campuses, and the final list is submitted to the Board of Regents for review and approval prior to being submitted to the Department of Administration for legislative action.

All Montana University System building projects are integrated with those of other state agencies and submitted to the legislature. The Montana Legislature approves, changes, or disapproves the LRBP and the associated funding for approved projects. This funding may come from a variety of sources including state capital appropriations, campus contributions (e.g. donor funding, allocation of campus reserves), or the issuance of bonds.

During the last two biennia, Montana Tech received state funding for educational and general buildings to manage deferred maintenance, Americans with Disability Act (ADA) accessibility modifications, and roofing projects. A summary of approvals for the Montana University System is included in Exhibit 7.A.VI – [Long Range Building Program Approvals](#). In addition, Montana Tech received some state funding to construct the Natural Resources Building on the North Campus. This building is the first new academic building in 20 years. The \$17.4 million project was funded from a variety of sources including state support (\$9 million – HB 540 59th Legislature, \$5.2 million – HB 4 60th Legislature), sale of real property (\$.2 million), transfer of current unrestricted funds (\$.5 million), auxiliary parking funds (\$.3 million), private support (\$2 million), and Montana Tech indirect cost recovery support (\$.2 million). The building was completed in December, 2009.

The campus is also scheduled to receive approximately \$2.1 million from stimulus funds for an assortment of energy projects which include T5 lighting, energy efficient windows, and HVAC upgrades.

2. Auxiliary Funds:

Auxiliary building projects are often funded by proceeds from the issuance of bonds. The affiliated campuses of The University of Montana collectively issue bond instruments which are cross-pledged and administered by The University of Montana – Missoula campus.

Bond payments are typically funded by revenue from auxiliary enterprises, land grant income, and from building fees. A debt-service plan is first created for the life of the bonds prior to their issuance in order to ensure that the campus can meet its future repayment obligation. Excess auxiliary funds are deposited into plant funds to pay for renovation and maintenance of auxiliary buildings or to purchase equipment.

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Montana Tech maintains an *Auxiliary Projects Plan* (Exhibit 7.A.VII) for both short and long term goals for capital improvements to auxiliary facilities.

3. Student Fees:

In addition to supporting bond payments, student fees are also used to pay for capital classroom equipment. Student Equipment Fee accounts at both the North and South campuses are designated to purchase capital equipment. Every year, the Vice Chancellor for Academic Affairs & Research contacts the academic deans and department heads for capital equipment requests. Based on estimated revenue projections, the requests are compiled and prioritized by the Deans.

Campuses affiliated with The University of Montana issued bonds for educational and general classroom and laboratory improvements on campus. To pay this debt, students are assessed an academic facilities fee. This student fee was originally implemented with the understanding that any fee revenues generated would be used to repay the debt associated with classroom and laboratory renovations, and that any annual excess revenues would be dedicated to further classrooms/laboratories improvements.

Capital investments and projects are summarized in Table 7.A.I.

TABLE 7.A.I CAPITAL INVESTMENTS

	ACTUAL			PROJECTED		
	FY07 YEAR 1 AMOUNT	FY08 YEAR 2 AMOUNT	FY09 YEAR 3 AMOUNT	FY10 YEAR 4 AMOUNT	FY11 YEAR 5 AMOUNT	FY12 YEAR 6 AMOUNT
Land						
Beginning Book Value	1,211,857	1,211,857	1,519,005	1,519,005	1,519,005	1,519,005
Additions		307,148		-		
Deductions		-		-	-	-
Ending Book Value	1,211,857	1,519,005	1,519,005	1,519,005	1,519,005	1,519,005
Buildings						
Beginning Book Value	27,737,885	26,014,855	25,665,512	26,128,545	26,128,545	26,128,545
Additions	98,600	1,676,579	2,344,803			
Deductions	(1,821,630)	(2,025,921)	(1,881,770)	-	-	-
Ending Book Value	26,014,855	25,665,512	26,128,545	26,128,545	26,128,545	26,128,545
Furniture, Equipment & Software						
Beginning Book Value	4,425,142	4,171,230	4,984,384	5,096,847	5,096,847	5,096,847
Additions	1,072,784	3,418,744	216,265			
Deductions	(1,326,697)	(2,605,589)	(103,802)			
Ending Book Value	4,171,230	4,984,384	5,096,847	5,096,847	5,096,847	5,096,847
Construction in Progress						
Beginning Book Value	100,335	309,043	467,774	1,997,181	1,997,181	1,997,181
Additions	208,708	470,493	1,591,308			
Deductions	-	(311,762)	(61,901)			
Ending Book Value	309,043	467,774	1,997,181	1,997,181	1,997,181	1,997,181

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Table 7.A.II summarizes and categorizes past and future building projects

TABLE 7.A.II: MAJOR CAPITOL PROJECTS SINCE 2000

PROJECT	STATUS	TOTAL AMOUNT	FUNDING SOURCE
100 Bed Residence Hall	C	4,200,000	Series D 1996 Revenue Bonds
Classroom Lab Renovations	C	1,013,641	Series D 1996 Revenue Bonds
Student Union/Phas II	C	1,224,634	Series E 1998 Revenue Bonds
Apartment Housing Renovation	C	600,000	Series E 1998 Revenue Bonds
Classroom Lab Renovations	C	214,000	State Funds
Boiler Upgrade	C	400,000	State & Auxiliary Funds
Roof Replacements	C	408,000	State Funds
ADA Restrooms	C	188,000	State Funds
Residence Hall Sprinkler Syst's	C	590,593	State & Auxiliary Funds
HPER Project Dreams	C	608,256	State, Private, & Fd'tion Funds
System Improvements - COT	C	1,426,335	State Funds
Data Center Renovation	C	451,312	State Funds
One Stop Shop Renovation	C	147,110	State Funds
Montana Tech Greenhouse	C	172,569	State Funds
Natural Resources Building	C	17,400,000	Priv, Fed, Fd'tion IDC, St Funds
MG HVAC/Windows/Lighting	A	2,185,300	State Funds
Health Sciences Bldg Remodel	A	6,000,000	State Funds, \$3M approved
Library Renovation Project	A	5,000,000	State Funds
Main Hall Renovations	A	20,000,000	State Funds

C = Completed
 UW = Underway
 A = Anticipated

7.A.3 The institution publishes an annual budget distributed to appropriate constituencies, and the policies, guidelines, and processes for developing the budget are clearly defined and followed. Budget revisions are made promptly, and, when necessary, a revised budget or schedule of budget changes is developed and distributed to appropriate constituencies.

After computation of Montana Tech's portion of the MUS lump sum distribution, the internal resources allocation process begins. Montana Tech's Executive Committee (Chancellor, Vice Chancellor for Academic Affairs and Research, Vice Chancellor for Administration and Finance, Vice Chancellor for Development and Student Services) meets with the managers (Deans, Department Heads, Department Chairs, Program Managers and Directors) in forums designed to address each individual department's need for the upcoming fiscal year. Each manager is provided with a [Budget Planning](#)

Template (Exhibit 7.A.VIII) which delineates the current fiscal year's budget and provides space on the template to request anticipated needs for the next fiscal year. One-time-only (OTO) proposals are presented as part of the budget request. OTO requests allow the campus quick turnaround in allocating and spending funds in the event that revenues exceed estimates. Any information gathered from these meetings leads to better decisions on allocating available resources during the budget development process. In addition, every two years, departments are asked to assess any need for increases in course/program fees. In this process, every effort is made to maximize input, enhance communication, and increase efficiency. This approach assures fiscal control and responsibility and promotes transparent accountability

Once managers have had an opportunity to be heard, Montana Tech's Executive Committee approves a balanced Internal Operating Budget (Exhibit 7.A.IX). Budget allocations are made to each department's various responsibility centers or indexes. The Associate Director of Budgets and Human Services distributes copies of the appropriate section of the budget to each manager. All managers have access to the UM data warehouse to track budget allocations, expenditures and revenues. A variety of reports are available through this data warehouse. Deans, Department Heads, Program Managers and Directors are responsible for managing their own operating expenditures.

