2018
FINANCIAL REPORT

Michigan Technological University
1885

TABLE OF CONTENTS

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 though 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.

ADMINISTRATIVE OFFICERS

BOARD OF TRUSTEES

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2018	Julie A. Fream	Terry J. Woychowski, Chair
2020	Robert Jacquart	Linda Kennedy
2022	William Johnson	Brenda Ryan, Vice Chair
2024	Derhun Sanders	Steven Tomaszewski

EXECUTIVE AND BOARD OFFICERS

Glenn D. Mroz
President

David D. Reed
Vice President for Research

Julie Seppala
Vice President for Finance
Treasurer of the Board of Trustees

Roberta Dessellier
Secretary of the Board of Trustees

Jacqueline E. Huntoon
Provost and Vice President for Academic Affairs

Les P. Cook
Vice President for Student Affairs and Advancement

Ellen S. Horsch
Vice President for Administration

UNIVERSITY UPDATE

News and Rankings

Fall 2017 enrollment at Michigan Technological University was 7,319, the highest the school has seen since 1983 and the fifth straight year of enrollment growth. With 51 students more than last year, this was the fourth straight year Michigan Tech has recorded its largest student body since 1983. The number of undergraduates grew by 90 students.

Female enrollment is at a record high with 1,983 women enrolled, 26 more than last year's record number. The proportion grew again, making up 27.1 percent of the student body, at the same time overall enrollment was increasing as well.

In rankings, *US News & World Report* placed Michigan Tech into the top half of public universities by ranking Tech 67nd in the nation. In the overall rankings of 280 public and private national universities, Tech ranked 136th. Michigan Tech's undergraduate engineering ranking was 75th in the nation. *US News & World Report* placed Michigan Tech 83 among more than 200 engineering schools that grant doctoral degrees. Michigan Tech was also ranked as a Best Value School (#121), Best School for Veterans (#92) and an "A+ School for B Students."

Forbes ranked Michigan Tech 12th in the nation for graduate's mid-career salaries and ranked the University among the 25 Top STEM colleges.

College Magazine ranked Michigan Tech at the top of the list of the "10 Safest Colleges Campuses." The magazine said the colleges on their list "have gone above and beyond to make safety a priority."

Princeton Review included Michigan Tech on its *Best 384 Colleges* list, as it has every year since 1994. The *Review* does not assign numerical rankings. *Princeton Review* also named Tech as one of the Best Midwestern Colleges and one of 200 "Colleges That Pay You Back."

College Factual ranked Michigan Tech in the top 12 percent of more than 1,400 institutions for veterans. The Department of Mechanical Engineering-Engineering Mechanics was ranked 15th of 269 mechanical engineering departments nationwide.

Money Magazine placed Michigan Tech among the 112 Best Colleges for Your Money nationally and #3 in Michigan. College Consensus named the University "One of the Best Colleges for Veterans." Tech placed 52nd out of the top 192.

Hockey By Design ranked the Michigan Tech Hockey Huskies jerseys the "Best in the Nation."

Four new deans were seated in the past year. Janet Callahan was chosen dean of the College of Engineering. The former chair and professor of the Micron School of Materials Science and Engineering at Boise State University is the first female dean of the College of Engineering in Michigan Tech history. Adrienne Minerick was hired to serve as the dean of the School of Technology. She was formerly the associate dean for research and innovation in the College of Engineering, assistant to the provost for faculty development and a professor of Chemical Engineering at Michigan Tech. David Hemmer is the new dean of the School of Sciences and Arts. He comes to Tech from the University at Buffalo, the State University of New York, where he was chair and professor of mathematics. Andrew Storer, previously the associate dean of the School of Forest Resources and Environmental Science, was named the School's dean. He has been on the SFRES faculty for 17 years.

The state of Michigan reached a contract agreement with Michigan Tech to have Great Lakes Research Center Director Guy Meadows lead an independent risk analysis of the Line 5 pipeline that runs beneath the Straits of Mackinac.

Michigan Tech faculty members were called upon to lend their expertise in response to natural disasters throughout the world. Greg Waite, associate professor of Geological and Mining Engineering was on sabbatical at the Hawaiian Volcano Observatory when the ongoing eruption of the Kīlauea Volcano occurred. Waite was joined by Michigan Tech alumnus David Scheider who was sent to Hawaii from the Alaska Volcano Observatory.

Michigan Tech Volcanologist Rüdiger Escobar-Wolf was on the scene of Volcán de Fuego in Guatemala. His work received international media coverage.

A National Science Foundation (NSF)-sponsored team led by Thomas Oommen, associate professor of Geological Mining Engineering and Sciences, visited flood and landslide affected areas in the state of Kerala in southern India.

Awards and Honors

The NSF prestigious Faculty Early Career Development Program (CAREER) recognizes junior faculty across the nation as the next generation of academic leaders. Three Michigan Tech faculty were honored with the award this past year: Keith Vertanen, an assistant professor in Computer Science, was awarded for his work on augmentative and alternative communication interfaces (AAC). Sumit Paudyal, an assistant professor of electrical and computer engineering, won the CAREER Award for his work to advance and optimize power grid efficiency. The third CAREER Award at Michigan Tech this year was presented to Ye Sun, an assistant professor in Mechanical Engineering-Engineering Mechanics. Sun was honored for her project, "System-on-Cloth: A Cloud Manufacturing Framework for Embroidered Wearable Electronics." Their projects are funded for five years, up to $500,000.

Startup companies founded by Michigan Tech professors brought home more than half a million dollars from the 2017 Accelerate Michigan Innovation Competition. Orbion Space Technology, a firm founded by L. Brad King, the Ron & Elaine Starr Professor in Space systems in the Department of Mechanical Engineering-Engineering Mechanics, took the top prize in the competition held in Detroit. Orbion won $500,000 in cash and an additional $39,000 in in-kind services.

