

2019 FINANCIAL REPORT



**Michigan
Technological
University**



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THE MICHIGAN TECH *STRATEGIC PLAN*

We prepare students to create the future.

VISION

Michigan Tech is a globally recognized technological university that educates students, advances knowledge, and innovates to improve the quality of life and to promote mutual respect and equity for all people within the state, the nation, and the global community.

MISSION

Create solutions for society's challenges by delivering action-based undergraduate and graduate education, discovering new knowledge through research, and launching new technologies through innovation.

GOALS

1. Education: Provide a distinctive and rigorous action-based learning experience grounded in science, engineering, technology, business, sustainability, and an understanding of the social and cultural contexts of our contemporary world.
2. Scholarship: Enhance research, scholarship, entrepreneurship, innovation, and creative activities that promote sustainable economic prosperity, health and safety, ethical conduct, and responsible use of resources.
3. People: Foster and support an exceptional and diverse community of students, faculty, and staff.





LETTER FROM THE *PRESIDENT*

Among the things Michigan Tech is best known for is its strength of character and commitment to progress. Humble in its roots as a mining college, our programs and degrees have evolved over the past 150 years to meet the nation's economic innovations. 2018-19 was an example of our evolution on full display.

Over the past year, the campus community has embraced Michigan Tech's role as a leader in the fourth industrial revolution and worked tirelessly to translate this idea into reality. One outcome was the creation of a new college of computing. It launched July 1, 2019. Another was the constellation of eight initiatives relative to Michigan Tech's competitive advantage. Collectively known as Tech Forward – the university will invest its energy and resources into becoming world renowned in issues involving Advanced Materials and Manufacturing, Autonomous and Intelligent Systems, Diversity and Inclusion, Education for the 21st Century, Health and Quality of Life, Natural Resources, Water, and Energy, Policy, Ethics, and Culture and Sustainability and Resilience.

All of this on top of setting new records related to female and domestic minority student enrollment as well as reaching an all-time high with regard to research expenditures. Not to mention securing planning authorization from the legislature for the H-STEM building.

Indeed, I am grateful for the campus's commitment to confront the challenges presented before us. Years like 2018-19 remind me that transitions are never easy. Fortunately, our campus community realizes that our work is far too important to be distracted by the changes that come with progress.

Thank you for your unwavering support of our students, faculty and staff. We are honored to carry forward the traditions of Michigan Tech and all of the good that comes with being associated with such a great university.

Sincerely,

Rick Koubek

President



ADMINISTRATIVE OFFICERS

BOARD OF TRUSTEES

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2020	Robert Jacquart	Linda Kennedy
2022	William Johnson, Vice Chair	Brenda Ryan, Chair
2024	Derhun Sanders	Steven Tomaszewski
2026	John Bacon	Jeffrey Littmann

EXECUTIVE AND BOARD OFFICERS

Richard Koubek
President

David Reed
Vice President for Research

Susan Kerry
Chief Financial Officer and Senior
Vice President for Administration
Treasurer of the Board of Trustees

Jacqueline Huntoon
Provost and Senior Vice President for Academic
Affairs

William Roberts
Vice President for Advancement and Alumni
Engagement

John Lehman
Vice President for University Relations and Enrollment
Interim Secretary of the Board of Trustees





UNIVERSITY *UPDATE*

Michigan Tech's 2018-19 academic year served as a time of transformation. With President Richard Koubek at the helm, the University community engaged in a series of conversations—collectively referred to as Tech Forward—designed to position Michigan Tech as an internationally recognized academic thought leader in the 21st century. More than 500 faculty, staff, and students engaged in constructive dialogue in considering how the University could and should influence and adapt to the disruptive forces of our technological age. From those conversations emerged nine institutional initiatives, all of which received a level of funding to pursue proposed projects. (More information can be found at mtu.edu/future-proof.)

As part of the Tech Forward discussions, the University approved plans to open a new College of Computing in fall 2019. The College will not be the only physical change coming to campus. In December 2018, the Michigan Legislature granted planning authorization for the H-STEM Engineering and Health Technologies Complex, or H-STEM Complex. The project is part of the University's five-year capital outlay plan and capital project request.

Other highlights from the year include a \$1 million grant from the National Science Foundation to recruit and retain a more diverse faculty, building on a successful pilot program that began in 2008. April 2019 marked the successful launch of Gold and Black Give Back, an inaugural 24-hour giving challenge, resulting in 1,337 gifts and a total of \$570,813. Of those who gave, 248 were first-time donors, and 338 gifts came from faculty and staff. And in June 2019, Oculus-ASR—a nanosatellite built by Michigan Tech students—launched from the SpaceX Falcon Heavy rocket into a nine-month mission to assist the US Department of Defense in monitoring the myriad of objects circling the globe.



MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis section of the Michigan Technological University ("University") annual financial report provides an overview of its financial activities during the fiscal years ended June 30, 2019, 2018, and 2017. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

USING THE ANNUAL REPORT

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

REPORTING ENTITY

The Michigan Tech Fund ("Fund") is a component unit of the University and its activity has been blended into the University's financial statements.





CONDENSED STATEMENTS OF NET POSITION

The Statements of Net Position include all assets and liabilities of the University as well as deferred outflows and inflows of resources. Over time, increases and decreases in net position is one indicator of the improvement or erosion of the University's financial health when considered with operating measures such as enrollment levels, research activities, and the physical condition of facilities.

CONDENSED STATEMENTS OF NET POSITION AS OF JUNE 30

	2019	2018	2017
Assets			
Current assets	\$ 51,011,521	\$ 48,354,101	\$ 44,970,148
Noncurrent assets:			
Capital assets, net	234,218,326	237,277,224	238,861,379
Other	204,960,598	205,785,552	203,300,999
Total assets	490,190,445	491,416,877	487,132,526
Deferred outflows of resources	7,009,187	7,231,195	5,385,421
Liabilities			
Current liabilities	32,454,891	31,368,050	33,073,538
Noncurrent liabilities	186,873,504	185,803,819	166,002,171
Total liabilities	219,328,395	217,171,869	199,075,709
Deferred inflows of resources	4,707,239	3,289,908	397,808
Net position			
Net investment in capital assets	141,106,255	144,192,168	149,999,746
Restricted			
Nonexpendable	99,051,271	96,415,785	90,789,469
Expendable	73,420,432	75,515,535	71,456,205
Unrestricted (deficit)	(40,413,960)	(37,937,193)	(19,200,990)
Total net position	\$ 273,163,998	\$ 278,186,295	\$ 293,044,430

Changes from 2018 to 2019

Current assets increased by \$2.7 million. Within current assets, cash increased by \$151,000, accounts receivable and pledges receivable increased by \$2.5 million, and other assets decreased by \$8,000.

Capital assets, net decreased by \$3.1 million. Capital asset additions were greater than capital assets disposals by \$11.3 million and the depreciation charge for the year was \$14.9 million. Capital additions for fiscal 2019 included \$4.6 million for academic and research equipment and \$7.2 million for additional construction costs and renovation of facilities and additions to infrastructure.

Other noncurrent assets decreased by \$825,000, due to a decrease in unspent bond proceeds of \$3.2 million, an increase in investments of \$4.1 million, and a decrease of the rest of the noncurrent assets of \$1.7 million.

Deferred outflows of resources decreased by \$222,000.

Current liabilities increased by \$1.1 million, which was primarily due to accounts payable and other accrued liabilities increasing by \$722,000, unearned revenue increasing by \$75,000, and other current liabilities increasing by \$290,000.

Noncurrent liabilities increased by \$1.1 million. Net pension liability caused \$7.0 million of the increase, whereas net OPEB liability decreased by \$2.6 million and long-term debt decreased by \$3.6 million. All other long-term liabilities increased by \$246,000.

Deferred inflows of resources increased by \$1.4 million.

Total net position decreased by \$5.0 million. The University's net investment in capital assets decreased by \$3.1 million. Expendable restricted net position decreased by \$2.1 million and nonexpendable restricted net position increased by \$2.6 million. Unrestricted net deficit increased by \$2.4 million.

Changes from 2017 to 2018

Current assets increased by \$3.4 million. Within current assets, cash increased by \$3.8 million, accounts receivable and pledges receivable decreased by \$378,000, and other assets decreased by \$56,000.

Capital assets, net decreased by \$1.6 million. Capital asset additions were greater than capital assets disposals by \$11.7 million and the depreciation charge for the year was \$14.6 million. Capital additions for fiscal 2018 included \$3.7 million for academic and research equipment and \$10.2 million for additional construction costs and renovation of facilities and additions to infrastructure.

Other noncurrent assets increased by \$2.5 million, due to a decrease in unspent bond proceeds of \$8.5 million, an increase in investments of \$10.1 million, and an increase of the rest of the noncurrent assets of \$900,000.

Deferred outflows of resources increased by \$1.8 million.

Current liabilities decreased by \$1.7 million, which was primarily due to accounts payable and other accrued liabilities decreasing by \$866,000, unearned revenue decreasing by \$450,000, and other current liabilities decreasing by \$389,000.

Noncurrent liabilities increased by \$19.8 million. Net pension liability caused \$2.0 million of the increase, net OPEB liability contributed to \$22.1 million of the increase, whereas long-term debt drove a \$3.5 million decrease.

Deferred inflows of resources increased by \$2.9 million.

Total net position decreased by \$14.9 million. The University's net investment in capital assets decreased by \$5.8 million. Expendable restricted net position increased by \$4.0 million and nonexpendable restricted net position increased by \$5.6 million. Unrestricted net deficit increased by \$18.7 million.





NET POSITION

Net position represents the residual interest in the University's assets and deferred outflow of resources after liabilities and deferred inflows of resources are deducted. The composition of the University's net position is summarized as follows:

NET POSITION SUMMARY AS OF JUNE 30

	2019	2018	2017
Net investment in capital assets	\$ 141,106,255	\$ 144,192,168	\$ 149,999,746
Restricted-nonexpendable net position			
Corpus of permanent endowment funds	94,345,669	91,730,623	85,567,958
Remainder interests in split-interest agreements and other	4,705,602	4,685,162	5,221,511
Total restricted-nonexpendable net position	99,051,271	96,415,785	90,789,469
Restricted-expendable net position			
Gifts and sponsored programs	27,544,023	25,976,195	25,318,816
Capital projects and debt service	2,048,063	2,986,241	1,484,789
Student loans	13,525,964	13,248,041	14,019,916
Net appreciation on permanent endowment funds and land held for investment	30,302,382	33,305,058	30,632,684
Total restricted-expendable net position	73,420,432	75,515,535	71,456,205
Unrestricted net position (deficit)			
Capital projects and repairs	4,774,232	4,964,969	3,995,389
Auxiliary enterprises	5,673,485	7,322,648	6,756,854
Designated for departmental use	18,406,286	17,607,775	19,185,954
Pension and OPEB plans	(88,945,951)	(82,897,647)	(57,771,612)
Uncommitted	19,677,988	15,065,062	8,632,425
Total unrestricted net deficit	(40,413,960)	(37,937,193)	(19,200,990)
Total net position	\$ 273,163,998	\$ 278,186,295	\$ 293,044,430



Net investment in capital assets represents the University's capital assets plus unspent bond proceeds net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The net change from year to year reflects the University's improvement, maintenance, and usage of its capital assets in accordance with its long-range capital plan.

Restricted nonexpendable net position represents the historical value (corpus) of gifts to the University's permanent endowment funds. Restricted expendable net position is restricted by a party independent of the University or by law. This includes restrictions related to gifts, research contracts, grants, outstanding debt, student-loan programs, and net appreciation of permanent endowment funds.

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

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

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the fiscal year. Revenues are reported as either operating or nonoperating. State appropriations and gifts are classified as nonoperating revenues which will always result in operating losses for the University.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues			
Tuition and fees, net	\$ 102,821,248	\$ 98,449,561	\$ 95,869,984
Grants and contracts	52,016,788	48,021,795	43,394,464
Educational activities	5,363,254	5,445,165	4,977,106
Auxiliary and departmental activities, net	28,554,894	29,303,467	29,453,836
Total operating revenues	188,756,184	181,219,988	173,695,390
Operating expenses	269,163,023	256,975,915	256,022,538
Operating loss	(80,406,839)	(75,755,927)	(82,327,148)
Nonoperating revenues (expenses)			
Federal Pell grants	6,293,211	6,128,727	5,408,211
State appropriations	49,949,600	49,081,629	48,586,922
Capital grants and gifts for all purposes	16,202,029	17,752,620	15,136,855
Other nonoperating revenues and expenses, net	2,939,702	8,409,329	11,305,147
Net nonoperating revenues	75,384,542	81,372,305	80,437,135
Net increase (decrease) in net position	(5,022,297)	5,616,378	(1,890,013)
Net position			
Beginning of year	278,186,295	272,569,917	294,934,443
End of year	\$ 273,163,998	\$ 278,186,295	\$ 293,044,430



Changes from 2018 to 2019

Operating revenues increased by a total of \$7.5 million. Tuition and fees, net of scholarship allowance, increased by \$4.4 million. Grant and contract revenues increased by \$4.0 million, educational activities revenues decreased by \$82,000, and auxiliary and departmental activities revenues, net of scholarship allowance, decreased by \$749,000.

Operating expenses increased by \$12.2 million. Compensation increased by \$2.3 million and fringe benefits increased by \$3.0 million. Supplies and services, student financial support, and utilities increased in total by \$6.5 million and depreciation increased by \$342,000.