Montana Tech's approved internal operating budget and other fund group budgets are submitted annually to the Office of the Commissioner of Higher Education for its September board meeting. The Office of Commissioner of Higher Education also publishes annual operating budgets for all campuses on the system website as shown in Exhibit 7.A.X – Montana University System Operating Budgets (CHE), and the Board of Regents approves the individual campus operating budgets. In addition to the campus budget, the current unrestricted portion of Montana Tech's budget is published in Exhibit 7.A.XI – The University of Montana Budget Book. The budget book includes all State appropriated, auxiliary, and designated budgets for all affiliated campuses and agencies.

Throughout the year, budget control and variance reports incorporating projected revenues and expenditures are submitted to Tech's Executive Budget Committee. An example of one of these reports is Exhibit 7.A.XII – Montana Tech Comparative Summary of Revenue and Fund Balance Projection. The Executive Budget Committee approves any additions, deletions, and modifications to Tech's operating budget. The BOR or its designee approves increased spending authority due to excess tuition and other revenue. The Associate Director of Budgets and Human Services takes appropriate action to ensure that the budget is amended and balanced in a manner consistent with formal policies and procedures.

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7.A.4 Debt for capital outlay purposes is periodically reviewed, carefully controlled, and justified, so as not to create an unreasonable drain on resources available for educational purposes. The institution has a governing board policy guiding the use and limit of debt.

Payment of the bonds comes from pledged net auxiliaries revenues, land grant income, student fees, and from investment income. The Net Pledged Revenues from all four campuses of The University of Montana are co-mingled and cross-pledged, and a yearly Facilities Improvement and Refunding Revenue Bonds Audit is prepared by independent auditors. The Debt Service Coverage required by the indenture is 1.15 percent, and based on the yearly bond audit completed June 30, 2008, actual coverage was 2.16 percent.

With representation from each campus, a debt-management team developed a Debt Management Financial Plan. This team meets annually to review the plan status. In accordance with the plan, a fixed reserve fund and a debt buy down fund with yearly deposits were created for future maintenance costs and for possible future call privileges. These funds are accounted for at the Missoula campus. As of June 30, 2009, the planned fund balance targets were met.

After meeting bond lien requirements, the Bond Indentures allow campuses to use the balance of Pledged Revenues for any lawful expenditures. Montana Tech is currently meeting or exceeding the revenue necessary to meet the bond lien requirements.

Intercap Loans are available from the Montana Board of Investments through an Intercap Loan Program. This program lends low cost money to Montana local governments and state agencies, including the University system, for various purposes. The current Intercap Rate is 3.25%. Recently, a Loan Application was submitted for a three million dollar project – Renovate and Design and Construct Expansion to the Health, Physical Education, and Recreation (HPER) Building. An applicable Item has been approved by the Board. A new student fee, approved by the Board to pay for the loan, will be implemented in the Fall 2010 Semester. This loan was approved by the Board of Investments in February 2010.

Mandatory student fees for both North and South campuses are approved biennially by the Board of Regents and include computer and technology fees. These funds are used for computer and technology operations, related enhancements, and for any related Intercap Loan Payments.

In addition, an academic facilities fee is assessed. Part of this fee is a system fee and funds educational and general classroom/lab improvements on a system priority basis. Any fees left over from paying Tech's bond debt remain on campus to support classroom/laboratory improvements so as not to create an unreasonable drain on resources available for educational purposes. Current unrestricted funds, including state appropriated general and educational funds, are not used for debt outlay.

STANDARD 7.B - ADEQUACY OF FINANCIAL RESOURCES

7.B.1 The institution provides evidence that it seeks and utilizes different sources of funds adequate to support its programs and services. The commitment of those resources among programs and services reflects appropriately the mission and goals and priorities of the institution.

The FY10 Montana Tech annual operating budget for all fund types is just under \$57 million. This operating budget includes \$26,109,637 in general funds, \$12,506,790 in restricted funds, \$6,077,057 in designated funds, \$4,968,159 in auxiliary funds and \$6,996,416 in plant funds (Figure 7.B.1).

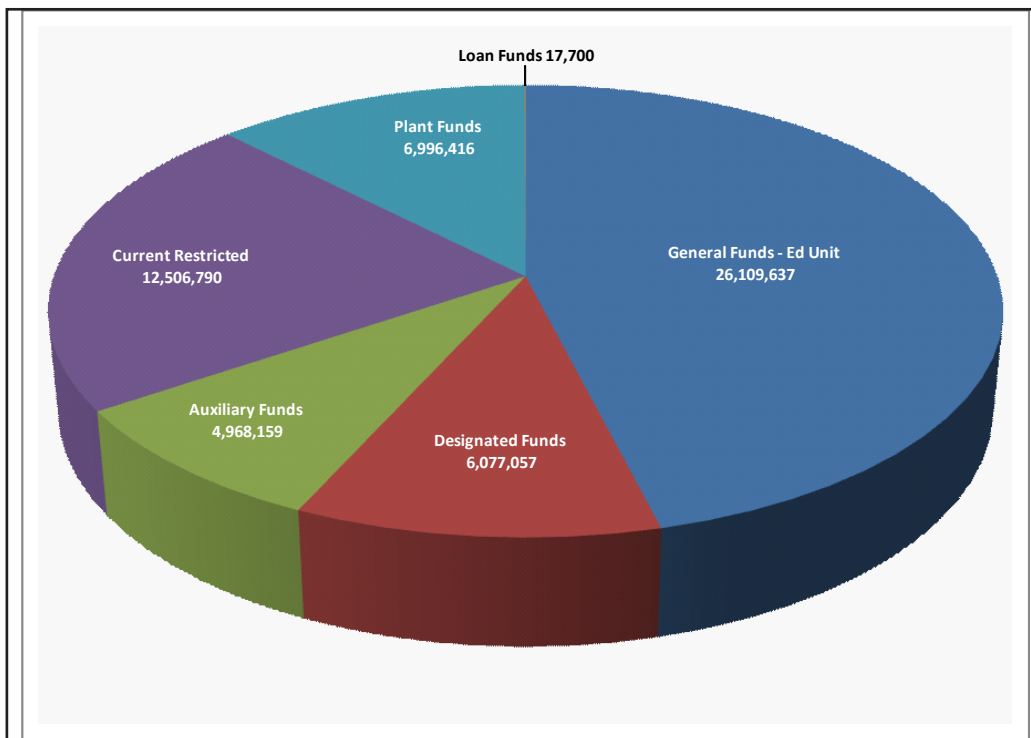


FIGURE 7.B.1
MONTANA TECH OPERATING BUDGET ALL FUNDS – FY10

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General funds are used to complete the educational mission of Montana Tech. The main components of the general fund revenue budget are tuition/fees, state appropriations, and millage. Approximately 48% of general fund revenues are provided through student tuition and fees (Figure 7.B.2).