Stabilux Biosciences, a firm founded to market technology developed by Yoke Khin Yap, won the "Up and Comer Award," receiving more than $30,000 in cash and services. Yap is a professor of physics.

Michigan Tech alumnus, John Opie '61, received the University's highest honor, the Melvin Calvin Medal of Distinction. Opie, a Detroit native, spent most of his career with General Electric, retiring in 2000 as vice chairman/executive director.

Dr. Bruce Trusock, '74, was awarded the Board of Trustees Silver Medal. Trusock, has served as a sports medicine doctor for Michigan Tech Athletics for more than 36 years, attending more than 1,500 games.

Diversity in Focus

Michigan Tech is committed to including in our educational institution populations who have been traditionally underrepresented or otherwise disadvantaged, whether through economic or structural barriers.

The Office of Institutional Equity and the Center for Diversity and Inclusion support these populations and our community through a variety of efforts. The Social Justice Lecture Series, launched in 2012, introduces a broad range of topics to the campus community. Guest lecturers present topics that encourage critical thinking, provide healthy debate, and challenge assumptions. Speakers in the past year have included Holocaust survivor Peter Gorog, environmentalist and Native American activist Winona LaDuke, and Rev. Sharon Risher whose mother was killed in the shooting at the Mother Emanuel African Methodist Episcopal Church in Charleston, South Carolina.

The University has formed a Climate Survey Working Group and hired a consultant from Pennsylvania State University, Susan Rankin of Rankin & Associates, to conduct a campus-wide assessment of the beliefs, behaviors and practices of members of the Michigan Tech community.

Research

Feng Zhao, an associate professor in Biomedical Engineering and Michigan Tech alumnus Zichen Qian '17, won the 2018 Bhakta Rath Research Award for their work on nanoscaffolding in tissue engineering. The award is Tech's top honor to a doctoral student and faculty advisor working on cutting edge research that has important social implications. The award was established in 2010 by an endowment from Bhakta B. Rath and his wife, Sushama Rath, to promote and reward excellence in scientific and engineering research at Michigan Tech.

Yoke Khin Yap, a professor of Physics, was the recipient of the University's Research Award. Yap's research took an idea about certain nonomolecules from theory to, very soon, a commercialized product.

John Durocher, an assistant professor of Biological Sciences, led a team of Michigan Tech Researchers studying the ability of mindfulness meditation to reduce anxiety. Durocher presented the work at the 2018 Experimental Biology meeting in San Diego.

Michigan Tech is leading a $1.8 million National Institutes of Health (NIH) study to understand alcohol's effects on sleep, blood pressure and brain activity. A five-year project titled, "Alcohol and Neurovascular Control in Humans," is being led by Jason Carter, chair of the Department of Kinesiology and Integrative Physiology and John Durocher, assistant professor of Biological Sciences.

Michigan Tech is building on its resources to create a new STEM ecosystem through a nearly $1 million NSF grant to the School of Technology. The focus is to expand the number and diversity of academically talented and financially disadvantaged students beginning and completing engineering technology degrees at Michigan Tech.

Athletics

The men's ice hockey team had a run for the ages with the Cinderella Story ending in a 4-3 overtime loss to Notre Dame in the NCAA tournament. It was the 13th appearance in the National Tournament for the Huskies and the third in the last four years. Tech received the WCHA's automatic bid by virtue of a 2-0 road win over Northern Michigan in the conference tournament championship. Tech finished the season ranked in the national polls for the fourth straight season. In advance of the upcoming season, there are 10 former Huskies in NHL training camps

Under first-year coach Steve Olson, the football Huskies won the Miner's Cup for the eighth consecutive year, defeating Northern Michigan University 28-21. Defensive lineman, Cody Goldsworthy, of L'Anse, was selected to the 2017 Don Hansen All-Super Region Third Team. Defensive back, Jaylyn Williams-Boone, was selected as the Student Speaker at Spring Commencement.

The volleyball Huskies went to the NCAA Tournament for the ninth time in program history. Coach Matt Jennings was named the GLIAC Coach of the year and Laura DiMarchi was named conference Freshman of the Year, Setter of the Year and All-GLIAC First Team.

For the second year in a row, five Tech Nordic skiers went to the NCAA Championships. Sarah Goble, Amanda Kautzer, Gaspard Cuenot, Tom Bye and Reid Goble represented Michigan Tech in Colorado Springs. Tom Smith was named CCSA Coach of the Year. Amanda Kautzer qualified for the Biathlon Junior World Championship U.S. women's team for the fourth year in a row.

Men's basketball standout, Kyle Monroe, reset the school record for most points scored in a single season with 803 points. He also made 40 consecutive free throws for a school record. Monroe had three 40-point games and set a GLIAC record with 50 points against Saginaw Valley State University. The Huskies tied a school record for fewest turnovers in a game with three against Purdue Northwest.

In Women's Basketball, Tech won its 15th GLIAC North Division Title and appeared in the NCAA Tournament for the 19th time in program history. The Huskies were ranked in 15 of the 16 WBCA Division II Top 25 Coaches' Poll, ranking as high as No. 10 on November 21. Coach Kim Cameron stepped down following the season to become Associate Head Women's Basketball Coach at Division I Bowling Green. In May, former Huskies All-American, Sam Hoyt, was named the ninth head coach in program history.

The women's soccer team advanced to the GLIAC Tournament for the sixth straight season. Goalkeeper, Kirsen Hudak, was named All-GLIAC Second Team and received the GLIAC Pat Riepma Postgraduate Scholarship.