Net nonoperating revenues and expenses decreased by \$6.0 million. Investment performance caused a \$6.8 million decrease, State appropriations increased by \$868,000, capital grants and gifts to the University, including gifts for capital and endowment purposes, decreased by \$1.6 million, federal grants increased by \$156,000, and interest expense decreased by \$138,000. As a result of the flood that occurred in June 2018, the University incurred approximately \$2.0 million in expenses that were covered by \$2.5 million in insurance recoveries, resulting in a net \$507,000 extraordinary item.

Overall, the net financial result for fiscal year 2019 was approximately \$10.6 million less than the net result for fiscal year 2018.

Changes from 2017 to 2018

Operating revenues increased by a total of \$7.5 million. Tuition and fees, net of scholarship allowance, increased by \$2.6 million due to increases in student enrollment and increases in tuition. Grant and contract revenues increased by \$4.6 million, educational activities revenues increased by \$468,000, and auxiliary and departmental activities revenues, net of scholarship allowance, decreased by \$150,000.



Operating expenses increased by \$953,000. Compensation increased by \$4.1 million and fringe benefits decreased by \$3.8 million. Supplies and services, student financial support, and utilities all increased for a total of \$207,000 and depreciation increased by \$406,000.

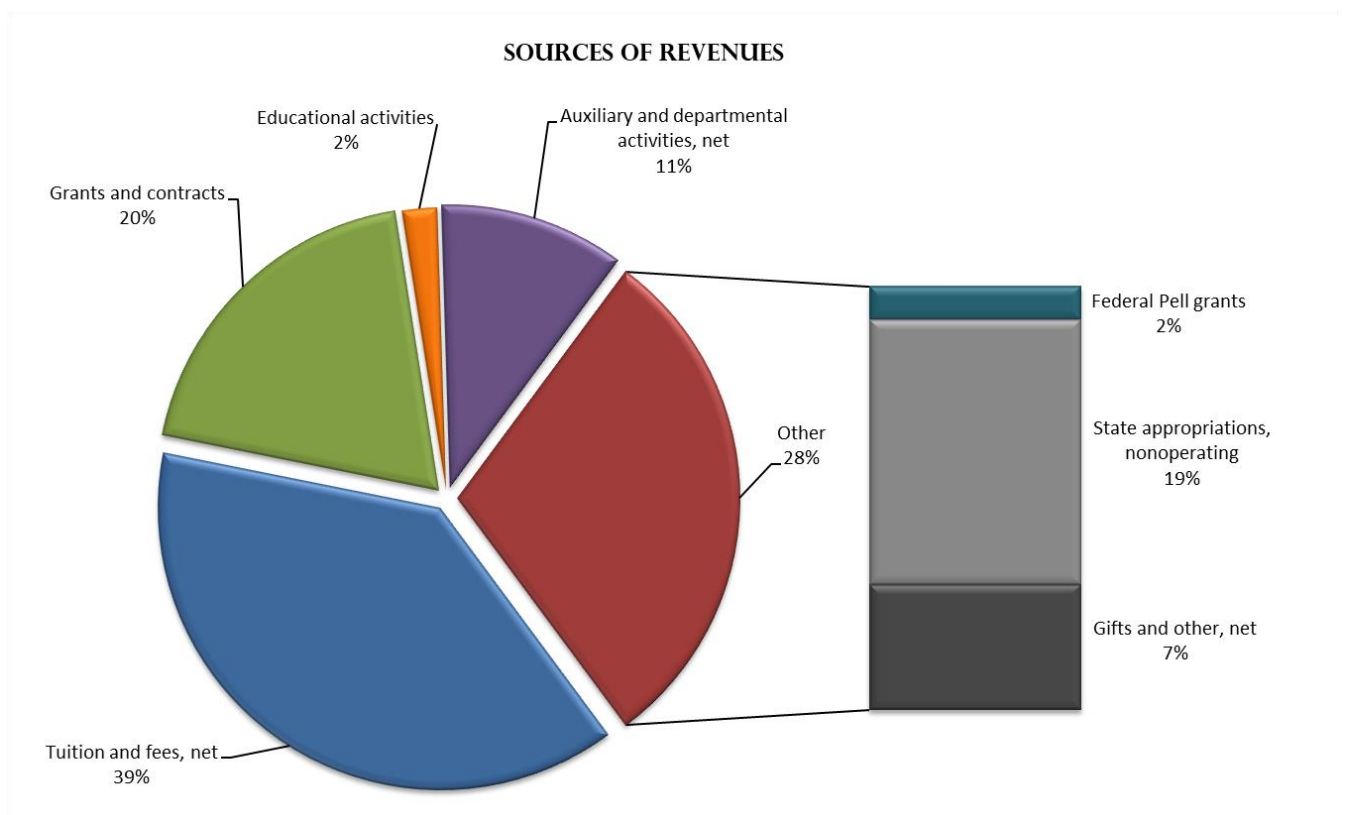
Net nonoperating revenues and expenses increased by \$943,000. Investment performance caused a \$2.2 million decrease, State appropriations increased by \$495,000, capital grants and gifts to the University, including gifts for capital and endowment purposes, increased by \$2.6 million, federal grants increased by \$712,000, and interest expense decreased by \$73,000. In June of 2018, Houghton County experienced a massive rain event which caused substantial flood damage in the region. The University suffered damage from the flood and was required to recognize a \$744,170 extraordinary loss on capital asset impairment.

Overall, the net financial result for fiscal year 2018 was approximately \$7.5 million more than the net result for fiscal year 2017.

Revenue Diversification

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

The following graph illustrates the fiscal year 2019 revenues by source:

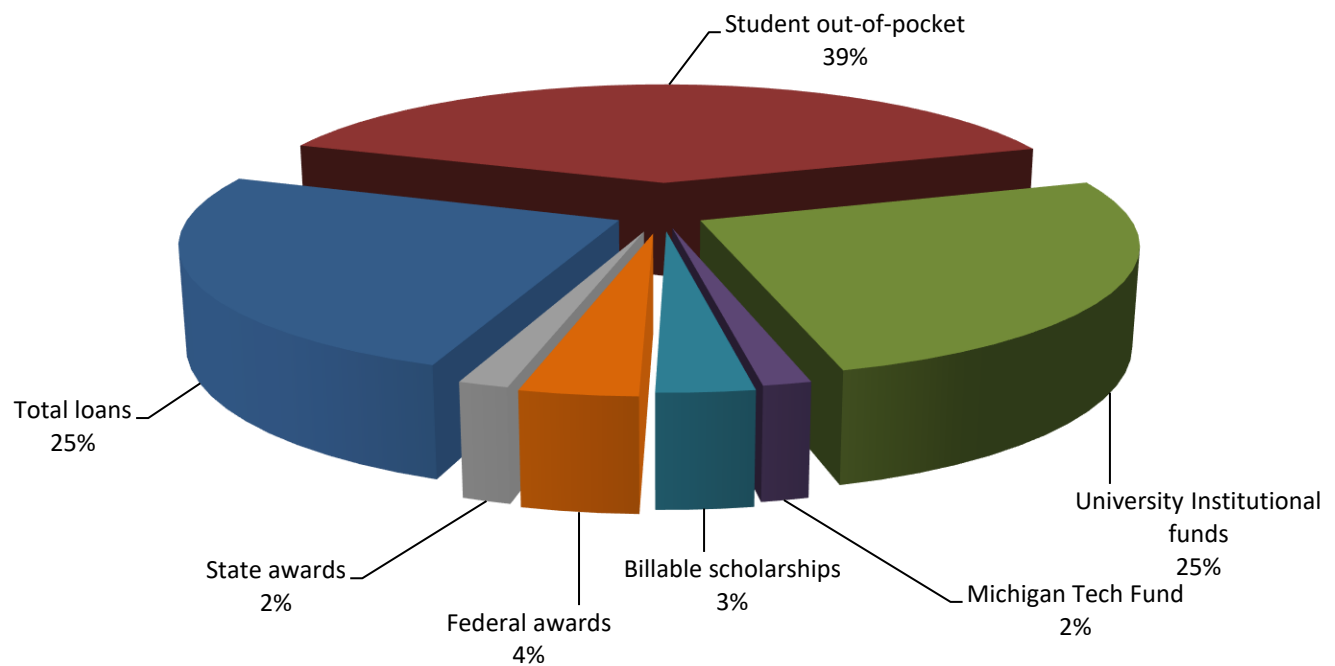




TUITION AND FEES REVENUE

The University provides students with the opportunity to obtain a quality education at a price that is subsidized by state funding. For fiscal year 2019, the University implemented a 3.8% average increase in tuition and mandatory fees for Michigan resident undergraduates. Graduate students saw a 5% increase in tuition and mandatory fees. The following graph identifies the source of funds used to pay student tuition and fees for the fiscal year ended June 30, 2019. The graph shows that 36% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

STUDENT FINANCIAL AID REPORT



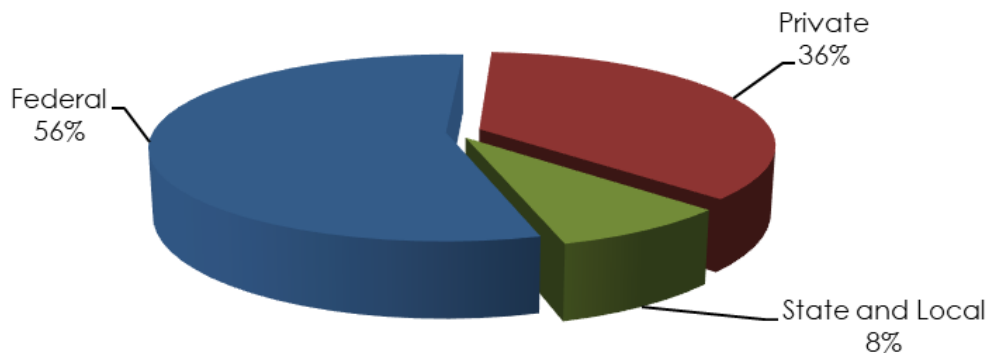
GRANT AND CONTRACT REVENUE

The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were \$63.8 and \$50.9 million of research and sponsored programs awarded to the University in fiscal years 2019 and 2018, respectively. The University currently has 19 interdisciplinary research institutes and centers that have enabled the University to maintain its growing recognition as a research institution. The University also operates off-campus research facilities in Hancock, Michigan and Ann Arbor, Michigan.

**GRANT AND CONTRACT REVENUE
YEAR ENDED JUNE 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Federal sources:			
Department of Agriculture	\$ 2,032,158	\$ 2,338,876	\$ 2,274,139
Department of Defense	8,496,921	7,803,830	8,337,797
Department of Education	499,381	527,269	526,589
Department of Energy	1,561,490	1,572,267	952,999
Department of Interior	1,045,332	1,248,345	671,075
Department of Transportation	93,775	223,695	395,919
Environmental Protection Agency	355,377	467,538	790,027
National Aeronautics and Space Administration	5,099,718	3,700,916	1,392,741
National Science Foundation	6,525,749	7,164,442	7,427,005
Health and Human Services	2,461,387	2,210,028	1,560,038
Other federal sources	670,920	364,131	356,359
Repayments	-	(790,622)	(778,503)
Total federal sources	28,842,208	26,830,715	23,906,185
Non-federal sources:			
State and local	4,377,969	4,034,915	3,686,015
Private	18,796,611	17,156,165	15,802,264
Total non-federal sources	23,174,580	21,191,080	19,488,279
Total all sources	\$ 52,016,788	\$ 48,021,795	\$ 43,394,464

The following graph illustrates the fiscal year 2019 grant and contract revenue by source.





CONDENSED STATEMENTS OF CASH FLOWS

Another way to assess the financial health of an institution is to look at its Statement of Cash Flows. Its primary purpose is to provide relevant information about sources and uses of cash of an entity during a period. The Statements of Cash Flows also help users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing. The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

CONDENSED STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash (used in) provided by			
Operating activities	\$ (57,924,435)	\$ (58,983,578)	\$ (61,894,215)
Noncapital financing activities	68,823,274	64,660,456	63,464,528
Capital and related financing activities	(16,865,349)	(15,698,949)	(16,780,081)
Investing activities	2,958,460	5,342,919	4,810,288
Net change in cash and cash equivalents	<u>(3,008,050)</u>	<u>(4,679,152)</u>	<u>(10,399,480)</u>
Cash and cash equivalents, beginning of the year	29,514,544	34,193,696	44,593,176
Cash and cash equivalents, end of the year	<u>\$ 26,506,494</u>	<u>\$ 29,514,544</u>	<u>\$ 34,193,696</u>

Changes from 2018 to 2019

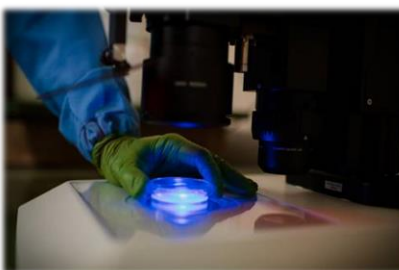
Cash from operations increased by \$1.1 million. Tuition and student residence fees increased cash provided by operations by \$3.4 million, and grants and contracts revenue increased by \$4.2 million. Significant changes in cash used in operations include an increase in payments to employees and for employee benefits of \$3.2 million. The other components of operating activities contributed \$3.3 million to a cash decrease.

Cash from noncapital financing activities increased by \$4.2 million. Gift income increased by \$4.0 million, State appropriations increased by \$247,000 and all other receipts decreased by \$62,000.

Cash from capital and related financing activities decreased by \$1.2 million compared to the previous year. During fiscal year 2019, \$3.4 million less cash was used to purchase capital assets, \$25,000 more cash was received for disposals, \$3.8 million less was received in capital gifts and grants, and \$244,000 less was paid for interest and principal on capital debt. Also decreasing cash was the net \$993,000 paid for flood repairs.

Cash from investing activities decreased by \$2.4 million.