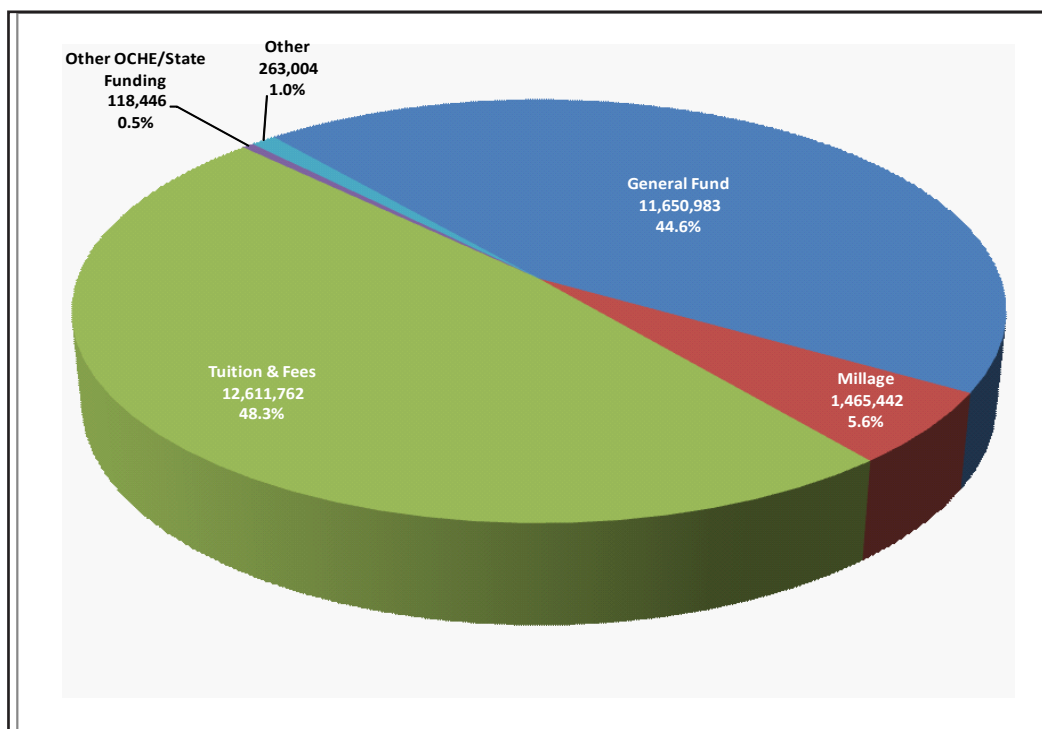


FIGURE 7.B.2
MONTANA TECH GENERAL FUNDS REVENUE SOURCES – FY10

For much of the past decade, there has been a decrease in the amount state appropriations represent as a part of the education and general operating budget. This trend has increased the burden placed upon students by increasing tuition to compensate for lost state appropriation revenue. However, the current gubernatorial administration has endeavored to keep higher education affordable for Montana residents. Consequently, for Fiscal Years 2006 – 2009, the Montana University System, including Montana Tech, kept its tuition and fees flat for Montana residents. In order to accommodate holding tuition flat, additional general funds were allocated by the legislature to help the campuses in covering present law base adjustments such as inflation.

During the current biennium (FY10 – FY11), considerable attention was given to the balance between student affordability and the current economic reality of reduced state tax revenues. Once again, the decision was made to hold resident tuition constant for Montana Tech and implement a modest tuition increase for non-resident students of 4% in FY10 and 2% in FY11. A budget was developed based on this assumption, and budget

highlights are presented annually to the Board of Regents. A copy of this presentation is listed in Exhibit 7.B.I – [*Montana Tech FY10 Board of Regents Operating Budget Presentation*](#).

Another important element of funding is millage (6-Mill Levy). In 2008, Montana taxpayers passed a 6-Mill Levy. This levy is voted on in a popular election every 10 years. These Mill Levy funds currently provide about 7 percent of the state support for higher education.

Exhibit 7.B.II – [*The Governor’s 2011 Biennium Executive Budget Request*](#) included both present law adjustments for operating expenses and pay plan annualization for the previous fiscal year. These adjustments were funded through the appropriation of stimulus funds to mitigate tuition increases and from the non-resident fee increase. In addition, Montana Tech received a reallocation of \$135,000 per year in general funds from the system lump sum distribution.



General fund appropriations in FY10 for Montana Tech included a portion of the State of Montana’s share of funds relating to the American Recovery and Reinvestment Act of 2009. Some of these stimulus funds were allocated to Montana Tech and the other MUS campuses for tuition mitigation for resident students, increased access, and stabilization. With the allocation of these funds, Montana Tech will be able to avoid both reducing services and laying off faculty or staff as experienced by many higher education facilities due to the recession.

Other fund groups that make up the total operating budget at Montana Tech include the following:

- » **Restricted** – The majority of restricted funds are for grants and contracts generated through research activities coordinated by Montana Tech’s Office of Sponsored Programs. One of the goals of Montana Tech’s Strategic Plan is to enhance research and scholarly activities, which in financial terms is typically measured through grant revenues. Over the past 5 years, Montana Tech has averaged about \$8 Million annually in extramurally funded grants and contracts, and is budgeted for \$8.5 Million in FY10. The remainder of the \$12.5 Million represents financial aid programs and private gifts and scholarships.
- » **Designated** – These funds include fees collected from students for club accounts, athletic game guarantees, for instructional course fees, conference and workshop fees, and for sale and service revenues. A number of Montana Tech’s programs are laboratory and computer equipment intensive. Therefore, funds for computer labs, scientific equipment, and lab supplies often come from mandatory student fee assessments which are designated funds.
- » **Auxiliary** – The Auxiliary budgets are self-supporting enterprises in support of students, faculty, and staff. These auxiliary enterprises include the dining services, student housing (dormitory and apartment), bookstore, student union, campus parking, HPER (Health, Physical Education & Recreation Building)

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Facilities, and student health services. Revenue is charged for the services provided to students, faculty, and to staff; expenditures relative to the revenue are reported in the appropriate cost center.

- » **Plant Funds** – Plant fund revenues are derived from a variety of sources that include land grant income from the State of Montana, investment earnings, student fees, the state funded LRBP, and from private fund raising for capital projects, such as Tech’s new Natural Resources Building. Transfers are also made from other fund groups into plant funds to repair and replace capital equipment as well as to retire long-term debt.

Given the somewhat small size of Montana Tech’s state supported budget and the reality of simultaneously increasing costs and decreasing state funds, the institution has become very adept at not only achieving efficiencies in programs and operations, but also at maintaining the quality and effectiveness of its programs and services. This balancing act requires accountable and competent budget management at all levels of the institution and a strong sense of total institutional commitment and collaboration at the executive level. Thus program units are structured in a way that encourages partnerships and that avoids duplication of effort and cost.

On an annual basis, the campuses of the Montana University System create metrics and benchmarking data to compare higher education trends in Montana. These trends include the expenditures per student FTE. As evidenced by Table 7.B.I, relative to other Montana institutions of higher education, Montana Tech is among the highest in expenditure per student. This is due, in part, to the high cost programs offered at Montana Tech.