In track and field, Liz Bloch was the GLIAC Champion in the 1500m run and placed third in the 800m to earn All-GLIAC honors in both events. Bloch was the first Tech female student-athlete to qualify for the NCAA Outdoor Track and Field Championships, participating in the 1500m. The Huskies broke five school records during the season.

Cross Country's Emily Vigil earned All-Midwest Region honors after placing 23rd at NCAA Division II Midwest Regional Championship in Ohio. She led the women's team to its best regional finish in school history as the Huskies placed eighth.

In women's tennis, Ivona Gorgioski was named the GLIAC Freshman of the Year and to the All-GLIAC First Team. Sandra Cvetanovic was named All-GLIAC Honorable Mention. Mario Neto was named All-GLIAC Honorable Mention.

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, 2018, 2017, and 2016. 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

	2018	2017	2016
Assets			
Current assets	$ 48,354,101	$ 44,970,148	$ 45,336,612
Noncurrent assets:			
Capital assets, net	237,277,224	238,861,379	236,692,525
Other	205,785,552	203,300,999	201,738,105
Total assets	**491,416,877**	**487,132,526**	**483,767,242**
Deferred outflows of resources	**7,231,195**	**5,385,421**	**4,642,730**
Liabilities			
Current liabilities	31,368,050	33,073,538	32,809,832
Noncurrent liabilities	185,803,819	166,002,171	160,316,179
Total liabilities	**217,171,869**	**199,075,709**	**193,126,011**
Deferred inflows of resources	**3,289,908**	**397,808**	**349,518**
Net position			
Net investment in capital assets	144,192,168	149,999,746	155,579,540
Restricted			
Nonexpendable	96,415,785	90,789,469	87,005,623
Expendable	76,301,062	72,233,176	69,835,762
Unrestricted (deficit)	(38,722,720)	(19,977,961)	(17,486,482)
Total net position	**$ 278,186,295**	**$ 293,044,430**	**$ 294,934,443**

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.

Changes from 2016 to 2017

Current assets decreased by $366,000. Within current assets, cash decreased by $1.4 million, accounts receivable and pledges receivable increased by $1.1 million, and other assets decreased by $39,000.

Capital assets, net increased by $2.2 million. Capital asset additions were greater than capital assets disposals by $15.8 million and the depreciation charge for the year was $14.2 million. Capital additions for fiscal 2017 included $5.2 million for academic and research equipment and $11.2 million for additional construction costs and renovation of facilities and additions to infrastructure.

Other noncurrent assets increased by $1.6 million, due to a decrease in unspent bond proceeds of $9.0 million, an increase in investments of $11.1 million, and a decrease of the rest of the noncurrent assets of $500,000.

Deferred outflows of resources increased by $743,000.

Current liabilities increased by $264,000, which was primarily due to accounts payable and other accrued liabilities increasing by $1.2 million, unearned revenue decreasing by $1.3 million, and other current liabilities increasing by $364,000.

Noncurrent liabilities increased by $5.7 million. Net pension liability caused $7.9 million of the increase, whereas long-term debt drove a $2.2 million decrease.

Deferred inflows of resources increased by $48,000.

Total net position decreased by $1.9 million. The University's net investment in capital assets decreased by $5.6 million. Expendable restricted net position increased by $2.4 million and nonexpendable restricted net position increased by $3.8 million. Unrestricted net deficit increased by $2.5 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

	2018	2017	2016
Net investment in capital assets	**$ 144,192,168**	**$ 149,999,746**	**$ 155,579,540**
Restricted-nonexpendable net position			
Corpus of permanent endowment funds	91,730,623	85,567,958	81,675,297
Remainder interests in split-interest agreements	4,685,162	5,221,511	5,330,326
Total restricted-nonexpendable net position	**96,415,785**	**90,789,469**	**87,005,623**
Restricted-expendable net position			
Gifts and sponsored programs	25,976,195	25,318,816	26,219,851
Capital projects and debt service	2,986,241	1,484,789	1,479,272
Student loans	13,248,041	14,019,916	14,766,464
Net appreciation on permanent endowment funds and land held for investment	34,090,585	31,409,655	27,370,175
Total restricted-expendable net position	**76,301,062**	**72,233,176**	**69,835,762**
Unrestricted net position (deficit)			
Capital projects and repairs	4,964,969	3,995,389	3,197,611
Auxiliary enterprises	7,322,648	6,756,854	7,706,459
Designated for departmental use	17,607,775	19,185,954	18,412,487
Pension and OPEB plans	(82,897,647)	(57,771,612)	(50,595,335)
Uncommitted	14,279,535	7,855,454	3,792,296
Total unrestricted net position (deficit)	**(38,722,720)**	**(19,977,961)**	**(17,486,482)**
Total net position	**$ 278,186,295**	**$ 293,044,430**	**$ 294,934,443**

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

	2018	2017	2016
Operating revenues			
Tuition and fees, net	$ 98,449,561	$ 95,869,984	$ 91,129,651
Grants and contracts	48,021,795	43,394,464	45,416,083
Educational activities	5,445,165	4,977,106	5,603,375
Auxiliary and departmental activities, net	29,303,467	29,453,836	28,176,653
Total operating revenues	**181,219,988**	**173,695,390**	**170,325,762**
Operating expenses	256,984,113	256,022,538	239,045,324
Operating loss	**(75,764,125)**	**(82,327,148)**	**(68,719,562)**
Nonoperating revenues (expenses)			
Federal Pell grants	6,128,727	5,408,211	5,701,124
State appropriations	49,081,629	48,586,922	46,912,320
Capital grants and gifts for all purposes	17,752,620	15,136,855	21,319,225
Other nonoperating revenues and expenses, net	8,417,527	11,305,147	(3,862,201)
Net nonoperating revenues	**81,380,503**	**80,437,135**	**70,070,468**
Net increase (decrease) in net position	5,616,378	(1,890,013)	1,350,906
Net position			
Beginning of year	293,044,430	294,934,443	293,583,537
Implementation of GASB 75	(20,474,513)	-	-
Beginning of year, as restated	272,569,917	-	-
End of year	**$ 278,186,295**	**$ 293,044,430**	**$ 294,934,443**

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 $962,000. 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 $216,000 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.