Overall, cash and cash equivalents, including restricted cash, decreased by \$3.0 million for the fiscal year ended June 30, 2019.



Changes from 2017 to 2018

Cash from operations increased by \$2.9 million. Tuition and student residence fees increased cash provided by operations by \$2.8 million, and grants and contracts revenue increased by \$5.9 million. Significant changes in cash used in operations include an increase in payments to employees and for employee benefits of \$4.7 million. The other components of operating activities contributed \$1.7 million to the cash decrease.

Cash from noncapital financing activities increased by \$1.2 million. Gift income decreased by \$1.8 million, State appropriations increased by \$2.0 million and all other receipts decreased by \$1.0 million.

Cash from capital and related financing activities increased by \$1.1 million compared to the previous year. During fiscal year 2018, \$870,000 more cash was used to purchase capital assets, \$15,000 less cash was received for disposals, and \$2.3 million more was received in capital gifts and grants. Also decreasing cash was the \$380,000 more paid for interest and principal on capital debt.

Cash from investing activities increased by \$533,000.

Overall, cash and cash equivalents, including restricted cash, decreased by \$4.7 million for the fiscal year ended June 30, 2018.





FACTORS IMPACTING FUTURE PERIODS

Enrollment

Admission is open to all students on a competitive basis. The University's incoming first-year students consistently have average ACT scores greater than the national average. The following tables show that about 33% of accepted students enroll at the University. Michigan residents account for 66% of the University's enrollment. Enrollment has been a priority of the University and is a part of its Strategic Plan.

ACCEPTED STUDENTS SUMMER AND FALL TERMS					
	2018	2017	2016	2015	2014
First-Year Students	4,313	4,074	4,272	4,063	3,859
Transfer Students	298	342	377	345	365
Graduate Students	1,566	1,616	1,327	1,665	1,629
Total	6,177	6,032	5,976	6,073	5,853

AVERAGE ACT SCORES FOR INCOMING FIRST-YEAR STUDENTS, FALL

	Michigan	
	Tech	National
2018	27.3	20.8
2017	27.2	21.0
2016	27.2	20.8
2015	26.8	21.0
2014	27.0	21.0

SELECTED ENROLLMENT DATA* SUMMER AND FALL TERMS

	2018	2017	2016	2015	2014
First-Year Students	1,245	1,323	1,381	1,277	1,199
New Transfer Students	156	189	199	184	207
Graduate Students	396	434	378	468	394
Total	1,797	1,946	1,958	1,929	1,800

ENROLLMENT BY RESIDENCY*

	2018	2017	2016	2015	2014
Resident	4,746	4,766	4,644	4,544	4,487
Non-Resident	1,470	1,478	1,498	1,455	1,455
International	900	1,000	1,056	1,156	1,084
Total	7,116	7,244	7,198	7,155	7,026

*Does not include Distance Learning

FULL-TIME EQUIVALENT STUDENTS BY RESIDENCY*

	2018	2017	2016	2015	2014
Resident	4,482	4,471	4,361	4,270	4,189
Non-Resident	1,401	1,393	1,416	1,372	1,370
International	858	936	990	1,068	1,005
Total	6,741	6,800	6,767	6,710	6,564

*Does not include Distance Learning

Degrees Awarded

The University awards four levels of degrees: Associate's, Bachelor's, Master's, and Doctoral/Professional. Listed below is a five-year history of degrees awarded.

DEGREES AWARDED

	2019	2018	2017	2016	2015**
Associate	1	1	1	3	0
Bachelor's	1,160	1,120	1,066	1,065	1,158
Master's	448	438	489	416	358
Doctoral	86	93	88	86	75
Total	1,695	1,652	1,644	1,570	1,591

**Includes Degrees in Second Major



Report of Independent Auditors

Board of Trustees
Michigan Technological University
Houghton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Technological University, a component unit of the State of Michigan, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Technological University as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The Schedule of Net Position by Fund; Schedule of Revenues, Expenses and Changes in Net Position by Fund by Object; and Schedule of Revenues, Expenses and Changes in Net Position by Fund by Function are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory sections listed in the table of contents on pages 2 through 5 have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of Michigan Technological University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Michigan Technological University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan Technological University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Bay City, Michigan
November 26, 2019

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET POSITION

	June 30	
	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 26,429,190	\$ 26,278,021
Accounts receivable, net	19,884,566	19,078,913
Insurance receivable	1,500,000	-
Pledges receivable, net	923,492	714,693
Other assets	2,274,273	2,282,474
Total current assets	51,011,521	48,354,101
Noncurrent assets		
Student loans receivable, net	9,717,147	11,572,076
Pledges receivable, net of allowance and current portion	1,712,253	2,173,258
Restricted cash for capital projects - unspent bond proceeds	77,304	3,236,523
Investments	175,235,888	171,177,126
Beneficial interest in charitable remainder trusts	6,273,104	5,812,167
Land held for investment	9,943,597	9,845,997
Capital assets, net	234,218,326	237,277,224
Other assets	2,001,305	1,968,405
Total noncurrent assets	439,178,924	443,062,776
Total assets	490,190,445	491,416,877
Deferred outflows of resources		
Deferred pension amounts	5,191,516	5,886,500
Deferred OPEB amounts	1,817,671	1,344,695
Total deferred outflows of resources	7,009,187	7,231,195
Liabilities		
Current liabilities		
Accounts payable	7,153,663	7,102,646
Other accrued liabilities	14,355,699	13,684,891
Unearned revenue	5,828,342	5,752,885
Annuity obligations, current portion	428,477	405,772
Insurance and benefit reserves	940,371	925,640
Long-term debt, current portion	3,748,339	3,496,216
Total current liabilities	32,454,891	31,368,050
Noncurrent liabilities		
Funds held for others	775,451	759,950
Annuity obligations, net of current portion	5,613,091	5,382,704
Long-term debt, net of current portion	89,237,063	92,822,231
Net pension liability	71,833,414	64,788,673
Net OPEB liability	19,414,485	22,050,261
Total noncurrent liabilities	186,873,504	185,803,819
Total liabilities	219,328,395	217,171,869
Deferred inflows of resources		
Deferred pension amounts	2,885,087	2,620,450
Deferred OPEB amounts	1,822,152	669,458
Total deferred inflows of resources	4,707,239	3,289,908
Net position		
Net investment in capital assets	141,106,255	144,192,168
Restricted:		
Nonexpendable	99,051,271	96,415,785
Expendable	73,420,432	75,515,535
Unrestricted deficit	(40,413,960)	(37,937,193)
Total net position	\$ 273,163,998	\$ 278,186,295

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



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

	Year Ended June 30	
	2019	2018
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$38,744,959 and \$40,007,759 in 2019 and 2018, respectively)	\$ 102,821,248	\$ 98,449,561
Federal grants and contracts	28,842,208	26,830,715
State and local grants and contracts	4,377,969	4,034,915
Nongovernmental grants and contracts	18,796,611	17,156,165
Educational activities	5,363,254	5,445,165
Departmental activities	9,734,257	10,062,304
Student residence fees (net of scholarship allowances of \$7,683,991 and \$7,842,688 in 2019 and 2018, respectively)	18,820,637	19,241,163
Total operating revenues	188,756,184	181,219,988
Expenses		
Operating expenses		
Compensation and benefits	178,836,147	173,526,912
Supplies and services	55,035,855	52,012,799
Student financial support	13,567,107	9,941,784
Utilities	6,790,677	6,902,973
Depreciation	14,933,237	14,591,447
Total operating expenses	269,163,023	256,975,915
Operating loss	(80,406,839)	(75,755,927)
Nonoperating revenues (expenses)		
Federal Pell grants	6,293,211	6,128,727
Federal grants, other	483,764	492,469
State appropriations	49,949,600	49,081,629
Gifts	11,904,921	11,158,451
Investment return	6,211,502	13,024,441
Interest on capital asset-related debt	(4,218,557)	(4,357,001)
Loss on disposal of capital assets	(138,434)	(106,695)
Net nonoperating revenues	70,486,007	75,422,021
Loss before other revenues	(9,920,832)	(333,906)
Other revenues		
Capital grants and gifts	1,721,462	967,853
Gifts for permanent endowment purposes	2,575,646	5,626,316
Other nonoperating revenues	94,427	100,285
Total other revenues	4,391,535	6,694,454
Extraordinary items due to flood		
Loss on capital asset impairment	-	(744,170)
Other flood expenses	(1,993,000)	-
Other realized insurance recoveries	2,500,000	-
Net extraordinary items due to flood	507,000	(744,170)
Change in net position	(5,022,297)	5,616,378
Net position		
Beginning of year, as restated for 2018	278,186,295	272,569,917
End of year	\$ 273,163,998	\$ 278,186,295

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Student tuition and fees	\$ 102,064,188	\$ 98,417,519
Grants and contracts	51,533,013	47,365,237
Payments to employees	(132,573,001)	(129,803,554)
Payments for benefits	(39,923,939)	(39,513,764)
Payments to suppliers	(54,854,159)	(52,977,447)
Payments for utilities	(6,535,858)	(7,235,744)
Payments for financial aid	(13,567,107)	(9,941,784)
Loans issued to students	(214,711)	(1,842,637)
Collection of loans to students	2,069,640	2,090,473
Departmental activities	9,709,039	10,062,304
Educational activities	5,653,938	5,310,963
Student residence fees	18,895,937	19,186,651
Other disbursements	(181,415)	(101,795)
Net cash from operating activities	(57,924,435)	(58,983,578)
Cash flows from noncapital financing activities		
Federal Pell grants	6,301,682	6,249,191
Federal grants, other	483,764	492,469
State appropriations	50,233,028	49,985,759
Gifts and grants for other than capital purposes	12,150,074	8,172,500
Payments to annuitants	(412,845)	(401,058)
Other receipts	94,427	100,285
William D. Ford direct lending cash received	28,935,945	29,827,998
William D. Ford direct lending cash disbursed	(28,962,801)	(29,766,688)
Net cash from noncapital financing activities	68,823,274	64,660,456
Cash flows from capital and related financing activities		
Grants and gifts received for capital and endowment purposes	2,992,429	6,811,376
Proceeds from sale of capital assets	25,218	-
Purchases of capital assets	(10,823,280)	(14,199,176)
Principal paid on capital debt and leases	(3,626,197)	(3,736,392)
Interest paid on capital debt and leases	(4,440,519)	(4,574,757)
Payments for flood repairs	(1,993,000)	-
Proceeds from insurance recoveries	1,000,000	-
Net cash from capital and related financing activities	(16,865,349)	(15,698,949)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	165,371,038	66,839,933
Purchase of investments	(166,319,716)	(66,802,420)
Income on investments	3,907,138	5,305,406
Net cash from investing activities	2,958,460	5,342,919
Net change in cash and cash equivalents	(3,008,050)	(4,679,152)
Cash and cash equivalents, beginning of year	29,514,544	34,193,696
Cash and cash equivalents, end of year	\$ 26,506,494	\$ 29,514,544
Cash and cash equivalents per statement of net position	\$ 26,429,190	\$ 26,278,021
Restricted cash for capital projects - unspent bond proceeds	77,304	3,236,523
Total cash and cash equivalents per statement of net position	\$ 26,506,494	\$ 29,514,544

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



**MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)**

	Year Ended June 30	
	2019	2018
Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (80,406,839)	\$ (75,755,927)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	14,933,237	14,591,447
Noncash gifts	(187,831)	(247,187)
Changes in operating assets and liabilities:		
Receivables, net	(1,164,131)	(1,096,862)
Other assets	(165,407)	78,840
Student loans receivable	1,854,929	252,373
Accounts payable	163,806	(1,394,288)
Other accrued liabilities	670,808	712,641
Unearned revenue	75,457	(450,054)
Funds held for others	238,501	278,000
Insurance and benefit reserves	14,731	(185,706)
Change in net pension and OPEB liability and deferred amounts	6,048,304	4,233,145
Net cash from operating activities	<u>\$ (57,924,435)</u>	<u>\$ (58,983,578)</u>

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



NOTES TO THE FINANCIAL STATEMENTS

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

BASIS OF PRESENTATION

Reporting Entity

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

The University has two component units which are described below. The descriptions include the impact that each component unit has on the University.

The Michigan Tech Fund ("Fund") is a legally separate tax-exempt component unit of the University. The primary purpose of the Fund is to receive, invest, and disburse gifts received on behalf of the University. The Fund provides services entirely to the University and has substantially the same governing body. The Fund is blended into the University's financial statements because management of the University has operational responsibility for the Fund and the Fund exclusively benefits the University. The June 30, 2019, audited financial statements of the Fund can be obtained from its office at 1400 Townsend Drive, Houghton, MI 49931, or at www.mtu.edu/giving/about/tech-fund/.

The Michigan Tech Entrepreneurial Support Corporation (MTEESC) is a legally separate tax-exempt component unit of the University. The primary purpose of the MTEESC is to support the entrepreneurial and commercial development efforts of the University. The MTEESC meets the criteria for blending its financial activity into the University's financial statements. The MTEESC provides services entirely to the University and has substantially the same governing body. The University, however, has excluded the MTEESC's financial activity from the financial statements due to insignificance.

The financial statements include the operations of the University and the Fund, collectively known as the University's financial statements. All significant accounts and transactions between the Fund and the University have been eliminated.