TABLE 7.B.I MONTANA UNIVERSITY SYSTEM EXPENDITURES PER STUDENT FTE

CAMPUS	FY06 ACUTAL	FY07 ACTUAL	FY08 ACTUAL	FY09 ACTUAL	FY10 BUDGT'D	GROWTH RATE
UNIVERSITY OF MONTANA						
UM-Missoula	9,335	9,762	10,234	10,456	11,064	4.3%
Montana Tech of UM	10,192	10,443	10,993	11,383	11,688	3.5%
UM-Western	8,561	9,298	9,794	10,413	10,394	4.6%
UM-Helena COT	6,815	6,793	7,671	7,382	7,729	3.2%
MONTANA STATE UNIVERSITY						
MSU-Bozeman	10,370	11,242	12,090	12,601	12,773	5.3%
MSU-Billings	7,897	8,375	8,786	9,310	9,495	4.7%
MSU-Northern	9,839	10,485	11,815	12,361	12,564	6.3%
MSU-GF COT	6,734	7,071	7,656	7,511	7,924	4.2%
COMMUNITY COLLEGES*						
Dawson	6,881	8,319	8,939	8,905	8,901	6.6%
Flathead Valley	7,027	7,820	8,238	7,941	8,203	6.6%
Miles	8,412	9,265	10,698	10,926	10,674	6.1%

Source: Individual campus reporting metric worksheets for “Expenditures per Student FTE”

*FY08 was the first year this information was reported for Community Colleges.

The institution has adequately supported its programs and mission. The following Table 7.B.II summarizes the current revenues by source for Montana Tech for the last three years and includes projections for the next three years.

TABLE 7.B.II MONTANA TECH CURRENT FUNDS REVENUES

Standard 7 - Finance Table 1 Current Funds Revenues - Public Institutions Only												
Source (IPEDS) Report	Actual						Projected					
	Year 1 (2007)		Year 2 (2008)		Year 3*** (2009)		Year 4***(2010)		Year 5 (2011)		Year 6 (2012)	
	Amount	%*	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Tuition & Fees	10,588,578	24.7	10,671,520	22.2	12,019,815	22.7	12,611,762	23.3	12,816,712	23.7	13,457,547	23.7
Government Appropriations												
Federal												
State	10,567,857	24.7	12,199,527	25.4	13,415,616	25.3	13,234,871	24.5	13,603,694	25.2	14,283,878	25.2
Local												
Government Grants & Contracts												
Federal Unrestricted	7,945,189	18.5	9,105,799	18.9	5,942,797	11.2	5,157,802	9.5	5,415,692	10.0	5,686,477	10.0
Federal Restricted					2,718,093	5.1	2,834,000	5.2	2,975,700	5.5	2,124,485	5.5
State Unrestricted	1,530,815	3.6	1,295,521	2.7	2,020,526	3.8	1,744,340	3.2	1,831,557	3.4	1,923,135	3.4
State Restricted	2,540,186	5.9	3,200,380	6.7	3,108,564	5.9	5,317,800	9.8	4,475,172	8.3	2,132,951	4.0
Local Unrestricted	14,758	0.0	8,568	0.0	44,974	0.1		0.0		0.0		0.0
Local Restricted												
Priv. Gifts, Unrest'd	1,571,804	3.7	2,122,581	4.4	3,077,719	5.8	2,031,382	3.8	2,132,951	4.0	2,239,599	4.0
Grants, Contr'ts Restricted												
End'mt Unrest'd												
Income Restricted												
Sales and Services of Education Activities												
Aux'y Enterprises	3,648,559	8.5	3,682,417	7.7	3,932,184	7.4	4,929,825	9.1	5,176,316	9.6	5,435,132	9.6
Hospitals												
Other Sources	1,453,727	3.4	1,504,472	3.1	1,807,998	3.4	969,353	1.8	122,000	0.2	128,100	0.2
Independent Op's	2,968,862	6.9	4,265,771	8.9	4,861,844	9.2	5,185,711	9.6	5,444,997	10.1	5,717,246	10.0
Total Current Funds Revenues	42,840,335	100.0	48,056,556	100.0	52,950,130	100.0	54,016,846	100.0	53,994,790	100.0	56,694,530	100.0

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Table 7.B.III summarizes the past three years of current funds expenditures and mandatory transfers. The source of the prior year's information is included in Exhibit 7.B.III – IPEDS Finance Survey Submissions.

TABLE 7.B.III MONTANA TECH CURRENT FUNDS EXPENDITURES AND MANDATORY TRANSFERS

Standard 7 - Finance Table 2 Current Funds Expenditures and Mandatory Transfers - Public Institutions Only													
Source (IPEDS) Report	Actual						Projected						
	Year 1 (2007)		Year 2 (2008)		Year 3*** (2009)		Year 4***(2010)		Year 5 (2011)		Year 6 (2012)		
	Amount	%*	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Education and General Expenditures													
Instruction	11,582,759	27.0	15,169,937	31.6	17,102,584	32.3	16,380,997	30.3	17,803,949	33.0	18,694,147	33.0	
Research	9,207,108	21.5	11,833,036	24.6	11,552,281	21.8	16,169,394	29.9	17,573,965	32.5	18,445,663	32.5	
Public Service			2,915		718								
Academic Support (Excluding Libraries)	2,243,474	5.2	3,352,525	7.0	4,177,185	7.9	2,092,268	3.9	2,274,015	4.2	2,387,716	4.2	
Library Expenditures													
Student Services	2,667,990	6.2	3,566,152	7.4	3,943,190	7.4	3,528,992	6.3	3,726,855	6.9	3,913,197	6.9	
Institutional Support	2,836,121	6.6	3,662,493	7.6	3,738,754	7.1	4,045,321	7.5	4,396,723	8.1	4,616,559	8.1	
Plant Operations & Maintenance	5,413,520	12.6		0.0		0.0		0.0		0.0		0.0	
Scholarships/ Fellowships	2,608,973	6.1	2,009,145	4.2	2,166,963	4.1	2,110,270	3.9	2,293,581	4.2	2,408,260	4.2	
Awards from Unrestricted Funds													
Awards from Restricted Funds													
Educationl & General Expend's & Mandatory T'frs													
Auxiliary Enterp's (Including ransfers)	3,529,903	8.2	4,349,784	9.1	4,873,385	9.2	5,434,401	10.0	5,906,466	10.9	6,201,789	10.9	
Hospitals (Including transfers)													
Independent Ops (Including Transfers)	2,077,866	4.9	2,408,317	5.0	2,741,837	5.2	17,700	0.0	19,238	0.0	21,199	0.0	
Auxiliary Enterp's													
Hospitals													
Total Current Funds & Mandatory Transfers	42,167,714	98.4	46,354,304	96.5	50,296,897	95.0	49,679,343	92.0	53,994,790	100.0	56,694,530	100.0	

*Percentage of Total Current Fund Revenues

**Most recent fiscal year for which audited financial statements are available

***Budget for Current Year

The Montana Bureau of Mines and Geology is not included in the above tables for educational and general expenditures and revenues. The total Bureau and Groundwater revenues for FY09 were \$3,019,403, and the total expenditures were \$3,205,989. The difference between revenues and expenditures represents a carryforward of one-time-only funds from FY08. For FY2010, the total budgeted revenues and expenditures are \$5,317,800. Most of this increase stems from the approval of House Bill 52 – An Act Establishing a Ground Water Investigation Program. This bill provides an additional \$4.2 million to the Bureau of Mines during the FY10 – FY11 biennium, of which approximately \$2.5 million was allocated in FY10. This funding is characterized as state special funding dedicated to groundwater basin research.