Changes from 2016 to 2017

Operating revenues increased by a total of $3.4 million. Tuition and fees, net of scholarship allowance, increased by $4.7 million due to increases in student enrollment and increases in tuition. Grant and contract revenues decreased by $2.0 million, educational activities revenues decreased by $626,000, and auxiliary and departmental activities revenues, net of scholarship allowance, increased by $1.3 million.

Operating expenses increased by $17.0 million. Compensation increased by $4.7 million and fringe benefits increased by $7.8 million ($7.5 million of the increase was a non-cash pension expense). Supplies and services, student financial support, and utilities all increased for a total of $4.6 million and depreciation decreased by $88,000.

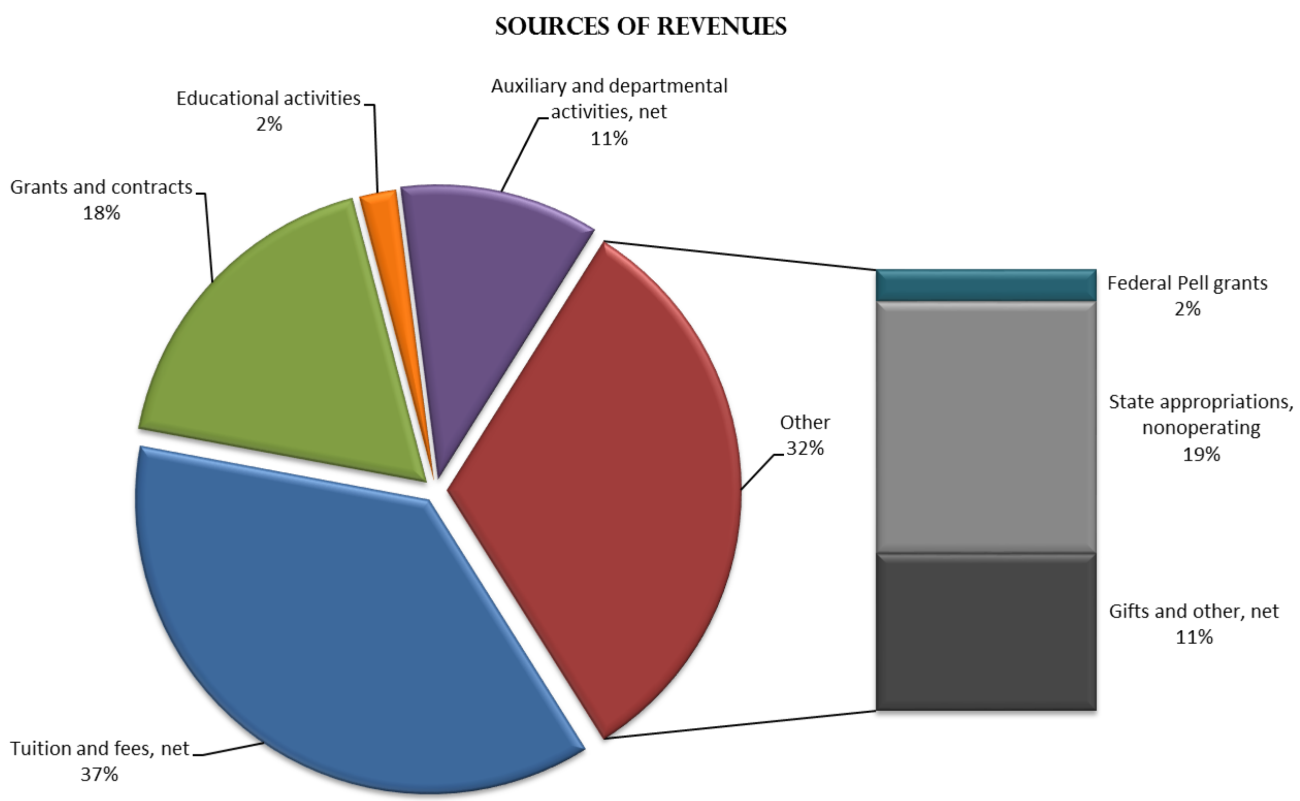
Net nonoperating revenues and expenses increased by $10.4 million. Strong investment performance caused a $15.4 million increase, State appropriations increased by $1.7 million, capital grants and gifts to the University, including gifts for capital and endowment purposes, decreased by $6.6 million, federal grants decreased by $300,000, and interest expense increased by $167,000.

Overall, the net financial result for fiscal year 2017 was approximately $3.2 million less than the net result for fiscal year 2016.

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.