Condensed financial information for the Michigan Tech Fund is provided below:

**MICHIGAN TECH FUND
CONDENSED STATEMENTS OF NET POSITION
AS OF JUNE 30**

	2019	2018
Assets		
Current assets	\$ 8,178,611	\$ 7,152,809
Noncurrent assets:		
Investments	139,637,161	138,068,343
Accounts receivable from the University	485,000	262,000
Other	9,227,118	9,039,286
Total assets	157,527,890	154,522,438
Liabilities		
Current liabilities:		
Accounts payable to the University	998,789	886,000
Other	510,297	580,473
Noncurrent liabilities	5,613,091	5,382,704
Total liabilities	7,122,177	6,849,177
Net position		
Restricted		
Nonexpendable	99,051,271	96,415,785
Expendable	43,622,679	44,840,644
Unrestricted	7,731,763	6,416,832
Total net position	\$ 150,405,713	\$ 147,673,261



MICHIGAN TECH FUND
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30

	<u>2019</u>	<u>2018</u>
Operating expenses		
Supplies and services	\$ 12,189,077	\$ 12,934,099
Student financial support	2,825,649	2,542,572
Total operating expenses	<u>15,014,726</u>	<u>15,476,671</u>
Operating loss	(15,014,726)	(15,476,671)
Nonoperating revenues and expenses		
Gifts	11,177,042	9,978,633
Investment return	3,042,451	9,795,567
Gifts for capital and permanent endowment purposes	3,433,258	6,126,029
Other nonoperating revenues	94,427	100,285
Net nonoperating revenues	<u>17,747,178</u>	<u>26,000,514</u>
Change in net position	2,732,452	10,523,843
Net position		
Beginning of year	147,673,261	137,149,418
End of year	<u>\$ 150,405,713</u>	<u>\$ 147,673,261</u>

MICHIGAN TECH FUND
CONDENSED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30

	<u>2019</u>	<u>2018</u>
Cash flows from		
Operating activities	\$ (14,191,311)	\$ (15,369,626)
Noncapital financing activities	9,361,667	5,496,796
Capital and related financing activities	3,608,937	6,811,376
Investing activities	2,195,116	3,597,553
Net increase in cash and cash equivalents	<u>974,409</u>	<u>536,099</u>
Cash and cash equivalents, beginning of year	6,258,775	5,722,676
Cash and cash equivalents, end of year	<u>\$ 7,233,184</u>	<u>\$ 6,258,775</u>

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. In accordance with governmental accounting standards, the University follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. In applying these accounting pronouncements, the University follows the guidance for special-purpose governments engaged only in "business type" activities rather than issuing financial statements that focus on accountability of individual funds.



Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the allowance for doubtful accounts and pledges receivable, accrued compensated absences, net pension and other post employment benefits (OPEB) liabilities, insurance claims incurred but not reported, fair value of investments that are not readily marketable, and life expectancies for split-interest gift agreements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The University considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. On the Statements of Net Position, restricted cash (unspent bond proceeds) is segregated from cash and cash equivalents and included in noncurrent assets. For the Statements of Cash Flows, however, restricted cash is included in the beginning and ending balances of cash and cash equivalents.

Pledges Receivable and Gifts

Pledges receivable and gifts are recognized at their fair values as revenues in the periods received. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All pledges receivable are recorded at their net realizable values.

Investments

The University's investments in marketable securities are carried at quoted fair market value whenever possible. The University also holds land for investment purposes which functions as an endowment and is recorded at fair value. Fair value is arrived at through independent appraisals of the land and of the timber holdings.

Fund investments in marketable securities including hedge funds are carried at quoted fair market value whenever possible. Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Real estate and natural resources are accounted for on the equity method. Private equity funds that do not have readily determinable market values as of June 30 are valued based on the most recent available partner capital account balances as reported by the partnerships to the Fund. The partnership valuations involve assumptions and methods that are reviewed by the Fund. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity funds' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Precious metals are carried at quoted fair market value. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by custodial institutions responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment advisor to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced as necessary. The Fund's Investment Committee of the Board of Directors provides oversight of the investment advisor and makes recommendations to the Board of Directors concerning any changes in the asset allocation. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) on nonexpendable restricted, expendable restricted, and unrestricted net position to departmental funds based on an average of each fund's beginning and ending monthly balances.

Capital Assets

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

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

Goodwill

The University purchased the assets of Environmental and Emerging Technologies Division (EETD) (a division of Altarum Institute) for a price of \$1.4 million. The University operates this research center under the name of Michigan Tech Research Institute (MTRI). The purchase price exceeded the value of net assets by \$978,544 and was considered goodwill. The University does not amortize goodwill. Management annually analyzes the goodwill for impairment. At year end, management concluded there is no impairment of goodwill. Goodwill is included with other assets (noncurrent) on the Statements of Net Position.

Revenue Recognition

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



Classification of Revenues

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

Operating Revenues

Operating revenues of the University include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) auxiliary enterprises net; and (3) most federal, state, and local grants and contracts.



Nonoperating Revenues

Nonoperating revenues of the University include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income, interest on institutional student loans, and other revenue sources that are defined as nonoperating revenues by governmental accounting standards.

Classification of Expenses

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

Operating Expenses

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

Nonoperating Expenses

Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and other expenses that are defined as nonoperating expenses by governmental accounting standards.

Income Taxes

The University is classified as a political subdivision of the State of Michigan under Internal Revenue Code Section 115(A) and is, therefore, exempt from federal income taxes. Certain activities of the University, to the extent profitable, may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514. No such taxes were incurred for either fiscal year presented in this report. The Fund is exempt from federal income taxes under Internal Revenue Code section 501(c)(3).

Net Position

The University's net position is classified as follows:

Net investment in capital assets

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

Restricted for nonexpendable purposes

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

Restricted for expendable purposes

Net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Such net position includes net appreciation of permanent endowment funds and funds designated for student financial aid and other University programs.

Unrestricted

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

Deferred Outflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The University reports deferred outflows of resources for certain pension and OPEB related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 9.

Deferred Inflows of Resources

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension plan's investments and appropriations received for the pension plan subsequent to the measurement date. More detailed information can be found in Note 9.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncement

As of July 1, 2017, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires that the University recognize a net OPEB liability on the Statements of Net Position, equal to the University's proportionate share of the net OPEB liability of the Michigan Public School Employees Retirement System (MPSERS) and the University's net OPEB liability for its Retiree Benefits Program, as defined and calculated in accordance with the new standard. More detailed information can be found in Note 9. As a result of this change, the University recognized a net OPEB liability of \$21,986,084 and deferred outflows of resources of \$1,511,571, which resulted in a decrease in net position of \$20,474,513 as of July 1, 2017. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available.

Reclassification

Certain amounts as reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation.



(2) CASH AND INVESTMENTS

Authorizations

The University utilizes the “pooled cash” method of accounting for substantially all of its cash and cash equivalents. The University investment policies are governed and authorized by University Bylaws and the Board of Trustees. The Fund’s investment policies are governed by its Board of Directors and the performance of its investments is monitored by its Investment Committee.

Interest rate risk

Neither the University nor the Fund has 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. Investment policies for cash and cash equivalents, as set forth by the Board of Trustees, authorize the University to invest, with limitations, in commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services. Investments may also be made in securities of the US Treasury and federal agencies, or in mutual funds holding securities of the US Treasury and federal agencies, and in time savings accounts. University policies regarding investments and marketable securities, as set forth by the Board of Trustees, authorize the University to invest in US Treasury obligations; commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services; federal agency securities; certificates of deposit issued by FDIC insured banks or an NCUA credit union member; or Eurodollar time deposits in Tier 1, 2, or 3 banks.

Custodial credit risk: deposits

For deposits, custodial credit risk is present if the University’s deposits would not be covered by depository insurance or collateralized by the bank. State law does not require, and the University does not have, a policy for deposit custodial credit risk. Deposits were reflected in the accounts of the banks of \$27,082,919 and \$30,624,596 as of June 30, 2019 and 2018, respectively. The University had \$12,238,706 and \$12,405,554 exposed to custodial credit risk because the deposits were uninsured or uncollateralized, as of June 30, 2019 and 2018, respectively.

Custodial credit risk: investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the University nor the Fund has a policy for investment custodial risk. However, all investments are in the name of the University or the Fund, as applicable, and the investments are held in accounts with each financial institution from which they were purchased.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Neither the University’s nor the Fund’s investment policy has specific limits on concentration of credit risk. The majority of the University’s and Fund’s investments are in mutual funds; accordingly, concentration of credit risk is considered to be insignificant.

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University and Fund invest in mutual funds whose underlying investments are in foreign currency; however, management of the University and Fund does not believe that there is significant risk as a result of these investments.

Investments and Investment Return

Investments, carried at fair value, at June 30, are categorized as follows:

INVESTMENT PORTFOLIO

	2019	2018
Marketable securities		
Equities	\$ 21,366,471	\$ 1,323,537
Equity mutual funds	63,206,300	102,745,502
Fixed income mutual funds	69,729,132	51,683,606
Total marketable securities	154,301,903	155,752,645
Alternative investments		
Hedge funds	5,114,979	8,356,401
Real estate and natural resources	7,199,218	352,028
Private equity limited partnerships	6,804,866	5,063,184
Total alternative investments	19,119,063	13,771,613
Precious metals	1,794,922	1,632,868
Closely-held stock	20,000	20,000
Total investments	\$ 175,235,888	\$ 171,177,126

The University's net investment return is comprised of the following for the years ended June 30:

INVESTMENT RETURN

	2019	2018
Dividends and interest	\$ 4,654,792	\$ 4,685,289
Net gain on sale of investments	9,272,751	3,782,505
Net (decrease) increase in the fair value of investments	(7,109,095)	5,201,070
Asset-based management and administrative fees	(606,946)	(644,423)
Total investment return	\$ 6,211,502	\$ 13,024,441





The fair values of investments measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	21,366,471	21,366,471	-	-
Equity mutual funds	47,916,249	47,916,249	-	-
Fixed income mutual funds	49,420,456	49,190,930	229,526	-
Precious metals	1,794,922	1,794,922	-	-
Closely-held stock	20,000	-	-	20,000
Total investments by fair value level	120,518,098	120,268,572	229,526	20,000

Investments measured at the net asset value:

Commonfund equity funds	15,290,051
Commonfund fixed income funds	20,308,676
Hedge funds	5,114,979
Real estate and natural resources	7,199,218
Private equity limited partnerships	6,804,866
Total investments at the net asset value	54,717,790
Total investments	\$ 175,235,888



The fair values of investments measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 1,323,537	\$ 1,323,537	\$ -	\$ -
Equity mutual funds	88,756,594	88,756,594	-	-
Fixed income mutual funds	32,563,731	23,712,373	8,851,358	-
Precious metals	1,632,868	1,632,868	-	-
Closely-held stock	20,000	-	-	20,000
Total investments by fair value level	124,296,730	\$ 115,425,372	\$ 8,851,358	\$ 20,000

Investments measured at the net asset value:

Commonfund equity funds	13,988,908
Commonfund fixed income funds	19,119,875
Hedge funds	8,356,401
Real estate and natural resources	352,028
Private equity limited partnerships	5,063,184
Total investments at the net asset value	46,880,396
Total investments	\$ 171,177,126

2019 Financial Report

The University holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset values per share (or its equivalent) of the investment companies. At year-end, the net asset value, the unfunded commitments, and redemptions rules of those investments are as follows:

	Net Asset Value FY 2019	Net Asset Value FY 2018	Unfunded Commitments FY 2019	Unfunded Commitments FY 2018	Redemption Frequency	Redemption Notice Period
Commonfund equity funds	\$ 15,290,051	\$ 13,988,908	\$ -	\$ -	Monthly	5 business days
Commonfund fixed income funds	20,308,676	19,119,875	-	-	Monthly	5 business days
						90 calendar days + 5
Hedge funds	5,114,979	8,356,401	-	-	Quarterly	business days
Real estate and natural resources	7,199,218	352,028	139,436	100,870	Quarterly	10 business days
Private equity limited partnerships	6,804,866	5,063,184	7,384,643	9,593,645	NA	NA
Total	\$ 54,717,790	\$ 46,880,396	\$ 7,524,079	\$ 9,694,515		

(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30:

ACCOUNTS RECEIVABLE

	2019	2018
Student tuition and fees	\$ 746,559	\$ 802,531
State appropriations		
Operating	9,081,742	8,918,578
Capital	129,785	2,168
Grants and contracts	9,025,101	8,017,874
Auxiliary activities	358,796	410,647
Other	663,236	1,047,768
Less allowance for doubtful accounts	(120,653)	(120,653)
Accounts receivable, net	\$ 19,884,566	\$ 19,078,913

In addition, the University has an insurance receivable for flood damages in the amount of \$1,500,000 recorded at June 30, 2019 and the University has student loans receivable in the amount of \$9,717,147 and \$11,572,076, recorded at June 30, 2019 and 2018, respectively. These amounts are net of an allowance for uncollectible accounts of \$174,000 at June 30, 2019 and 2018.

Pledges receivable of the University are summarized as follows as of June 30:

PLEDGES RECEIVABLE

	2019	2018
Pledges receivable in less than one year	\$ 1,945,898	\$ 3,530,990
Pledges receivable in one to five years	1,846,497	2,369,225
Pledges receivable in more than five years	52,000	4,700
Less:		
Allowance for uncollectible pledges	(1,022,406)	(2,816,297)
Present value discount	(186,244)	(200,667)
Net pledges receivable	\$ 2,635,745	\$ 2,887,951



The present value of future cash flows were estimated using .25% over the risk-adjusted rate at the date of the gift. For fiscal year 2019, rates range from 1.96% to 2.75%.