The Bureau is closely allied with the research function of Montana Tech and conducts broadly based applied research that contributes to the orderly development and use of Montana's minerals, fuels, and groundwater resources. Both the Bureau and its groundwater programs are organized to provide a service of information through completion of state-funded projects, cooperative research agreements, and grants and contracts with various state and federal agencies.

By using various financial resources available, Montana Tech has been able to make progress toward the following MUS Strategic Goals:

- » **Goal 1 – Increase Educational Attainment of Montanans**
 - Serving More Montanans
 - No Increase in Resident Tuition
 - Increased Retention
 - Funded Distance Learning Coordinator Position
- » **Goal 2 – Assist in the Expansion and Improvement of the Economy**
 - Continue Relationship with Industry Partners
 - Consistently High Placement of Students
 - Expanded Research
- » **Goal 3 – Improve Institutional Efficiency and Effectiveness**
 - Continued Integration of 2-Year, 4-Year and Graduate Education
 - One Card System - Meal Plans, Printing, Vending and Security

7.B.2 Adequate resources are available to meet debt service requirements of short-term and long-term indebtedness without adversely affecting the quality of educational programs. A minimum of three years' history of the amount borrowed (whether internally or externally) for capital outlay and for operating funds is maintained. A five-year projection of future debt repayments is maintained.

The institution is relatively free of any short-term debt. Montana Tech had one capital lease for campus photocopiers with a principal balance of \$50,799 as of June 30, 2009. Exhibit 7.B.IV - *Capital Lease Amortization Schedule* details the remainder of loan payments on this lease, which will conclude in October, 2010.

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Long-term debt consists of the Series C 1995, Series E 1998, Series F 1999, and the Series J 2005 Facilities Improvement and Refunding Revenue Bonds. The University of Montana campuses issued Revenue Bonds totaling \$168,411,780 from December 1995 to September 2005. These bonds were issued in six separate series, but Montana Tech was only included in four of the series for a total of \$17,557,780. The bonds were issued pursuant to an Indenture of Trust between the Board of Regents of Higher Education for the State of Montana (on behalf of The University of Montana) and the U.S. Bank Trust National Association. These bonds are secured by a first lien on the combined Pledged Revenues of the four campuses of The University of Montana. Bonds payable are recorded in the financial statement of each campus and reflect the liability associated with the bond proceeds for that specific campus.

A debt management team with representation from each campus of The University of Montana meets annually to review revenue bond activity. Per the terms of the bond indenture, the cross-pledged revenue coverage on pledged revenue needs to be at least at a ratio of 1.15 times the annual debt obligation. The combined campuses of The University of Montana have consistently far exceeded this ratio. The ratio for FY 2009 was at 2.31, twice the requirement of the indenture as reported in Exhibit 7.B.V – *The University of Montana Revenue Bond Audit*.

Montana Tech’s principal amount outstanding at June 30, 2009 is \$9,047,636. The historical and projected pledged revenues and associated debt service payments are presented in Table 7.B.IV.

TABLE 7.B.IV DEBT SERVICE SCHEDULE

	ACTUAL			PROJECTED		
	FY06 AMOUNT	FY07 AMOUNT	FY08 AMOUNT	FY09 AMOUNT	Y10 AMOUNT	FY11 AMOUNT
Principal	505,000	549,049	574,049	613,791	659,540	680,905
Interest	598,062	574,750	546,848	517,761	486,095	451,397
Fiscal Year	1,103,062	1,123,799	1,120,897	1,131,552	1,145,635	1,132,302
Principal Beg Bal	11,289,525	10,784,525	10,235,476	9,661,427	9,047,636	8,388,096
Issuance			-	-	-	-
Principal Pmts	(505,000)	(549,049)	(574,049)	(613,791)	(659,540)	(680,905)
Principal End Bal	10,784,525	10,235,476	9,661,427	9,047,636	8,388,096	7,707,191

7.B.3 Financial statements indicate a history of financial stability for the past five years. If an accumulated deficit has been recorded, a realistic plan to eliminate the deficit is approved by the governing board.

Financial statements for the last five years (Exhibit 7.B.VI) indicate a history of financial stability for all fund groups. As mandated by both state and federal requirements and by bond indenture covenants, Montana Tech is not allowed to deficit spend. Any negatives are a result of Generally Accepted Accounting Principles

(GAAP) to record entries for unfunded compensated absences liabilities, which result in a negative fund balance in the unrestricted operating account. The negative fund balance in the retirement of indebtedness fund is due to recording accrued bond interest payable at fiscal year end. Additionally, The University of Montana and its affiliated campuses have adopted GASB 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This GASB standard requires that other post-employment benefits (OPEB) be recorded on an accrual basis instead of during the period in which they are paid. Traditionally these unfunded liabilities have not been recognized, and Montana Tech believes the nature of these obligations should be treated as pay-as-you-go expenses, which is how they are managed.

7.B.4 Transfers among the major funds and interfund borrowing are legal and guided by clearly stated policies in accordance with prudent financial planning and control.

Mandatory fund transfers are made among the auxiliary, unexpended plant, and retirement of indebtedness fund groups in compliance with the bond indentures. A transfer is made from the designated fund and unexpended plant fund groups for life cycle accounts. A *Schedule of Fund Transfers* (Exhibit 7.B.VII) is reported to the Office of Commissioner of Higher Education on an annual basis.

Non-mandatory fund transfers are made between current unrestricted funds and designated reserve accounts. Montana Tech currently utilizes three reserve accounts, including a Retirements Costs Reserve account, a Reserve Revolving account, and a Scholarships & Stipends account. Additionally, the Bureau of Mines and Geology also has a Retirement Costs Reserve account.

On an annual basis, a review is conducted of restricted fund types to ensure that the fund maintains a positive cash balance per state policy. It is typical for grants and contracts to incur reimbursable expenditures for which a receivable has been created at fiscal year end. An inter-entity loan is made from the designated fund to the restricted fund to maintain a positive cash balance to cover these receivables until they are billed to a grant or contract. An *Inter-Entity Loan Authorization* request (Exhibit 7.B.VIII) is made by Montana Tech through the Director of Banner Accounting and Operations to the Office of Commissioner of Higher Education for approval per *Montana Code Annotated 17-2-107* (Exhibit 7.B.IX).

7.B.5 The institution demonstrates the adequacy of financial resources for the support of all of its offerings including specialized occupational, technical, and professional programs.

In establishing its annual budget, Montana Tech considers all sources of available funds. Effective combinations of funding have enabled the institution to establish higher quality programs and services than otherwise might be possible. At the same time, close attention is paid to using funds appropriately at all times. This is especially true of the relationship between the current unrestricted budget and the auxiliary funds and student fee accounts.

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Offerings including occupational, technical, and professional programs are generally supported by state general fund appropriations, state millage appropriations, and by tuition & fees. On a biennial basis, recommendations for tuition and fees are based on a number of factors that include the availability of state funding, enrollment estimates, inflationary factors, affordability, competitiveness, and the needs of individual program offerings. The Montana Board of Regents provides several policies for guidance in setting tuition and fee levels, including [Policy 940.31 Policy Statement on Tuition](#) (Exhibit 7.B.X), [Policy 940.12.1 Annual Fee and Tuition Approval](#) (Exhibit 7.B.XI), and [Policy 506.1 Student Participation in Fee Decisions](#) (Exhibit 7.B.XII).