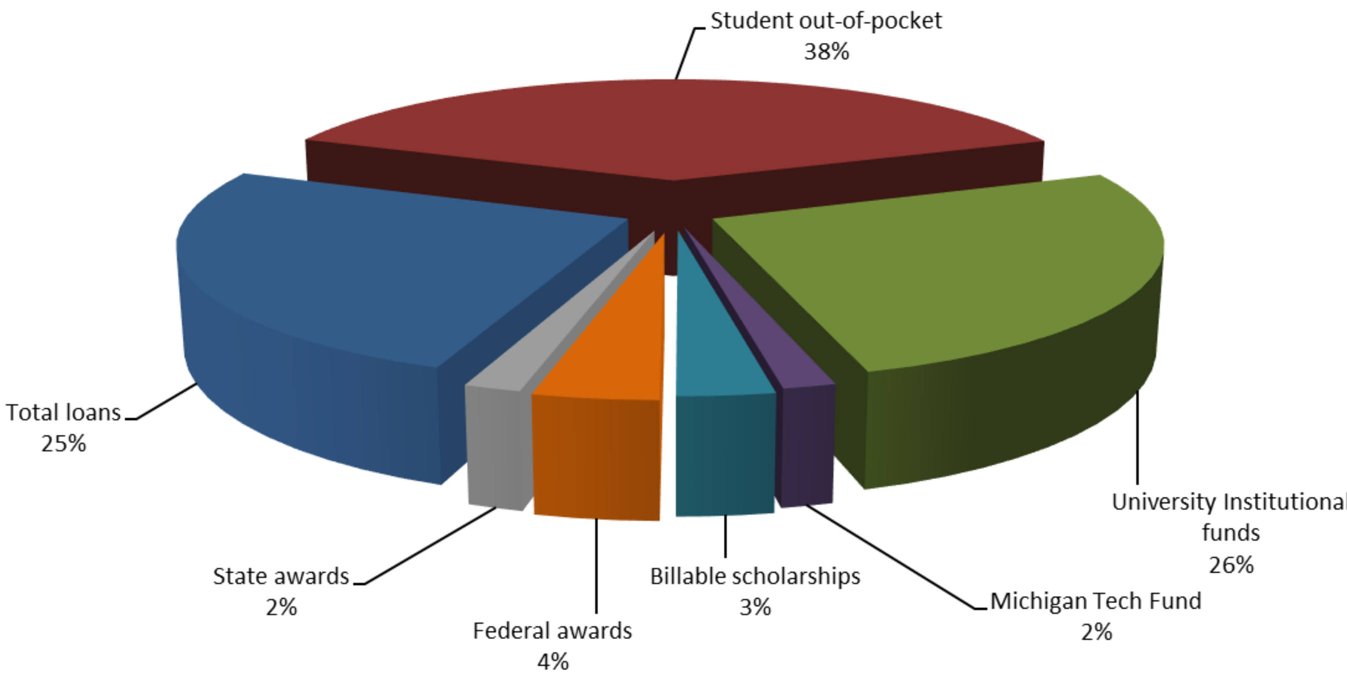
The following graph illustrates the fiscal year 2018 revenues by source:



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 2018, 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, 2018. The graph shows that 37% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

STUDENT FINANCIAL AID REPORT



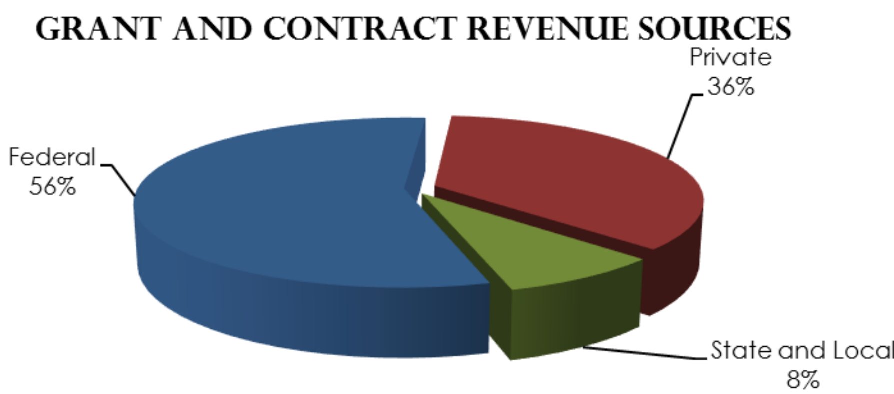
GRANT AND CONTRACT REVENUE

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 $50.9 and $59.7 million of research and sponsored programs awarded to the University in fiscal years 2018 and 2017, 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

	2018	2017	2016
Federal sources:			
Department of Agriculture	$ 2,338,876	$ 2,274,139	$ 1,822,976
Department of Defense	7,803,830	8,337,797	8,493,232
Department of Education	527,269	526,589	571,506
Department of Energy	1,572,267	952,999	704,017
Department of Interior	1,248,345	671,075	491,253
Department of Transportation	223,695	395,919	585,467
Environmental Protection Agency	467,538	790,027	285,930
National Aeronautics and Space Administration	3,700,916	1,392,741	1,388,561
National Science Foundation	7,164,442	7,427,005	10,198,268
Health and Human Services	2,210,028	1,560,038	1,504,435
Other federal sources	364,131	356,359	276,332
Repayments	(790,622)	(778,503)	(798,799)
Total federal sources	**26,830,715**	**23,906,185**	**25,523,178**
Non-federal sources:			
State and local	4,034,915	3,686,015	3,912,193
Private	17,156,165	15,802,264	15,980,712
Total non-federal sources	**21,191,080**	**19,488,279**	**19,892,905**
Total all sources	**$ 48,021,795**	**$ 43,394,464**	**$ 45,416,083**

The following graph illustrates the fiscal year 2018 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

	2018	2017	2016
Cash (used in) provided by			
Operating activities	$ (58,991,776)	$ (61,894,215)	$ (48,740,755)
Noncapital financing activities	64,660,456	63,464,528	77,512,648
Capital and related financing activities	(15,698,949)	(16,780,081)	(13,194,009)
Investing activities	5,351,117	4,810,288	(12,978,036)
Net change in cash and cash equivalents	**(4,679,152)**	**(10,399,480)**	**2,599,848**
Cash and cash equivalents, beginning of the year	34,193,696	44,593,176	41,993,328
Cash and cash equivalents, end of the year	**$ 29,514,544**	**$ 34,193,696**	**$ 44,593,176**

Changes from 2017 to 2018

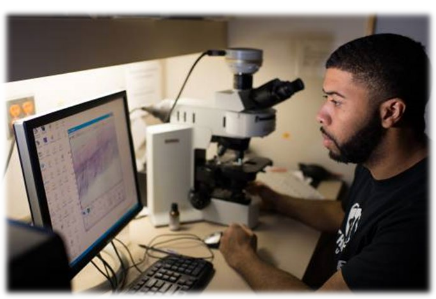
Cash from operations increased by $2.9 million. Tuition and student residence fees increased cash provided by operations by $2.8 million, and grants and contracts revenue increased by $5.9 million. Significant changes in cash used in operations include an increase in payments to employees and for employee 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 $541,000.