(4) CAPITAL ASSETS

The following table presents the changes in the capital asset class categories for the year ended June 30, 2019:

CHANGES IN CAPITAL ASSETS				
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	\$ 9,962,548	\$ 800,000	\$ -	\$ 10,762,548
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	376,088	-	-	376,088
Construction in progress	1,475,727	6,590,512	(7,285,829)	780,410
Cost of nondepreciable capital assets	18,035,535	7,390,512	(7,285,829)	18,140,218
Depreciable capital assets				
Land improvements	1,368,679	370,404	-	1,739,083
Infrastructure	7,474,022	400,528	-	7,874,550
Buildings	385,659,059	6,514,897	-	392,173,956
Equipment	48,219,864	4,612,012	(685,121)	52,146,755
Library books	354,264	10,249	-	364,513
Cost of depreciable capital assets	443,075,888	11,908,090	(685,121)	454,298,857
Total cost of capital assets	461,111,423	19,298,602	(7,970,950)	472,439,075
Less: accumulated depreciation				
Land improvements	702,111	64,475	-	766,586
Infrastructure	3,566,369	320,724	-	3,887,093
Buildings	187,243,989	9,655,005	-	196,898,994
Equipment	32,047,864	4,864,450	(546,687)	36,365,627
Library books	273,866	28,583	-	302,449
Total accumulated depreciation	223,834,199	14,933,237	(546,687)	238,220,749
Capital assets, net	\$ 237,277,224	\$ 4,365,365	\$ (7,424,263)	\$ 234,218,326



The following table presents the changes in the capital asset class categories for the year ended June 30, 2018:

CHANGES IN CAPITAL ASSETS				
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	\$ 9,881,510	\$ 153,000	\$ (71,962)	\$ 9,962,548
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	376,088	-	-	376,088
Construction in progress	6,434,682	10,184,279	(15,143,234)	1,475,727
Cost of nondepreciable capital assets	22,913,452	10,337,279	(15,215,196)	18,035,535
Depreciable capital assets				
Land improvements	1,571,426	374,030	(576,777)	1,368,679
Infrastructure	7,024,391	449,631	-	7,474,022
Buildings	372,583,799	14,154,072	(1,078,812)	385,659,059
Equipment	44,997,073	3,677,608	(454,817)	48,219,864
Library books	345,494	8,770	-	354,264
Cost of depreciable capital assets	426,522,183	18,664,111	(2,110,406)	443,075,888
Total cost of capital assets	449,435,635	29,001,390	(17,325,602)	461,111,423
Less: accumulated depreciation				
Land improvements	1,113,705	71,439	(483,033)	702,111
Infrastructure	3,267,616	298,753	-	3,566,369
Buildings	178,819,549	9,070,150	(645,710)	187,243,989
Equipment	27,133,671	5,116,954	(202,761)	32,047,864
Library books	239,715	34,151	-	273,866
Total accumulated depreciation	210,574,256	14,591,447	(1,331,504)	223,834,199
Capital assets, net	\$ 238,861,379	\$ 14,409,943	\$ (15,994,098)	\$ 237,277,224





Construction in Progress

One of the critical factors in continuing the quality of the University's academic programs, research programs, and residential life is the development and renewal of its capital assets. The University continues to maintain and amend its long-range capital plan to modernize its complement of older facilities balanced with new construction. Construction in progress reflects multiyear projects which, once completed and placed into service, are categorized as buildings, land improvements, and infrastructure. At June 30, 2019 and 2018, respectively, construction in progress consisted of several building renovation projects and the costs of one new building as detailed below.

CONSTRUCTION IN PROGRESS

Project	2019	2018
Daniell Heights Apartments renovations	\$ -	\$ 98,385
McNair Residence Hall renovations	97,000	-
Sherman Field and SDC upgrades	444,316	920,610
H-STEM Building planning	68,500	-
Infrastructure	149,808	-
Sleep Laboratory	-	221,244
Alumni Way Clock Tower	-	198,289
Other projects	20,786	37,199
Total	\$ 780,410	\$ 1,475,727

The estimate to complete the above construction projects approximated \$5.5 million at June 30, 2019. The expected sources of financing for these projects are unspent bond proceeds, private gifts, and other University resources.



(5) LINE OF CREDIT

The University has an unused line of credit arrangement with one bank, under which it may borrow up to \$20 million. This agreement is set at variable rates of interest, based on the 30-day London Interbank Offered Rate ("LIBOR") plus 135 basis points. There were no amounts outstanding under the line of credit at June 30, 2019 and 2018. There are no restrictive covenants associated with this line of credit. The line of credit expires on October 15, 2020.

(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30:

ACCOUNTS PAYABLE

	2019	2018
Vendors for supplies and services	\$ 4,272,131	\$ 3,498,683
Employee benefits	1,109,751	1,109,415
Construction payables	1,771,781	2,494,548
Total accounts payable	\$ 7,153,663	\$ 7,102,646

OTHER ACCRUED LIABILITIES

	2019	2018
Payroll and payroll taxes	\$ 8,083,876	\$ 7,672,814
Compensated absences	5,316,736	4,990,638
Deposits payable	955,087	1,021,439
Total other accrued liabilities	\$ 14,355,699	\$ 13,684,891





(7) NONCURRENT LIABILITIES

NONCURRENT LIABILITIES					
AS OF JUNE 30, 2019					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue and refunding bonds, 2008	\$ 5,090,000	\$ -	\$ -	\$ 5,090,000	\$ 155,000
General revenue bonds, 2009A/2009B	15,180,000	-	430,000	14,750,000	445,000
General revenue bonds, 2010A	8,120,000	-	230,000	7,890,000	235,000
General revenue and refunding bonds, 2012A	27,660,000	-	1,310,000	26,350,000	1,365,000
General revenue refunding bonds, 2013A	12,025,000	-	790,000	11,235,000	665,000
General revenue bonds, 2015A	23,435,000	-	445,000	22,990,000	465,000
Total bonds payable	91,510,000	-	3,205,000	88,305,000	3,330,000
Bond premium	3,585,091	-	194,748	3,390,343	-
Capital lease	1,223,356	487,900	421,197	1,290,059	418,339
Total debt	96,318,447	487,900	3,820,945	92,985,402	3,748,339
Other liabilities					
Insurance reserves	925,640	14,731	-	940,371	940,371
Funds held for others	759,950	199,001	183,500	775,451	-
Annuity and pooled income obligations	5,788,476	800,286	547,194	6,041,568	428,477
Total	\$ 103,792,513	\$ 1,501,918	\$ 4,551,639	\$ 100,742,792	\$ 5,117,187
Due within one year				(5,117,187)	
Total noncurrent liabilities (excluding net pension and OPEB liabilities)				\$ 95,625,605	

NONCURRENT LIABILITIES					
AS OF JUNE 30, 2018					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue and refunding bonds, 2008	\$ 5,090,000	\$ -	\$ -	\$ 5,090,000	\$ -
General revenue bonds, 2009A/2009B	15,600,000	-	420,000	15,180,000	430,000
General revenue bonds, 2010A	8,340,000	-	220,000	8,120,000	230,000
General revenue and refunding bonds, 2012A	28,915,000	-	1,255,000	27,660,000	1,310,000
General revenue refunding bonds, 2013A	12,790,000	-	765,000	12,025,000	790,000
General revenue bonds, 2015A	23,870,000	-	435,000	23,435,000	445,000
Total bonds payable	94,605,000	-	3,095,000	91,510,000	3,205,000
Bond premium	3,779,838	-	194,747	3,585,091	-
Capital lease	1,676,453	188,295	641,392	1,223,356	291,216
Total debt	100,061,291	188,295	3,931,139	96,318,447	3,496,216
Other liabilities					
Insurance and benefit reserves	1,529,723	875,640	1,479,723	925,640	925,640
Funds held for others	743,950	203,200	187,200	759,950	-
Annuity and pooled income obligations	6,124,397	1,264,630	1,600,551	5,788,476	405,772
Total	\$ 108,459,361	\$ 2,531,765	\$ 7,198,613	\$ 103,792,513	\$ 4,827,628
Due within one year				(4,827,628)	
Total noncurrent liabilities (excluding net pension and OPEB liabilities)				\$ 98,964,885	

Bonds

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

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

During fiscal year 2009, the University's Board of Trustees approved the issuance of General Revenue and Refunding Bonds, Series 2008 in the amount of \$15.88 million. The proceeds of this bond issue were used to refund the \$10 million of Series 1998 bonds outstanding with the remainder funding the remodeling of the Michigan Tech Lakeshore Center building, remodeling of the Memorial Union ballroom and providing initial construction funds for the Keweenaw Research Center. These bonds bear fixed interest rates at 3.0% to 5.25% and mature at various dates from October 2009 through October 2038. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture. Outstanding principal of \$11.55 million was refunded with the series 2013A bonds.

During fiscal year 2010, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2009A and 2009B. The combined amount of bonds issued was \$18.235 million. Series 2009A, in the amount of \$17.885 million, was issued as taxable Build America Bonds. Under this federal program, 35% of the interest related to this bond issue in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of \$3.580 million with maturities of October 2011 through October 2019 and interest rates ranging from 2.58% to 5.30%. Two term bonds totaling \$14.305 million were also issued in this series. The first term bond in the amount of \$5.650 million matures in October 2029 and bears an interest rate of 6.44%. The second term bond in the amount of \$8.655 million matures in October 2039 and bears an interest rate of 6.69%. Series 2009B, issued as a tax-exempt bond in the amount of \$350,000 matured in October 2010. The proceeds of this bond issue were used to construct a student residential facility and for the construction of a new facility at the Keweenaw Research Center. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

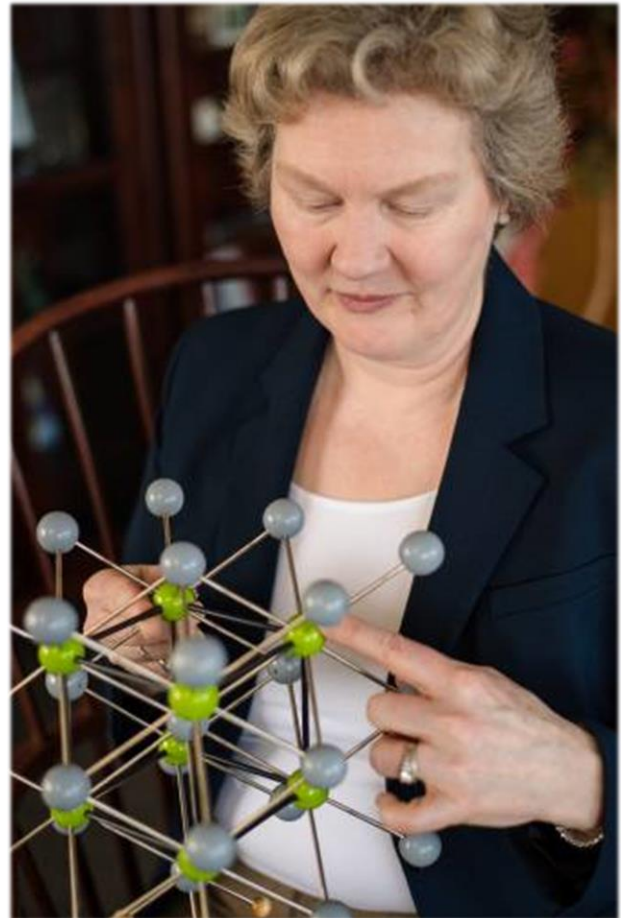
During fiscal year 2011, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2010A in the amount of \$10.975 million. The Series 2010A bonds were issued as taxable Build America Bonds. Under this federal program, 35% of the interest related to this bond issue in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of \$2.855 million with maturities of October 2011 through October 2017 and interest rates ranging from 1.37% to 3.84%. Three term bonds totaling \$8.12 million were also issued in this series. The first





term bond in the amount of \$2.085 million matures in October 2025 and bears an interest rate of 5.569%. The second term bond in the amount of \$1.66 million matures in October 2030 and bears an interest rate of 6.2%. The third term bond in the amount of \$4.375 million matures in October 2040 and bears an interest rate of 6.55%. The proceeds of this bond issue were used to construct, acquire, and equip new research facilities and to construct and equip a new museum building. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as Aa3 by Moody's.

During fiscal year 2012, the University's Board of Trustees approved the issuance of General Revenue and Refunding Bonds, Series 2012A in the amount of \$33.070 million. The proceeds of this bond issue were used to partially refund Series 2003 bonds in the amount of \$3.965 million, to partially refund Series 2004 bonds in the amount of \$27.150 million with the remainder funding the replacement of the ice plant and rink slab in the hockey arena and partial replacement of the roof of the Student Development Center. The Series 2003 bonds refunded were called for redemption on April 1, 2013 and the Series 2004 bonds refunded were called for redemption on October 1, 2013 each at a redemption price equal to 100% of the principal amount plus accrued interest. The 2012A bond series consists of serial bonds in the amount of \$19.75 million with maturities of October 2012 through October 2027 and interest rates ranging from 3.0% to 5.0%. The issue also included two term bonds totaling \$13.32 million. The first term bond in the amount of \$5.32 million matures in October 2030 and bears an interest rate of 4.0%. The second term bond in the amount of \$8.0 million matures in October 2034 and bears an interest rate of 5.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as Aa3 by Moody's.