Under the challenges and constraints faced by Montana Tech, several achievements demonstrate the adequacy of how Tech manages its financial resources. Despite a climate of reduced state revenues and general fund allocations, Montana Tech has maintained and even grown faculty and staff positions without any furloughs, layoffs, or work stoppages. While faculty compensation remains a challenge in remaining competitive with peer institutions, over the past several fiscal periods the salary levels of professors have been reviewed and adjusted for equity. In addition, the salaries of faculty within departments and by discipline have been adjusted to correct for inversions.

Montana Tech has also taken advantage of State of Montana surplus funds that have been allocated in the form of One-Time-Only funding. This funding has helped develop a Pre-Apprenticeship Lineman program at the College of Technology, funded simulation laboratory equipment for Petroleum Engineering, provided paste backfill laboratory equipment for mining engineering, equipped the College of Technology with new fabrication equipment, and also provided seismic monitoring equipment for the Earthquake Studies division of the Montana Bureau of Mines and Geology.

7.B. 6 The institution identifies the sources of its student financial aid for current enrollments and provides evidence of planning for future financial aid in light of projected enrollments. It monitors and controls the relationship between unfunded student financial aid and tuition revenues.

Various forms of student aid, including loan funds, make up approximately 65 percent of the tuition and fees collected from students. During FY 2010, \$1,981,570 is budgeted for state fee waivers. State fee waivers increase in proportion to any increase in tuition (Exhibit 7.A.VIII). It is estimated that 85% of first time incoming freshman will receive financial aid. The Enrollment Processing Office, working with the Enrollment Services Office, administers financial aid packages to recruit the best available students and student athletes. A full report of student financial aid activity is reported annually to the Integrated Postsecondary Education Data System (IPEDS). The most recent years [IPEDS Financial Aid Survey Submission](#) is displayed in Exhibit 7.B.XIII.

The Director of Enrollment Processing and Financial Aid projects the amount of financial aid that will be necessary through Title IV funds in relation to the institution's enrollment projections. This is done at the same time that the financial aid cost of education figures are developed. Along with projected state and federal

aid, an assessment is also made of available institutional controlled scholarships and grants. Using this information, Montana Tech's Chancellor works with the Montana Tech Foundation to identify the needs of the institution and its students in relation to what the Foundation may raise for direct student support. The campus Scholarship Committee and the Enrollment Services Office also provide input into this discussion of student needs and related fund-raising and allocation policies.

The Enrollment Processing Office at Montana Tech provides students with a means of paying for higher education through scholarships, federal grants, through state grants, federal and state work-study programs, and through federal loan programs. Information on programs is available through Internet access and federal publications to increase early awareness of financial aid programs and to expedite the timely awarding of Title IV funds. The default rate of 4.0%, as provided by the US Department of Education for the two most recent years, is illustrated in Figure 3.D.3 of the Standard Three report.

7.B.7 The institution maintains adequate financial reserves to meet fluctuations in operating revenue, expenses, and debt service.

Generally, the institution has the flexibility to make effective and appropriate planning and budgeting decisions on those campus programs that support Montana Tech's overall mission and academic goals.

Operating contingencies have been anticipated by establishing reserve accounts that have been set aside to manage and mitigate the impact of unanticipated revenue shortfalls and/or unanticipated and unavoidable increases in expenditures. The balance of the Reserve Revolving Account is limited to a maximum level of the greater of 2% of the prior year's revenue or \$500,000 per Board of Regent Policy 901.15 – Establishment of Reserve Revolving Accounts (Exhibit 7.B.XIV). Similar policies exist for the Establishment of a Retirement Costs Reserve Account – Policy 910.10 (Exhibit 7.B.XV) and for the Establishment of a Scholarship and Stipends Reserve Account – Policy 901.13 (Exhibit 7.B.XVI).

Montana Tech's reserve funds have been funded through transfers of current unrestricted funds throughout the years. The balance of Montana Tech's Reserve Revolving Account currently sits at \$500,000, the maximum allowable as of the end of fiscal year 2009. Montana Tech is the only campus in the Montana University System to have the maximum reserve balance in this account. The balance of the Retirement Costs Reserve Account, at the end of fiscal year 2009, is \$540,000; and the balance of the Scholarships & Stipends Reserve Account, at the end of fiscal year 2009, is \$500,000. Annually, Montana Tech prepares a Board of Regents Authorized Reserve Account Report listed in Exhibit 7.B.XVII. This report summarizes activity in the reserve accounts as well as the on the budgeted activity for the following year. This report is submitted to the Office of Commissioner of Higher Education.

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7.B.8 The institution demonstrates an understanding of the financial relationship between its education and general operations and its auxiliary enterprises and their respective contributions to the overall operations of the institution. This includes the institution's recognition of whether it is dependent on auxiliary enterprise income to balance education and general operations or whether the institution has to use education and general operations income to balance auxiliary enterprises.

Both the educational and general funds and the auxiliary funds are operated separately and independent of each other at Montana Tech. Tech's general operating account is used to support the institution's primary objective; instruction, research, academic affairs, student affairs, institutional support, operation and maintenance of plant, and waivers. The institution ensures that all the revenues and expenditures are spent as appropriated by the legislature and as approved by the Board of Regents. Finally, the institution ensures that there is no deficit spending.

Auxiliaries are budgeted and accounted for separately. There is a yearly administrative charge assessed to auxiliaries for the services which the institution provides to the auxiliaries. That assessment amounts to \$15,000 annually.

STANDARD 7.C - FINANCIAL MANAGEMENT

7.C.1 The president reports regularly to the governing board about the financial adequacy and stability of the institution.

Montana Tech's Chancellor reports on a regular basis to the Board of Regents on the institution's financial adequacy and stability. The Board of Regents meets every other month in person and via a phone conference on months that it is not scheduled to meet.

7.C.2 Financial functions are centralized and are under a single qualified financial officer responsible to the president. Institutional business functions are under one or more qualified officers, are well organized, and function effectively. The complexity of the business organization reflects the size of the institution and the significance of its transactions.

The financial service functions of Montana Tech are centralized under the Vice Chancellor for Administration and Finance who reports directly to the Chancellor of Montana Tech.

The institutional business functions have been divided into three offices:

- » Budget and Human Services Office (Budget/Payroll/Personnel/Purchasing/Accounts Payable);
- » Business Office (General Accounting/Student Billing/ Business Services);
- » Office of Sponsored Programs and Grant Accounting (Grant Accounting).

The first office is the Budget and Human Services Office which is responsible for managing and monitoring all expenditures and income activities. Under the direction of

the Associate Director of Budgets & Purchasing, it plans, reviews, prepares, and submits budgets for all fund groups in an accurate and timely fashion. However, control and administration of scholarships, grants in aid, work study, and loans are under the direction of the Director of Enrollment Processing and Financial Aid and are included in the institution's regular planning, budgeting, accounting, and auditing procedures.



The second office is the Business Office. Its function is to provide the administration, faculty, staff, and students with related service functions that include receivables, cashiering, cash management, cash-flow investing, financial management information and accountability, general accounting, internal control, and student fee payment. Management of property resides with the Associate Director of Budgets and Human Services who works closely with the Controller and the Business Office in reconciliation for financial purposes. The Business Office is also responsible for some of the accounting and reporting for the college's fund groups including the general operating unrestricted funds, the federal-state-local restricted funds, auxiliaries, self-supporting designated funds, loan funds, endowment funds, and agency funds.