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



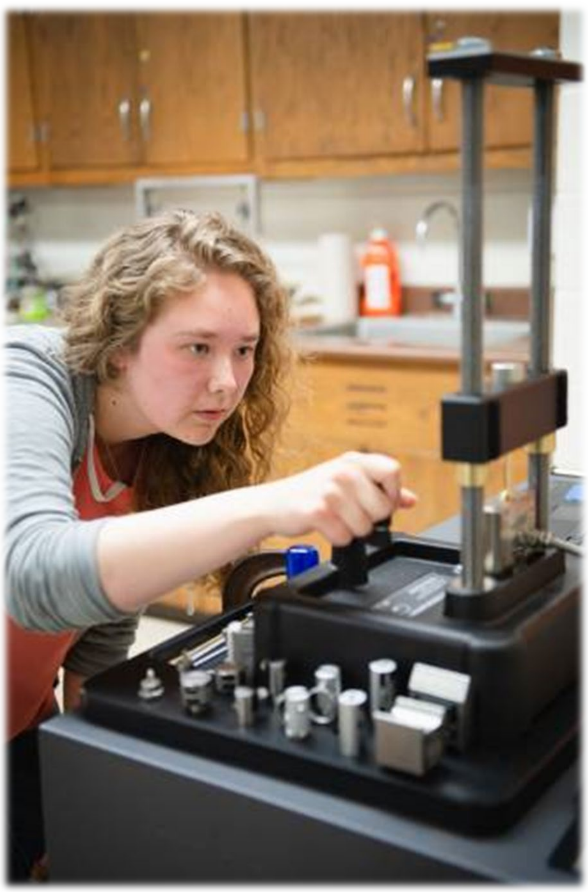
Changes from 2016 to 2017
Cash from operations decreased by $13.2 million. Tuition and student residence fees increased cash provided by operations by $5.1 million, whereas grants and contracts revenue decreased by $5.7 million. Significant changes in cash used in operations include an increase in payments to employees and for employee benefits of $6.9 million. The other components of operating activities contributed $5.7 million to the cash decrease.

Cash from noncapital financing activities decreased by $14.0 million. That was primarily due to a $12.0 million refund received from the State retirement system during fiscal year 2016. Gift income decreased by $2.4 million, State appropriations increased by $883,000 and all other receipts decreased by $483,000.

Cash from capital and related financing activities decreased by $3.6 million compared to the previous year. During fiscal year 2017, $311,000 less cash was used to purchase capital assets, $598,000 less cash was received for disposals, and $2.8 million less was received in capital gifts and grants. Also decreasing cash was the $528,000 more paid for interest and principal on capital debt.

Cash from investing activities increased by $17.8 million primarily due to net purchase of investments decreasing.

Overall, cash and cash equivalents, including restricted cash, decreased by $10.4 million for the fiscal year ended June 30, 2017.



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 32% 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

	2017	2016	2015	2014	2013
First-Year Students	4,074	4,272	4,063	3,859	3,815
Transfer Students	342	377	345	365	326
Graduate Students	1,616	1,327	1,665	1,629	1,499
Total	**6,032**	**5,976**	**6,073**	**5,853**	**5,640**

AVERAGE ACT SCORES FOR
INCOMING FIRST-YEAR STUDENTS, FALL

	Michigan Tech	National
2017	27.2	21.0
2016	27.2	20.8
2015	26.8	21.0
2014	27.0	21.0
2013	26.7	20.9

SELECTED ENROLLMENT DATA*
SUMMER AND FALL TERMS

	2017	2016	2015	2014	2013
First-Year Students	1,323	1,381	1,277	1,199	1,253
New Transfer Students	189	199	184	207	195
Graduate Students	434	378	468	394	404
Total	**1,946**	**1,958**	**1,929**	**1,800**	**1,852**

ENROLLMENT BY RESIDENCY*

	2017	2016	2015	2014	2013
Resident	4,766	4,644	4,544	4,487	4,374
Non-Resident	1,478	1,498	1,455	1,455	1,471
International	1,000	1,056	1,156	1,084	1,057
Total	**7,244**	**7,198**	**7,155**	**7,026**	**6,902**

**Does not include Distance Learning*

FULL-TIME EQUIVALENT STUDENTS BY RESIDENCY*

	2017	2016	2015	2014	2013
Resident	4,471	4,361	4,270	4,189	4,069
Non-Resident	1,393	1,416	1,372	1,370	1,386
International	936	990	1,068	1,005	988
Total	**6,800**	**6,767**	**6,710**	**6,564**	**6,443**

**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

	2018	2017	2016	2015**	2014**
Associate	1	1	3	0	0
Bachelor's	1,120	1,066	1,065	1,158	1,084
Master's	438	489	416	358	325
Doctoral	93	88	86	75	73
Total	**1,652**	**1,644**	**1,570**	**1,591**	**1,482**

**Includes Degrees in Second Major

AHP
CPAs & ADVISORS

ANDREWS HOOPER PAVLIK PLC
1601 MARQUETTE STREET | SUITE 4 | BAY CITY, MI 48706
p: 989.667.4900 | f: 989.667.4949 | www.ahpplc.com

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, 2018 and 2017, 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 risk 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 and Note 9 to the financial statements, the University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement requires the University to report its net postemployment obligation and associated deferred outflows of resources, deferred inflows of resources, and postemployment expense. The University has restated its July 1, 2017 net position accordingly. Our opinion is not modified with respect to this matter.