During fiscal year 2013, the University's Board of Trustees approved the issuance of General Revenue Refunding Bonds, Series 2013A in the amount of \$14.265 million. The proceeds of this bond issue were used to refund Series 2006 bonds in the amount of \$2.715 million and to partially refund Series 2008 bonds in the amount of \$11.550 million. The Series 2006 bonds to be refunded were called for redemption on April 1, 2016 at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date. Principal and interest on the Series 2008 bonds will be paid at maturity on October 1, 2016, October 1, 2017, and October 1, 2018, respectively. The advance refunding of the \$2.715 million of Series 2006 bonds and the \$11.550 million of Series 2008 bonds provided resources to purchase US government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$14.265 million of refunded debt. The 2013A bond series consists of serial bonds in the amount of \$8.325 million with maturities of October 2013 through October 2026 and interest rates ranging from 2.0% to 5.0%. The issue also included three term bonds totaling \$5.940 million. The first term bond in the amount of \$2.200 million matures in October 2025 and bears an interest rate of 3.0%. The second term bond in the amount of \$2.470 million matures in October 2028 and bears an interest rate of 3.25%. The third term bond in the amount of \$1.270 million matures in October 2036 and bears an interest rate of 4.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

During fiscal year 2015, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2015A in the amount of \$24.295 million. The proceeds of this bond issue will be used to

renovate Daniell Heights student apartments, construct a fuel storage tank facility, renovate a campus dining facility, upgrade information technology and safety systems, renovate a chemical storage facility and undergraduate laboratories, and renovate bathrooms in the McNair Hall dormitory. The bonds bear fixed interest rates ranging from 2.0% to 5.0%, and mature at various dates from October 2016 through October 2045. All bonds of this issuance are rated A1 by Moody's; \$8.605 million of the issuance are insured and rated AA by Standard & Poor's.

**PRINCIPAL AND INTEREST AMOUNTS DUE ON BONDED DEBT
FOR FISCAL YEARS ENDING JUNE 30**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,330,000	\$ 4,256,869	\$ 7,586,869
2021	3,470,000	4,099,731	7,569,731
2022	3,630,000	3,925,386	7,555,386
2023	3,795,000	3,745,702	7,540,702
2024	3,965,000	3,558,976	7,523,976
Total 5 years	18,190,000	19,586,664	37,776,664
2025 to 2029	22,515,000	14,817,774	37,332,774
2030 to 2034	21,220,000	9,752,764	30,972,764
2035 to 2039	15,745,000	4,685,754	20,430,754
2040 to 2044	7,885,000	1,521,950	9,406,950
2045 to 2046	2,750,000	139,250	2,889,250
Total bonds	\$ 88,305,000	\$ 50,504,156	\$ 138,809,156

Capital and Operating Lease Obligations

At June 30, 2019, the capitalized cost of equipment purchased under capital leases was \$730,348, and its net book value was \$462,022.

Commitments and related rental expenses for the University under operating leases with initial or remaining noncancelable lease terms in excess of one year as of and for the years ended June 30, 2019 and 2018 are insignificant.

**SCHEDULED MATURITIES OF CAPITAL LEASES
FOR FISCAL YEARS ENDING JUNE 30**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 418,339	\$ 50,547	\$ 468,886
2021	436,927	31,959	468,886
2022	325,897	12,527	338,424
2023	18,875	2,827	21,702
2024	19,408	2,294	21,702
2025 to 2028	70,613	3,539	74,152
Total lease payments	\$ 1,290,059	\$ 103,693	\$ 1,393,752



(8) INSURANCE

Self-Insurance

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

SELF-INSURED CLAIMS LIABILITY

	2019	2018
Balance, beginning of year	\$ 925,640	\$ 1,111,346
Claims incurred, including changes in estimates	14,731,317	13,671,446
Less: claims paid	(14,716,586)	(13,857,152)
Balance, end of year	\$ 940,371	\$ 925,640

Liability and Property Insurance

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

Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer of losses, and commercial carriers covering the third layer.

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

(9) POSTEMPLOYMENT BENEFITS

Retirement Plans

The University has a defined contribution retirement plan and a defined benefit retirement plan for qualified employees. The defined benefit plan is closed to new participants, unless they were previously enrolled in the plan at the University or enrolled in the plan at one of the other six participating universities in Michigan.

Defined Contribution Plan

The University has a defined contribution plan with Teachers Insurance and Annuities Association College Retirement Equities Fund (TIAA-CREF) and Fidelity. Any regular employee who works in a position of half-time or greater is eligible to participate in the defined contribution plan.

Plan participants maintain individual investment accounts with TIAA-CREF and/or with Fidelity Investments. At June 30, 2019, the University had approximately 3,637 plan participants. Employees may also deposit supplemental retirement funds into 403(b) and/or 457(b) plans up to permissible limits. The University contributes a specified percentage of employee wages up to 7.5%, and has no liability beyond its own contribution. University contributions to this program are summarized in the Retirement Plan Contributions table.

DEFINED CONTRIBUTION RETIREMENT PLAN CONTRIBUTIONS

	2019	2018	2017
University contributions to TIAA-CREF/Fidelity	\$ 7,042,336	\$ 6,966,911	\$ 6,629,170
Payroll covered under TIAA-CREF/Fidelity	\$ 99,832,956	\$ 97,399,656	\$ 93,237,315

Defined Benefit Plan

The University contributes to MPSERS, a cost-sharing multi-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services. Benefit provisions are established and may be amended by state statute. Due to State of Michigan House Bill HB4047, University employees hired after December 31, 1995 can no longer participate in this retirement plan, unless they were previously enrolled in the plan at the University or one of the other six universities that are part of MPSERS. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

University participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Defined Contribution	Defined Contribution	Open

The Member Investment Plan (MIP) includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through December 31, 1995. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the *MIP* plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7%* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the *Pension Plus* plan as described above.



Benefits Provided

MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation multiplied by the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan Name	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or age 60 with 10 years	10 years
Defined Contribution	---	4 years

Contributions

Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. Contribution rates are adjusted annually by the ORS. The rates from October 1 to September 30 are as follows:

Fiscal Year Ended	Funded Portion	Unfunded Portion
June 30, 2019	5.29%	19.74%
June 30, 2018	4.87%	20.26%

Depending on the plan selected, plan member contributions range from 0.0 percent to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The University's contributions to MPSERS under all pension plans as described above for the years ended June 30, 2019 and 2018 were \$5,683,916 and \$4,919,399, respectively, equal to the required contributions for each year.



Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the University reported a liability of \$71.833 million and \$64.789 million respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and 2016, respectively. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating universities, actuarially determined. At September 30, 2018 and 2017, the University's proportion (as calculated by MPSERS) was 11.24088% and 11.26247%, respectively.

For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$14.050 million and \$9.938 million, respectively. At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 55,713
Changes of assumptions	576,176	-
Contributions subsequent to measurement date	4,592,388	-
Rate stabilization appropriations received subsequent to the measurement date	-	446,592
Changes in proportionate share and differences between contributions and proportionate share of contributions	22,952	6,617
Net difference between projected and actual earnings on pension plan investments	-	2,376,165
Total	\$ 5,191,516	\$ 2,885,087

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 69,666
Changes of assumptions	546,855	-
Contributions subsequent to measurement date	5,303,291	-
Rate stabilization appropriations received subsequent to the measurement date	-	1,077,703
Changes in proportionate share and differences between contributions and proportionate share of contributions	36,354	32,543
Net difference between projected and actual earnings on pension plan investments	-	1,440,538
Total	\$ 5,886,500	\$ 2,620,450



The amount of deferred outflows of resources related to University contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending June 30, 2020. The amount of deferred inflows of resources related to rate stabilization appropriations received subsequent to the measurement date will be recognized as an increase in revenue for the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	436,637
2021	(904,895)
2022	(960,709)
2023	(410,400)
Total	<u><u>\$ (1,839,367)</u></u>

Actuarial Assumptions

The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	2.75%
Salary increases	2.75% -- 11.55%, including wage inflation at 2.75%
Investment rate of return	7.05% (7% for the Pension-Plus plan), net of pension plan investment expenses, including inflation
Cost of Living adjustments	3.0% annual, non-compounded for MIP members

The mortality table used in this valuation was the RP-2014 Male and Female Healthy Annuitant Mortality Tables. For active members, 100% of the table rates were used. For retirees, 82% of the table rates were used for males and 78% of the table rates were used for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money- Weighted Rate of Return</u>
Domestic equity pools	28.0%	5.7%	1.6%
Private equity pools	18.0%	9.2%	1.7%
International equity pools	16.0%	7.2%	1.2%
Fixed income pools	10.5%	0.5%	0.1%
Real estate and infrastructure pools	10.0%	3.9%	0.4%
Absolute return pools	15.5%	5.2%	0.8%
Short-term investment pools	2.0%	0.0%	0.0%
	<u>100.0%</u>		<u>5.8%</u>
Inflation			<u>2.3%</u>
Investment rate of return			<u>8.1%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.05% for June 30, 2019 (7.5% for June 30, 2018). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the University's contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the University, calculated using the discount rate of 7.05% for fiscal year 2019 and 7.50% for fiscal year 2018, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

NET PENSION LIABILITY			
Fiscal Year	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
2019	\$ 84,919,884	\$ 71,833,414	\$ 60,669,703

Fiscal Year	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2018	\$ 76,015,369	\$ 64,788,673	\$ 55,098,506

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Other Postemployment Benefits

Plan Description

The University offers postemployment benefits to its retirees through a single-employer plan, administered by the University, and through a multi-employer cost sharing plan, administered by the State of Michigan.

Retiree Benefits Program

The University offers health coverage to its retirees and their covered dependents. The plan provides health, dental, and vision insurance benefits to eligible participants. To be eligible, a retiree from the University must be at least 60 years old and his or her years of service plus age must be equal to, or greater than, 80. Retirees are responsible for the full cost of insurance premiums which are set at COBRA rates. Prior to January 1, 2014, the University subsidized the insurance premium costs for retirees. The phasing-out of subsidies for new retirees occurred from January 1, 2007 to December 31, 2013. The OPEB liability recognized by the University is associated with retirees and covered dependents who continue to receive subsidized premiums.

MPSERS

MPSERS is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists



of twelve members—eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Retiree Benefits Program

The contribution requirements of the plan members are established annually by the University. The required contribution is based on annual projected pay-as-you go financing requirements. Prior to 2007, the University utilized its COBRA rates as the full cost value of early retiree medical and dental benefits. Depending upon specific fiscal years of retirement, these non-Medicare retirees paid a certain percentage of this COBRA rate. Even for those early retirees where their contribution requirement was 100% of the COBRA rate, there was an implied subsidy as the age-adjusted full cost for pre-Medicare

eligible retirees is significantly higher. Beginning in 2007, the University began a seven year phase out of the subsidy implied when utilizing the COBRA rates so that starting on January 1, 2014 retiree contributions were established on the expected full cost of the retiree medical and dental plans (pre-Medicare and Medicare eligible populations). The University has not prefunded any of its OPEB liability, nor does it presently intend to prefund its OPEB liability. Therefore, as of June 30, 2019, the most recent actuarial valuation date, the Plan was 0% funded.

MPSERS

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period for the 2018 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2019.

OPEB CONTRIBUTION RATES

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer (10/1/17 to 9/30/18)</u>	<u>Employer (10/1/18 to 9/30/19)</u>
Premium Subsidy	3.00%	6.44%	6.42%
Personal Healthcare Fund	0.00%	6.13%	5.99%

Required contributions to the OPEB plan from the University were \$1,465,359 and \$1,866,717 for the years ended June 30, 2019 and June 30, 2018, respectively.





OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Retiree Benefits Program

At June 30, 2019 and 2018, the University reported a liability of \$6,019,259 and \$6,077,123 respectively, for its Retiree Benefit Program. The net OPEB liability was measured as of June 30, 2019, rolled forward from a valuation date of July 1, 2017. Changes in the OPEB liability for the years ended June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Balance, beginning of year	\$ 6,077,123	\$ 6,431,323
Interest cost	226,484	222,439
Changes in assumptions	165,281	(140,753)
Benefit payments	(449,629)	(435,886)
Balance, end of year	<u>\$ 6,019,259</u>	<u>\$ 6,077,123</u>

On the above, there were no benefit changes. The \$165,281 increase in the liability from June 30, 2018 to June 30, 2019 is due to the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

The below charts summarize the change in the plan fiduciary net position for the fiscal years ended June 30, and show the plan fiduciary net position as a percentage of net OPEB liability and the net OPEB liability as a percentage of covered payroll.

	2019	2018
Plan fiduciary net position, beginning of year	\$ -	\$ -
University contributions	449,629	435,886
Participant contributions	202,321	200,805
Benefit payments	(651,950)	(636,691)
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability	\$ 6,019,259	\$ 6,077,123
Plan fiduciary net position as a percentage of net OPEB liability	0%	0%
University's covered payroll	\$ 133,097,512	\$ 130,754,665
Net OPEB liability as a percentage of covered payroll	5%	5%

The June 30, 2019 OPEB liability is based on participant census data as of July 1, 2017. The number of plan participants consisted of the following:

Retirees younger than 65 years old	6
Retirees 65 years old or older	<u>112</u>
Total inactive participants	<u>118</u>



MPSERS

At June 30, 2019 and 2018, the University reported a liability of \$13,395,226 and \$15,973,138 respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The University's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period. At September 30, 2018 and 2017, The University's proportion was 11.29059% and 11.22486%, respectively.