Also included here are the unexpended-retirement of indebtedness, net investment in plant, and renewal and replacement plant funds.

The Business Office provides a variety of campus services which include the following:

- » Accepting accounts receivable payments made by cash, check, and credit card ,
- » Distributing scholarship, financial aid, and work study checks, and
- » Answering all questions regarding student accounts from a financial perspective.

The final office is the Office of Sponsored Programs (OSP), which is responsible for some pre-award and all post-award financial matters dealing with Montana Tech grants and contracts. Here, the staff is required to review and approve all proposed budgets for new proposals. OSP is responsible for post-award compliance with non-technical sponsor requirements, such as financial reporting and invoicing, cash management, and account close-out procedures. OSP also responds to requests for audits of sponsored agreements, prepares the indirect cost proposal, negotiates the indirect cost rate, provides support for documentation of direct salary charges and personnel cost share, performs special cost studies for recharge centers, and prepares management information reports on proposals and awards.

Although these three offices work collaboratively on a daily basis to achieve the financial goals of Montana Tech, they have been designed for the streamlined, effective, and efficient stewardship of Montana Tech's resources. This organization maximizes transparency as required by Montana law and eliminates the duplication of effort across offices.

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7.C.3 All expenditures and income from whatever source, and the administration of scholarships, grants in aid, loans, and student employment, are fully controlled by the institution and are included in its regular planning, budgeting, accounting, and auditing procedures.

No matter what the source might be, all expenditures and income are budgeted and monitored throughout the year by multiple sources. Current unrestricted funds are budgeted to the department level and are monitored by both the Budget and Human Services Office and individual department managers. Plant, Loan, Endowment, Designated, and Auxiliary funds are budgeted to the department level; they are closely analyzed by the Business Office, Budget and Human Services Office, and by individual department managers. Restricted funds are monitored by the Office of Sponsored Programs as well as by the individual principal investigator of each award.

7.C.4 The institution has clearly defined and implemented policies regarding cash management and investments which have been approved by the governing board.

Montana Tech has clearly defined and implemented cash management and investment procedures, as evidenced by the audit reports of the Legislative Audit Division and by the bond independent audit reports. Investments are made with the State Board of Investments and with the Bond Trustee. Effective July 1, 1997, Montana Tech was authorized and required to invest excess monies in the general operating and designated fund groups. The general fund appropriation included projected earnings on these funds in the amount of \$122,000, for fiscal year 2010. Any investment earnings in excess of the projected amount are maintained in current unrestricted funds which are based on approved budget authority. Montana Tech's had excess earnings for fiscal year 2008 in the amount of \$79,782 but no excess earnings in fiscal year 2009.

7.C.5 The institution's accounting system follows generally accepted principles of accounting.

Until June 30, 1999, Montana Tech used the Statewide Budgeting and Accounting System (SBAS). SBAS followed generally accepted accounting principles. However, beginning July 1, 1999, Montana Tech began using Banner. All major administrative systems (Human Resources, Payroll, and Finance) belong to the Banner suite, which is a comprehensive, highly integrated, and complex set of systems designed for the higher education environment. Currently, Montana Tech runs and manages its own separate Banner student system. The Banner suite of systems is a product of Systems and Computer Technology, Inc. (SCT). This software was designed to follow generally accepted principles of accounting.

7.C.6 For independent institutions, the governing board is responsible for the selection of an auditing firm and receives the annual audit report.

Not applicable.

7.C.7 Independent institutions are audited annually by an independent certified public accountant and the audit is conducted in accordance with generally accepted auditing standards. The audit includes a management letter. A summary of the latest audited financial statement is made available to the public.

Not applicable

7.C.8 A proprietary institution makes available annually a financial summary which includes, as a minimum, a list of company officers, a statement of profit and loss, expenditures, indebtedness, and companies which have a controlling interest in the institution.

Not applicable

7.C.9 If public institutions are, by law, audited by a state agency, an independent audit is not required except for any funds not subject to governmental audit.

Annual Consolidated Financial Audits and Biennial Consolidated Financial-Related Audits for the four campuses of the University of Montana are done by the Legislative Audit Division. Funding for this legislative audit is a line item in the general fund legislative appropriation at the system level. The University of Montana campuses receive an allocation as part of the biennium budget, and Montana Tech pays its prorated share of audit costs for the University of Montana campuses. (Exhibit 7.C.I)

7.C.10 All funds for financial aid and other specific programs not subject to governmental audit are audited annually by an independent certified public accountant and include a management letter.

Financial aid funds are subject to the legislative audit referred to in section 7.C.9. Montana Tech is eligible to participate in Federal Student Financial Aid Programs, and this eligibility was last affirmed on February 13, 2007. A determination of eligibility is made once every five years, and this affirmation is effective through December 31, 2011. A copy of the [*Federal Student Aid Eligibility Letter*](#) is in Exhibit 7.C.II.

In addition to the biennium Financial-Compliance Audit, a [*Revenue Bond Audit*](#) (Exhibit 7.B.V) is done by an independent Certified Public Accountant (CPA). In the opinion issued by this independent CPA, the management of the University of Montana campuses has complied with the requirements of the indenture for the year ended June 30, 2009 in all material aspects.

7.C.11 The institution demonstrates a well-organized program of internal audit (where appropriate) and control that complements the accounting system and the external audit.

The Internal Audit Office of The University of Montana performs financial, operational, EDP, and compliance reviews of departments, colleges, and processes throughout the University of Montana campuses – including Montana Tech. The Internal Audit Office is independent from the finance function and reports directly to the President of The University of Montana.

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As part of implementing SAS 112 – Communicating Internal Control Related Matters Identified in an Audit, the Legislative Audit Division of the State of Montana requested that The University of Montana and its affiliated campuses create an Inventory of Specific Internal Control Activities. This *Internal Control Inventory* (Exhibit 7.C.III) contains a comprehensive assessment of the control activities of Montana Tech and was completed during 2008.

7.C.12 The institution demonstrates that recommendations in the auditor’s management letter accompanying the audit report have been adequately considered.

Financial statements are prepared to conform to standards recommended both by the National Association of College and University Business Officers and the Industry Audit Guide of the American Institute of Certified Public Accounts. The Legislative Audit Division audits Montana Tech and the resulting two year Financial—Compliance Audit (Exhibit 7.C.I) is presented to the Legislative Audit Committee of the Montana State Legislature. Audit results of all four campuses are combined into one document at the request of The University of Montana. Ultimately, audit recommendations are addressed to The University of Montana but relate to each of the affiliated campuses.

Exhibit 7.C.IV shows an *Audit Recommendation and Action Plan* based on audit findings. This report specifies an action for each recommendation, and the action plan on all recommendations pertaining to Montana Tech have been implemented and completed. The independent auditor’s report has consistently included an unqualified opinion for the institution.

7.C.13 Federal, state, external, and internal audit reports are made available for examination as part of any evaluation conducted by the Northwest Commission on Colleges and Universities.

This Standard 7 accreditation document makes available for review all federal, state, external, and internal audit reports as attachments and summarizes them in the accompanying list of Exhibits.

STANDARD 7.D - FUNDRAISING AND DEVELOPMENT

7.D.1 All college/university fundraising activities are governed by institutional policies, comply with governmental requirements, and are conducted in a professional and ethical manner.