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 (Schedules of the University's Proportionate Share of the Net Pension and Postemployment Liability, Schedule of University 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 1 through 7 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 February 27, 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
February 27, 2019

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET POSITION

	June 30 2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 26,278,021	$ 22,460,178
Accounts receivable, net	19,078,913	18,935,282
Pledges receivable, net	714,693	1,236,023
Other assets	2,282,474	2,338,665
Total current assets	**48,354,101**	**44,970,148**
Noncurrent assets		
Student loans receivable, net	11,572,076	11,824,449
Pledges receivable, net of allowance and current portion	2,173,258	1,192,869
Restricted cash for capital projects - unspent bond proceeds	3,236,523	11,733,518
Investments	171,177,126	161,049,485
Beneficial interest in charitable remainder trusts	5,812,167	5,660,795
Land held for investment	9,845,997	9,873,697
Capital assets, net	237,277,224	238,861,379
Other assets	1,968,405	1,966,186
Total noncurrent assets	**443,062,776**	**442,162,378**
Total assets	**491,416,877**	**487,132,526**
Deferred outflows of resources		
Deferred pension amounts	5,886,500	5,385,421
Deferred OPEB amounts	1,344,695	-
Total deferred outflows of resources	**7,231,195**	**5,385,421**
Liabilities		
Current liabilities		
Accounts payable	7,102,646	8,681,934
Other accrued liabilities	13,684,891	12,972,250
Unearned revenue	5,752,885	6,202,939
Annuity obligations, current portion	405,772	412,239
Insurance and benefit reserves, current portion	925,640	1,111,346
Long-term debt, current portion	3,496,216	3,692,830
Total current liabilities	**31,368,050**	**33,073,538**
Noncurrent liabilities		
Funds held for others	759,950	743,950
Annuity obligations, net of current portion	5,382,704	5,712,158
Insurance and benefit reserves, net of current portion	-	418,377
Long-term debt, net of current portion	92,822,231	96,368,461
Net pension liability	64,788,673	62,759,225
Net OPEB liability	22,050,261	-
Total noncurrent liabilities	**185,803,819**	**166,002,171**
Total liabilities	**217,171,869**	**199,075,709**
Deferred inflows of resources		
Deferred pension amounts	2,620,450	397,808
Deferred OPEB amounts	669,458	-
Total deferred inflows of resources	**3,289,908**	**397,808**
Net position		
Net investment in capital assets	144,192,168	149,999,746
Restricted:		
Nonexpendable	96,415,785	90,789,469
Expendable	76,301,062	72,233,176
Unrestricted deficit	(38,722,720)	(19,977,961)
Total net position	**$ 278,186,295**	**$ 293,044,430**