For the years ended June 30, 2019 and June 30, 2018, the University recognized OPEB expense of (\$183,465) and \$888,602 respectively. At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,053,909
Changes of assumptions	572,215	-
Net difference between projected and actual earnings on OPEB plan investments	-	763,205
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,072	5,038
Employer contributions subsequent to the measurement date	1,220,384	-
Total	\$ 597,287	\$ 1,822,152

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 120,274
Net difference between projected and actual earnings on on OPEB plan investments	-	518,190
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	30,994
Employer contributions subsequent to the measurement date	1,344,695	-
Total	\$ 1,344,695	\$ 669,458



Employer contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ (685,038)
2021	(223,378)
2022	(223,378)
2023	(93,071)
Total	<u><u>\$ (1,224,865)</u></u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SUMMARY OF ACTUARIAL ASSUMPTIONS

	<u>MPSERS</u>	<u>Retiree Benefits Program</u>
Valuation Date	September 30, 2017	July 1, 2017
Actuarial Cost Method	Entry Age, Normal	Entry Age, Normal
Wage Inflation Rate	2.75%	N/A
Investment Rate of Return	7.15%	N/A
Projected Salary Increases	2.75 - 11.55%, including wage inflation at 2.75%	4.00%
Healthcare Cost Trend	7.5% Year 1 graded to 3.0% year 12	S&P Healthcare Economic Index and internal trend guidance
Mortality: Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projections scale MP-2017 from 2006.	RPH-2006 Headcount-Weighted Table with Fully Generational Mortality Improvement Projections from the Central Year using Scale MP-2017.
Other Assumptions:		
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.	N/A
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.	N/A
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.	N/A

Long-Term Expected Return on Plan Assets

MPSERS

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.0%	5.7%	1.6%
Private equity pools	18.0%	9.2%	1.7%
International equity pools	16.0%	7.2%	1.2%
Fixed income pools	10.5%	0.5%	0.1%
Real estate and infrastructure pools	10.0%	3.9%	0.4%
Absolute return pools	15.5%	5.2%	0.8%
Short-term investment pools	2.0%	0.0%	0.0%
	<u>100.0%</u>		<u>5.8%</u>
Inflation			<u>2.3%</u>
Investment rate of return			<u>8.1%</u>

Rate of Return

MPSERS

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.





Discount Rate

Retiree Benefits Program

A discount rate of 3.50% was used to measure the total OPEB liability for June 30, 2019 (3.87% for June 30, 2018). The discount rate was determined using the interest rate reported under the 20-YEAR Municipal Bond Index on the last Friday prior to the June 30, 2019 measurement date.

MPSERS

A discount rate of 7.15% was used to measure the total OPEB liability for June 30, 2019 (7.5% for June 30, 2018). This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 7.15% and 3.50% for fiscal year 2019 and 7.50% and 3.87% for fiscal year 2018, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

		2019					
		1% Decrease		Current Discount Rate		1% Increase	
MPSERS		6.15%	\$ 16,114,627	7.15%	\$ 13,395,226	8.15%	\$ 11,073,186
Retiree Benefits Program		2.50%	6,511,653	3.50%	6,019,259	4.50%	5,591,155
Total			\$ 22,626,280		\$ 19,414,485		\$ 16,664,341
		2018					
		1% Decrease		Current Discount Rate		1% Increase	
MPSERS		6.50%	\$ 18,621,914	7.50%	\$ 15,973,138	8.50%	\$ 13,691,726
Retiree Benefits Program		2.87%	6,588,205	3.87%	6,077,123	4.87%	5,633,115
Total			\$ 25,210,119		\$ 22,050,261		\$ 19,324,841



Sensitivity of the University's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the University's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the University's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	2019					
	1% Decrease		Current Trend Rate		1% Increase	
MPSERS	6.15%	\$ 10,902,786	7.15%	\$ 13,395,226	8.15%	\$ 16,246,919
Retiree Benefits Program	2.50%	5,483,977	3.50%	6,019,259	4.50%	6,625,568
Total		\$ 16,386,763		\$ 19,414,485		\$ 22,872,487

	2018					
	1% Decrease		Current Trend Rate		1% Increase	
MPSERS	6.50%	\$ 13,521,016	7.50%	\$ 15,973,138	8.50%	\$ 18,750,985
Retiree Benefits Program	2.87%	5,583,093	3.87%	6,077,123	4.87%	6,635,672
Total		\$ 19,104,109		\$ 22,050,261		\$ 25,386,657

OPEB Plan Fiduciary Net Position

Detailed information about the MPSERS OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Retirement Supplemental Voluntary Plan

The University has a Retirement Supplemental Voluntary Plan (RSVP) to facilitate the voluntary retirement of eligible employees. The RSVP is not an early retirement program. The decision to retire is left to the discretion of the individual employee and remains entirely voluntary. However, if an employee decides to retire, the RSVP provides several options upon retirement: a monetary option; a phased retirement option; a combination of the monetary and phased retirement options; and a program for employment after retirement. The University recognizes the related costs in the year the employee decides to retire. There was no RSVP liability at June 30, 2019 and 2018.

(10) COMMITMENTS AND CONTINGENCIES

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

The University receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. University administration believes there is no liability for reimbursement which may arise as the result of audits.

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

In the normal course of its activities, the University is a party in various legal actions. Although some actions have been brought for large amounts, the University has not experienced any significant losses or costs.



The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

(11) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

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

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

	<u>2019</u>	<u>2018</u>
Instruction	\$ 68,849,760	\$ 67,440,316
Research	60,969,147	60,616,133
Public service	11,163,433	10,991,883
Academic support	24,568,081	24,519,164
Student services	16,161,647	15,428,875
Institutional support	26,221,651	21,058,821
Operations and maintenance of plant	14,850,798	14,767,302
Student financial support	14,307,807	11,126,752
Departmental activities	8,514,434	7,058,198
Student residents	8,623,028	9,377,024
Depreciation	14,933,237	14,591,447
Total	<u><u>\$ 269,163,023</u></u>	<u><u>\$ 256,975,915</u></u>



(12) EXTRAORDINARY ITEMS DUE TO FLOOD

On June 17, 2018, Houghton County, Michigan experienced a massive rainfall event which produced flash flooding and caused substantial damage throughout the county. The University suffered flood damage to its five-story main administration building, affecting office space, mechanical areas, electrical equipment, and the campus mailroom and print shop. Other areas of campus were affected as well, although not as severely as the administration building. The facilities building, golf course retaining wall, and Keweenaw Research Center test course were all damaged by moving water, as was Mont Ripley, the University-owned ski hill, which suffered a resulting landslide that damaged snow-making equipment and destroyed two ski runs.

As required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the University recognized a loss on capital asset impairment of \$744,170 on the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2018. The June 2018 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence, and as such, the loss on capital asset impairment is shown as an extraordinary item due to flood on the Statements of Revenues, Expenses, and Changes in Net Position.

The University has received insurance recoveries and FEMA funding to restore or replace the impaired capital assets and to recover other costs associated with flood damages. Damages not covered under the University's insurance policies are eligible for FEMA funding that is being passed-through the State of Michigan. Under the State of Michigan's Public Assistance Grant Program, the University will be responsible for a 25% cost share.

During fiscal year 2019, the University incurred \$1,993,000 in expenses associated with flood damages and recognized \$2,500,000 in insurance recoveries (\$1,500,000 of which is recorded as a receivable at June 30, 2019), netting to a \$507,000 extraordinary item due to flood. It is expected that additional expenses will be incurred and additional insurance recoveries will be received during fiscal year 2020.





REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-sharing Multiple Employer Plan

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2019	2018	2017	2016	2015
University's proportion of the net pension liability	11.24088%	11.26247%	11.20220%	10.00520%	9.64907%
University's proportionate share of the net pension liability	\$ 71,833,414	\$ 64,788,673	\$ 62,759,225	\$ 54,888,547	\$ 36,194,241
University's covered payroll	\$ 23,533,179	\$ 23,879,000	\$ 8,943,572	\$ 9,118,081	\$ 9,156,216
University's proportionate share of the net pension liability as a percentage of its covered payroll	305.24%	271.32%	701.72%	601.97%	252.97%
Plan fiduciary net position as a percentage of the total pension liability	45.87%	47.42%	46.77%	47.45%	63.00%

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS

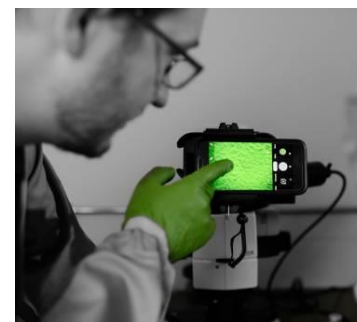
	2019	2018	2017	2016	2015
Contractually required pension contributions	\$ 5,683,916	\$ 4,919,399	\$ 4,283,370	\$ 4,150,666	\$ 3,395,404
Contributions in relation to the contractually required contribution	\$ 5,683,916	\$ 4,919,399	\$ 4,283,370	\$ 4,150,666	\$ 3,395,404
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 23,886,295	\$ 23,619,500	\$ 8,526,091	\$ 8,606,261	\$ 8,877,145
Contributions as a percentage of covered payroll	23.80%	20.83%	50.24%	48.23%	38.25%

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2019	2018
University's proportion of the net OPEB liability	11.29059%	11.22486%
University's proportionate share of the net OPEB liability	\$ 13,395,226	\$ 15,973,138
University's covered payroll	\$ 23,533,179	\$ 23,879,000
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	56.92%	66.89%
Plan fiduciary net position as a percentage of the total OPEB liability	51.90%	44.11%

SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS

	2019	2018
Contractually required OPEB contributions	\$ 1,465,359	\$ 1,608,346
Contributions in relation to the contractually required contribution	\$ 1,465,359	\$ 1,608,346
Contribution deficiency (excess)	\$ -	\$ -
University's covered payroll	\$ 23,886,295	\$ 23,619,500
Contributions as a percentage of covered payroll	6.13%	6.81%



Notes to Required Supplementary Information

The amounts presented for the fiscal year in the above Schedule of the University's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year.

GASB 68 was implemented in fiscal year 2015 and GASB 75 was implemented in fiscal year 2018. These schedules are being built prospectively. Ultimately, 10 years of data will be presented.

Changes of benefit terms: There were no changes of benefit terms from 2015 to 2019.

Changes of assumptions:

Pension: The discount rate was reduced to 7.05% for the September 30, 2018 valuation from 7.50% at September 30, 2017. In addition, the September 30, 2017 discount rate was reduced from 8.00%, which was the discount rate for the years ending September 30, 2016, 2015, and 2014.

OPEB: The discount rate was reduced to 7.15% for the September 30, 2018 valuation from 7.50% at September 30, 2017.

The required supplementary information for the University's Retiree Benefits Program is included in Footnote 9, Postemployment Benefits, of this document.

SUPPLEMENTARY *INFORMATION*





MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF NET POSITION BY FUND AT JUNE 30, 2019

	General	Designated	Auxiliary Activities	Refirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Michigan Tech Fund	Eliminations	Combined Total 2019	Combined Total 2018
Assets													
Current assets:													
Cash and cash equivalents	\$ (12,543,269)	\$ 19,203,990	\$ 4,753,028	\$ (7,912,805)	\$ 1,707,492	\$ 5,208,436	\$ 3,576,452	\$ 7,514,482	\$ 2,896,636	\$ 7,233,184	\$ -	\$ 26,429,190	\$ 26,278,021
Accounts receivable, net	10,792,632	57,591	337,296	39,777	9,418,894	20,646,190	-	129,785	107,380	-	(998,789)	19,884,566	19,078,913
Insurance receivable	-	-	-	1,500,000	-	1,500,000	-	-	-	-	-	1,500,000	-
Pledges receivable, net	-	-	-	-	-	-	-	-	-	923,492	-	923,492	714,693
Other assets	333,648	13,525	1,258,607	646,558	-	2,252,338	-	-	-	21,935	-	2,274,273	2,282,474
Total current assets	(1,416,989)	19,275,106	6,348,931	(5,726,470)	11,126,386	29,606,964	3,576,452	7,644,267	3,004,016	8,178,611	(998,789)	51,011,521	48,354,101
Noncurrent assets:													
Student loans receivable, net	-	-	-	-	-	-	9,717,147	-	-	-	-	9,717,147	11,572,076
Pledges receivable, net	-	-	-	-	-	-	-	77,304	-	1,712,253	-	1,712,253	2,173,258
Restricted cash for capital projects	-	-	-	-	-	-	-	-	77,304	-	-	77,304	3,236,523
Investments	14,355,715	-	-	21,243,012	-	35,598,727	-	-	-	139,637,161	-	175,235,888	171,177,126
Beneficial interest in charitable remainder trusts	-	-	-	-	-	-	-	9,724,597	-	6,273,104	-	6,273,104	5,812,167
Land held for investment	-	-	-	-	-	-	-	234,218,326	-	219,000	-	9,943,597	9,845,997
Capital assets, net	-	-	-	-	-	-	-	978,544	-	-	-	234,218,326	237,277,224
Other assets	-	-	-	-	-	-	-	-	-	1,507,761	(485,000)	2,001,305	1,968,405
Total noncurrent assets	14,355,715	-	21,243,012	-	35,598,727	35,598,727	9,717,147	244,998,771	3,004,016	149,349,279	(485,000)	439,178,924	443,062,776
Total assets	12,938,726	19,275,106	6,348,931	15,516,542	11,126,386	65,205,691	13,293,599	252,643,038	3,004,016	157,527,890	(1,483,789)	490,190,445	491,416,877
Deferred outflows of resources	-	-	-	7,009,187	-	7,009,187	-	-	-	-	-	7,009,187	7,231,195
Liabilities													
Current liabilities													
Accounts payable	2,069,354	404,620	470,695	1,109,751	1,232,017	5,286,437	1,060	1,771,781	12,565	1,080,609	(998,789)	7,153,663	7,102,646
Other accrued liabilities	5,930,919	(20,800)	134,130	5,318,541	-	11,362,790	-	1,458	2,991,451	-	-	14,355,699	13,684,891
Unearned revenue	132,470	-	-	-	5,464,622	5,597,092	-	231,250	-	-	-	5,828,342	5,752,885
Annuity obligations, current portion	-	-	-	-	-	-	-	-	-	428,477	-	428,477	405,772
Insurance and benefit reserves, current portion	-	-	-	940,371	-	940,371	-	-	-	-	-	940,371	925,640
Long-term debt, current portion	-	-	-	-	-	-	-	3,748,339	-	-	-	3,748,339	3,496,216
Total current liabilities	8,132,743	383,820	604,825	7,368,663	6,696,639	23,186,690	1,060	5,752,828	3,004,016	1,509,086	(998,789)	32,454,891	31,348,050
Noncurrent liabilities													
Funds held for others	775,451	485,000	-	-	-	1,260,451	-	-	-	-	(485,000)	775,451	759,950
Annuity obligations, net of current portion	-	-	-	-	-	-	-	-	-	5,613,091	-	5,613,091	5,382,704
Long-term debt, net of current portion	-	-	-	-	-	-	-	89,237,063	-	-	-	89,237,063	92,822,231
Net pension liability	-	-	-	71,833,414	-	71,833,414	-	-	-	-	-	71,833,414	64,788,673
Net OPEB liability	-	-	-	19,414,485	-	19,414,485	-	-	-	-	-	19,414,485	22,050,261
Total noncurrent liabilities	775,451	485,000	-	91,247,899	-	92,508,350	-	89,237,063	-	5,613,091	(485,000)	186,873,504	185,803,819
Total liabilities	8,908,194	868,820	604,825	98,616,562	6,696,639	115,695,040	1,060	94,989,891	3,004,016	7,122,177	(1,483,789)	219,328,395	217,171,869
Deferred inflows of resources	-	-	-	4,707,239	-	4,707,239	-	-	-	-	-	4,707,239	3,289,908
Net position													
Net investment in capital assets	-	-	-	-	-	-	-	141,106,255	-	-	-	141,106,255	144,192,168
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	-	-	99,051,271	-	99,051,271	96,415,785
Expendable	(1,240)	-	70,621	-	4,429,747	4,499,128	13,525,965	11,772,660	-	43,622,679	-	73,420,432	75,515,535
Unrestricted (deficit)	4,031,772	18,406,286	5,673,485	(80,798,072)	-	(52,686,529)	(233,426)	4,774,232	-	7,731,763	-	(40,413,960)	(37,937,193)
Total net position	\$ 4,030,532	\$ 18,406,286	\$ 5,744,106	\$ (80,798,072)	\$ 4,429,747	\$ (48,187,401)	\$ 13,292,539	\$ 157,653,147	\$ -	\$ 150,405,713	\$ -	\$ 273,163,998	\$ 278,186,295