Montana Tech is a unit of the State of Montana. Financial statements for Montana Tech include only the activities, funds, and accounts of the institution and the Bureau of Mines. Private nonprofit organizations affiliated with the institution include the Montana Tech Foundation, the Digger Athletic Association, and the Montana Tech Alumni Association. Both the Foundation and two Associations operate exclusively to encourage, promote, and support programs, research, scholarly pursuits, and athletics at or in connection with Montana Tech. In exchange, Montana Tech provides

the Foundation with office space and with accounting fees for the Digger Athletic Association. In addition, both Associations are provided with office space.

The institutional policy governing foundations and fundraising activities is found in Exhibit 7.D.I Board of Regents [*Policy 901.9 – Campus-Affiliated Foundations: Montana University System*](#). This policy promulgates foundation compliance with local, state, and federal laws in terms of fund raising, separately accounted for and audited financial statements, and requires a written operating agreement between the foundation and campus. These requirements are all designed to assure the public's confidence in the professional and ethical manner in which funds are raised for the Tech campus.

Montana Tech is very fortunate to receive strong and enduring support from its alumni, local government, from local businesses, and from national and international business and industry. Tech fosters active, ongoing, and genuine interaction and communication linkages between its academic programs and constituencies from all sectors of society. These mutually beneficial relationships are enhanced by the fact that the institution has a well understood academic, research, and public service mission. Montana Tech clearly demonstrates to all concerned its commitment to these purposes.



7.D.2 Endowment and life income funds and their investments are administered by an appropriate institutional officer, foundation, or committee designated by the governing board. The organization maintains complete records concerning these funds and complies with applicable legal requirements.

The majority of endowment funds for Montana Tech are held by and administered by the Montana Tech Foundation. Montana Tech had an Endowment Fund balance of \$389,979 at the end of FY 2009 as shown in Exhibit 7.A.X [*Montana University Operating Budgets \(CHE\)*](#). Donors are encouraged to direct donations to the Montana Tech Foundation, but through the years there have been instances where donor intent stipulated that the college receive and hold the endowment. The policy on donations is delineated in Exhibit 7.D.II Board of Regents [*Policy 901.7 – Donations*](#). As the Montana Tech Foundation is responsible for fund-raising and development activities, the majority of that activity is recorded in the Foundation operations. Table 7.D.I below displays only Foundation financial activity for operating gifts and endowments.

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**TABLE 7.D.I MONTANA TECH FOUNDATION
OPERATING GIFTS AND ENDOWMENTS**

	ACTUAL			PROJECTED	
	YEAR 1 (2007) AMOUNT	YEAR 2 (2008) AMOUNT	YEAR 3 (2009) AMOUNT	YEAR 4 (2010) AMOUNT	YEAR 5 (2011) AMOUNT
ANNUAL GIFTS					
Operations Restricted	\$2,291,246	\$1,632,792	\$1,781,402	\$1,650,000	\$1,800,000
Operations Unrestricted	\$304,565	\$197,538	\$198,017	\$205,000	\$175,000
Endowments Exclusive of Foundation Gifts	\$1,747,254	\$1,780,714	\$644,710	\$1,250,000	\$1,800,750
Plant	\$0	\$0		\$0	\$0
Total	\$4,343,065	\$3,611,044	\$2,624,129	\$3,105,000	\$3,775,750
Ratio of Annual Gifts to E&G	1.49	1.03	3.07	1.48	1.10
ENDOWMENT FUND BALANCE					
Permanent	\$23,768,526	\$23,367,483	\$19,417,173	\$22,500,000	\$23,625,000
Term	\$800,000	\$572,957	\$150,000	\$0	\$0
Quasi	\$2,109,372	\$1,837,859	\$1,405,720	\$1,750,000	\$1,837,500
Total	\$26,677,898	\$25,778,299	\$20,972,893	\$24,250,000	\$25,462,500

7.D.3. The institution has a clearly defined relationship with any foundation bearing its name or which has as its major purpose the raising of funds for the institution.

Montana Tech has always had in place an appropriate contractual relationship with its Foundation. More recently, the Regents adopted more stringent guidelines in these contracts for fundraising and development services with the campus foundation. These guidelines, delineated in Exhibit 7.D.I *Policy 901.9 – Campus Affiliated Foundations*, discuss how foundations should most properly represent the school and work on activities for the benefit of the associated institution. This Regents policy assures proper accounting and use of funds. Qualified officers and staff in the Foundation administer all Foundation funds. A Foundation Board of Directors provides general policy and oversight with appropriate involvement of the Chancellor.

The *Contract of Operations - Foundation* (Exhibit 7.D.III) between Montana Tech and the Foundation authorizes the Foundation to manage endowments and transfer funds to the institution in accordance with terms and conditions of the gift instrument. The Foundation's records are reviewed annually through an *Independent Audit* (Exhibit 7.D.IV). A copy of this audit report is submitted to the Business Office after the close of the fiscal year, and then made available to the state auditors for review to substantiate Montana Tech's related parties footnote.

There is an arms-length relationship between the Foundation and Montana Tech. The estimated amounts spent by the Foundation for the support of Montana Tech for fiscal years ended June 30, 2008, and June 30, 2009, were \$2,056,627 and \$3,013,093 respectively.

EXHIBITS

7.A.I	Montana Tech Strategic Plan
7.A.II	Montana Tech Vision 2025
7.A.III	Montana Board of Regents Strategic Plan
7.A.IV	Governor's Executive Budget Request
7.A.V	Long Range Building Project Priority List
7.A.VI	Long Range Building Program Approvals
7.A.VII	Auxiliary Projects Plan
7.A.VIII	Montana Tech Operating Budget Template
7.A.IX	Internal Operating Budget
7.A.X	Montana University System Operating Budgets (CHE)
7.A.XI	The University of Montana Current Unrestricted Operating Budgets
7.A.XII	Montana Tech Comparative Summary of Revenue and Fund Balance Projection
7.B.I	Montana Tech FY10 Board of Regents Operating Budget Presentation
7.B.II	Governor's 2011 Biennium Executive Budget Request
7.B.III	IPEDS Finance Survey Submissions
7.B.IV	Capital Lease Amortization schedule.
7.B.V	Revenue Bonds Audit
7.B.VI	Financial Statements
7.B.VII	Montana Tech Transfer Schedule
7.B.VIII	Inter-Entity Loan Authorization
7.B.IX	Montana Code Annotated 17-2-107
7.B.X	Policy 940.31 – Policy Statement on Tuition
7.B.XI	Policy 940.12.1 – Annual Fee and Tuition Approval
7.B.XII	Policy 506.1 – Student Participation in Fee Decisions
7.B.XIII	IPEDS Financial Aid Survey Submissions
7.B.XIV	Policy 901.15 - Establishment of Reserve Revolving Accounts
7.B.XV	Policy 910.10 – Retirement Costs Reserve Account

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7.B.XVI	Policy 901.13 – Establishment of a Scholarship and Stipends Reserve Account
7.B.XVII	Board of Regents Authorized Reserve Account Report
7.C.I	Financial-Compliance Audit
7.C.II	Federal Student Aid Eligibility Letter
7.C.III	Montana Tech Internal Control Inventory
7.C.IV	Audit Recommendation and Action Plan
7.D.I	Policy 901.9 – Campus Affiliated Foundations; Montana University System
7.D.II	Policy 901.7 - Donations
7.D.III	Contract of Operations - Foundation
7.D.IV	Independent Auditor’s Report – Foundation