MICHIGAN TECHNOLOGICAL UNIVERSITY
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY OBJECT
 FOR THE YEAR ENDED JUNE 30, 2019

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2019	2018
Revenues												
Operating revenues												
Student tuition and fees, net	\$ 140,375,269	\$ -	\$ 1,171,295	\$ -	\$ 19,643	\$ 141,566,207	\$ -	\$ -	\$ -	\$ (38,744,959)	\$ 102,821,248	\$ 98,449,561
Federal grants and contracts	37,696	-	-	-	28,804,512	28,842,208	-	-	-	-	28,842,208	26,830,715
State and local grants and contracts	19,200	-	-	-	4,358,769	4,377,969	-	-	-	-	4,377,969	4,034,915
Nongovernmental grants and contracts	-	-	-	-	18,796,611	18,796,611	-	-	-	-	18,796,611	17,156,165
Indirect cost recoveries	13,643,009	-	-	-	(13,643,009)	-	-	-	-	-	-	-
Educational activities	500,304	3,594,918	679,663	-	587,859	5,362,744	510	-	-	-	5,363,254	5,445,165
Departmental activities	78,954	103,168	9,500,874	(757)	1,117	9,683,356	-	50,901	-	-	9,734,257	10,062,304
Student residence fees, net	-	-	26,491,674	-	-	26,491,674	-	12,954	-	(7,683,991)	18,820,637	19,241,163
Total operating revenues	154,654,432	3,698,086	37,843,506	(757)	38,925,502	235,120,769	510	63,855	-	(46,428,950)	188,756,184	181,219,988
Expenses												
Operating expenses												
Salaries and wages	93,636,545	6,813,507	9,935,291	2,919,789	19,678,929	132,984,061	-	-	-	-	132,984,061	130,646,642
Fringe benefits	32,394,736	1,703,484	2,751,394	4,485,174	4,517,298	45,852,086	-	-	-	-	45,852,086	42,880,270
Supplies and services	15,822,167	9,577,479	14,706,264	307,408	15,334,116	55,747,434	149,698	10,005,302	12,189,077	(23,055,656)	55,035,855	52,012,799
Student financial support	47,139,838	592,697	5,152	-	12,258,370	59,996,057	-	-	2,825,649	(49,254,599)	13,567,107	9,941,784
Utilities	4,298,877	213,542	2,255,089	945	22,224	6,790,677	-	-	-	-	6,790,677	6,902,973
Depreciation	-	-	-	-	-	-	-	14,933,237	-	-	14,933,237	14,591,447
Total operating expenses	193,292,163	18,900,709	29,653,190	7,713,316	51,810,937	301,370,315	149,698	24,938,539	15,014,726	(72,310,255)	269,163,023	256,975,915
Operating (loss) income	(38,637,731)	(15,202,623)	8,190,316	(7,714,073)	(12,885,435)	(66,249,546)	(149,188)	(24,874,684)	(15,014,726)	25,881,305	(80,406,839)	(75,755,927)
Net transfers (out) in	(14,691,631)	12,622,793	(10,177,819)	606,779	2,141,629	(9,498,249)	-	9,498,249	-	-	-	-
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,850,815	5,850,815	-	442,396	-	-	6,293,211	6,128,727
Federal grants, other	-	-	-	-	-	-	-	483,764	-	-	483,764	492,469
State appropriations	49,949,600	-	-	-	-	49,949,600	-	-	-	-	49,949,600	49,081,629
Gifts	4,413,675	3,378,341	347,839	-	4,721,521	12,861,376	-	-	11,177,042	(12,133,497)	11,904,921	11,158,451
Investment return	785,618	-	-	2,106,357	5,195	2,897,170	348,500	(76,619)	3,042,451	-	6,211,502	13,024,441
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,218,557)	-	-	(4,218,557)	(4,357,001)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(138,434)	(138,434)	(106,695)
Net nonoperating revenues (expenses)	55,148,893	3,378,341	347,839	2,106,357	10,577,531	71,558,961	348,500	(3,369,016)	14,219,493	(12,271,931)	70,486,007	75,422,021
Income (loss) before other revenues	1,819,531	798,511	(1,639,664)	(5,000,937)	(166,275)	(4,188,834)	199,312	(18,745,451)	(795,233)	13,609,374	(9,920,832)	(333,906)
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	2,013,888	857,612	(1,150,038)	1,721,462	967,853
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	2,575,646	-	2,575,646	5,626,316
Other nonoperating revenues	-	-	-	-	-	-	-	-	94,427	-	94,427	100,285
Fund additions	-	-	-	-	-	-	-	12,459,336	-	(12,459,336)	-	-
Total other revenues	-	-	-	-	-	-	-	14,473,224	3,527,685	(13,609,374)	4,391,535	6,694,454
Net extraordinary items due to flood	-	-	-	507,000	-	507,000	-	-	-	-	507,000	(744,170)
Net increase (decrease) in net position	1,819,531	798,511	(1,639,664)	(4,493,937)	(166,275)	(3,681,834)	199,312	(4,272,227)	2,732,452	-	(5,022,297)	5,616,378
Net position, beginning of year	2,211,001	17,607,775	7,383,770	(76,304,135)	4,596,022	(44,505,567)	13,093,227	161,925,374	147,673,261	-	278,186,295	272,569,917
Net position, end of year	\$ 4,030,532	\$ 18,406,286	\$ 5,744,106	\$ (80,798,072)	\$ 4,429,747	\$ (48,187,401)	\$ 13,292,539	\$ 157,653,147	\$ 150,405,713	\$ -	\$ 273,163,998	\$ 278,186,295



**MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019**

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2019	2018
Revenues												
Operating revenues												
Student tuition and fees, net	\$ 140,375,269	\$ -	\$ 1,171,295	\$ -	\$ 19,643	\$ 1,415,662	\$ -	\$ -	\$ -	\$ (38,744,959)	\$ 102,821,248	\$ 98,449,561
Federal grants and contracts	37,696	-	-	-	28,804,512	28,842,208	-	-	-	-	28,842,208	26,830,715
State and local grants and contracts	19,200	-	-	-	4,358,769	4,377,969	-	-	-	-	4,377,969	4,034,915
Nongovernmental grants and contracts	-	-	-	-	18,796,611	18,796,611	-	-	-	-	18,796,611	17,156,165
Indirect cost recoveries	13,643,009	-	-	-	(13,643,009)	-	-	-	-	-	-	-
Educational activities	500,304	3,594,918	679,663	-	587,859	5,362,744	510	-	-	-	5,363,254	5,445,165
Departmental activities	78,954	103,168	9,500,874	(757)	1,117	9,683,356	-	50,901	-	-	9,734,257	10,062,304
Student residence fees, net	-	-	26,491,674	-	-	26,491,674	-	12,954	-	(7,683,991)	18,820,637	19,241,163
Total operating revenues	154,654,432	3,698,086	37,843,506	(757)	38,925,502	235,120,769	510	63,855	-	(46,428,950)	188,756,184	181,219,988
Expenses												
Operating expenses												
Instruction	64,119,223	2,712,523	-	1,874,975	161,180	68,867,901	-	-	-	(18,141)	68,849,760	67,440,316
Research	17,880,936	11,917,850	-	1,391,110	32,924,822	64,114,718	-	-	-	(3,145,571)	60,969,147	60,616,133
Public service	1,668,057	572,602	-	241,932	8,716,337	11,989,282	-	-	-	(35,495)	11,163,433	10,991,883
Academic support	22,790,737	920,238	-	665,314	1,267	24,377,556	-	-	-	190,525	24,568,081	24,519,164
Student services	9,196,087	1,318,495	4,810,084	362,898	166,806	15,854,370	-	-	-	307,277	16,161,647	15,428,875
Institutional support	22,096,790	224,973	-	2,914,914	13,329	25,250,006	-	513,037	12,189,077	(11,730,469)	26,221,651	21,058,821
Student financial support	43,075,873	-	-	-	9,827,196	52,903,069	149,698	-	2,825,649	(41,570,609)	14,307,807	11,126,752
Operations and maintenance of plant	12,464,460	1,234,028	-	(40,242)	-	13,658,246	-	9,492,265	-	(8,299,713)	14,850,798	14,767,302
Sales and services of dept activities	-	-	-	-	-	-	-	-	-	8,514,434	8,514,434	7,058,198
Student residents	-	-	24,843,106	302,415	-	25,145,521	-	-	-	(16,522,493)	8,623,028	9,377,024
Depreciation	-	-	-	-	-	-	-	14,933,237	-	-	14,933,237	14,591,447
Total operating expenses	193,292,163	18,900,709	29,653,190	7,713,316	51,810,937	301,370,315	149,698	24,938,539	15,014,726	(72,310,255)	269,163,023	256,975,915
Operating (loss) income	(38,637,731)	(15,202,623)	8,190,316	(7,714,073)	(12,885,435)	(66,249,546)	(149,188)	(24,874,684)	(15,014,726)	25,881,305	(80,406,839)	(75,755,927)
Net transfers (out) in												
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,850,815	5,850,815	-	442,396	-	-	6,293,211	6,128,727
Federal grants, other	-	-	-	-	-	-	-	483,764	-	-	483,764	492,469
State appropriations	49,949,600	-	-	-	-	49,949,600	-	-	-	-	49,949,600	49,081,629
Gifts	4,413,675	3,378,341	347,839	-	4,721,521	12,861,376	-	-	11,177,042	(12,133,497)	11,904,921	11,158,451
Investment return	785,618	-	-	2,106,357	5,195	2,897,170	348,500	(76,619)	3,042,451	-	6,211,502	13,024,441
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,218,557)	-	-	(4,218,557)	(4,357,001)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	(138,434)	-	(138,434)	(106,695)
Net nonoperating revenues (expenses)	55,148,893	3,378,341	347,839	2,106,357	10,577,531	71,558,961	348,500	(3,369,016)	14,219,493	(12,271,931)	70,486,007	75,422,021
Income (loss) before other revenues	1,819,531	798,511	(1,639,664)	(5,000,937)	(166,275)	(4,188,834)	199,312	(18,745,451)	(795,233)	13,609,374	(9,920,832)	(333,906)
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	2,013,888	857,612	(1,150,038)	1,721,462	967,853
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	2,575,646	-	2,575,646	5,626,316
Other nonoperating revenues	-	-	-	-	-	-	-	94,427	-	-	94,427	100,285
Fund additions	-	-	-	-	-	-	-	12,459,336	-	(12,459,336)	-	-
Total other revenues	-	-	-	-	-	-	-	14,473,224	3,527,685	(13,609,374)	4,391,535	6,694,454
Net extraordinary items due to flood	-	-	-	-	-	507,000	-	-	-	-	507,000	(744,170)
Net increase (decrease) in net position	1,819,531	798,511	(1,639,664)	(4,493,937)	(166,275)	(3,681,834)	199,312	(4,272,227)	2,735,452	-	(5,022,297)	5,616,378
Net position, beginning of year	2,211,001	17,607,775	7,383,770	(76,304,135)	4,596,022	(44,505,567)	13,093,227	161,925,374	147,673,261	-	278,186,295	272,569,917
Net position, end of year	\$ 4,030,532	\$ 18,406,286	\$ 5,744,106	\$ (80,798,072)	\$ 4,429,747	\$ (48,187,401)	\$ 13,292,539	\$ 157,653,147	\$ 150,405,713	\$ -	\$ 273,163,998	\$ 278,186,295

2019 FINANCIAL REPORT



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