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 2018	2017
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $40,007,759 and $36,560,188 in 2018 and 2017, respectively)	$ 98,449,561	$ 95,869,984
Federal grants and contracts	26,830,715	23,906,185
State and local grants and contracts	4,034,915	3,686,015
Nongovernmental grants and contracts	17,156,165	15,802,264
Educational activities	5,445,165	4,977,106
Departmental activities	10,062,304	9,922,747
Student residence fees (net of scholarship allowances of $7,842,688 and $7,387,628 in 2018 and 2017, respectively)	19,241,163	19,531,089
Total operating revenues	**181,219,988**	**173,695,390**
Expenses		
Operating expenses		
Compensation and benefits	173,526,912	173,186,978
Supplies and services	52,020,997	51,746,778
Student financial support	9,941,784	8,814,735
Utilities	6,902,973	8,088,258
Depreciation	14,591,447	14,185,789
Total operating expenses	**256,984,113**	**256,022,538**
Operating loss	**(75,764,125)**	**(82,327,148)**
Nonoperating revenues (expenses)		
Federal Pell grants	6,128,727	5,408,211
Federal grants, other	492,469	501,082
State appropriations	49,081,629	48,586,922
Gifts	11,158,451	10,219,625
Investment return	13,032,639	15,221,757
Interest on capital asset-related debt	(4,357,001)	(4,429,956)
Loss on disposal of capital assets	(106,695)	(99,107)
Net nonoperating revenues	**75,430,219**	**75,408,534**
Loss before other revenues	**(333,906)**	**(6,918,614)**
Other revenues		
Capital grants and gifts	967,853	1,133,384
Gifts for permanent endowment purposes	5,626,316	3,783,846
Other nonoperating revenues	100,285	111,371
Total other revenues	**6,694,454**	**5,028,601**
Extraordinary item due to flood		
Loss on capital asset impairment	(744,170)	-
Total extraordinary item due to flood	**(744,170)**	**-**
Change in net position	**5,616,378**	**(1,890,013)**
Net position		
Beginning of year	293,044,430	294,934,443
Implementation of GASB 75	(20,474,513)	-
Beginning of year, as restated	272,569,917	294,934,443
End of year	**$ 278,186,295**	**$ 293,044,430**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2018	**2017**
Cash flows from operating activities		
Student tuition and fees	$ 98,417,519	$ 95,066,769
Grants and contracts	47,365,237	41,500,076
Payments to employees	(129,803,554)	(125,738,927)
Payments for benefits	(39,513,764)	(38,852,584)
Payments to suppliers	(52,985,645)	(52,078,733)
Payments for utilities	(7,235,744)	(8,143,088)
Payments for financial aid	(9,941,784)	(8,814,735)
Loans issued to students	(1,842,637)	(2,052,632)
Collection of loans to students	2,090,473	2,008,645
Departmental activities	10,062,304	9,907,747
Educational activities	5,310,963	5,287,382
Student residence fees	19,186,651	19,707,058
Other receipts (disbursements)	(101,795)	308,807
Net cash from operating activities	**(58,991,776)**	**(61,894,215)**
Cash flows from noncapital financing activities		
Federal Pell grants	6,249,191	5,313,833
Federal grants, other	492,469	501,082
State appropriations	49,985,759	47,993,259
Gifts and grants for other than capital purposes	8,172,500	9,966,481
Payments to annuitants	(401,058)	(423,838)
Other receipts	100,285	121,293
William D. Ford direct lending cash received	29,827,998	29,383,659
William D. Ford direct lending cash disbursed	(29,766,688)	(29,391,241)
Net cash from noncapital financing activities	**64,660,456**	**63,464,528**
Cash flows from capital and related financing activities		
Grants and gifts received for capital and endowment purposes	6,811,376	4,465,297
Proceeds from sale of capital assets	-	15,000
Purchases of capital assets	(14,199,176)	(13,328,994)
Principal paid on capital debt and leases	(3,736,392)	(3,308,185)
Interest paid on capital debt and leases	(4,574,757)	(4,623,199)
Net cash from capital and related financing activities	**(15,698,949)**	**(16,780,081)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	66,839,933	42,424,853
Purchase of investments	(66,802,420)	(42,738,356)
Income on investments	5,313,604	5,123,791
Net cash from investing activities	**5,351,117**	**4,810,288**
Net change in cash and cash equivalents	(4,679,152)	(10,399,480)
Cash and cash equivalents, beginning of year	34,193,696	44,593,176
Cash and cash equivalents, end of year	**$ 29,514,544**	**$ 34,193,696**
Cash and cash equivalents per statement of net position	$ 26,278,021	$ 22,460,178
Restricted cash for capital projects - unspent bond proceeds	3,236,523	11,733,518
Total cash and cash equivalents per statement of net position	**$ 29,514,544**	**$ 34,193,696**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended June 30	
	2018	**2017**
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (75,764,125)	$ (82,327,148)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	14,591,447	14,185,789
Noncash gifts	(247,187)	(147,802)
Changes in operating assets and liabilities:		
Receivables, net	(1,096,862)	(1,139,660)
Other assets	78,840	(70,466)
Student loans receivable	252,373	(43,985)
Accounts payable	(1,394,288)	(369,195)
Other accrued liabilities	712,641	1,488,439
Unearned revenue	(450,054)	(1,280,798)
Funds held for others	278,000	19,250
Insurance and benefit reserves	(185,706)	(79,252)
Change in net pension and OPEB liability and deferred amounts	4,233,145	7,870,613
Net cash from operating activities	**$ (58,991,776)**	**$ (61,894,215)**

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

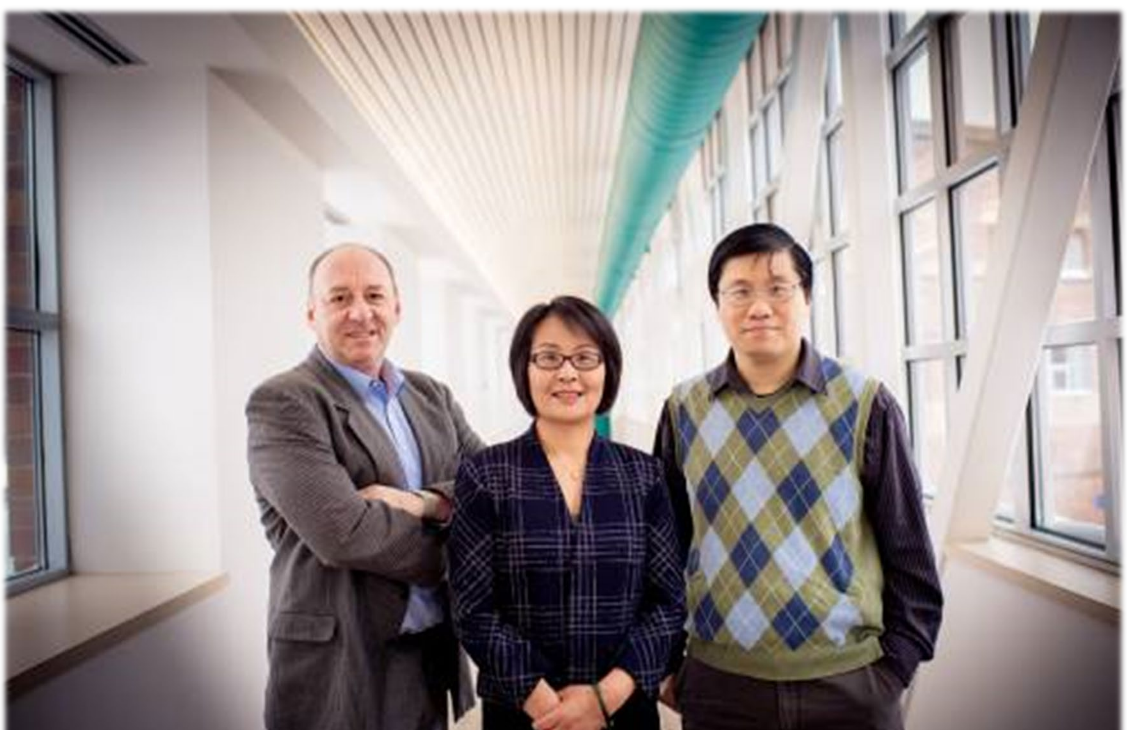
Reporting Entity

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, 2018, audited financial statements of the Fund can be obtained from its office at 1400 Townsend Drive, Houghton, MI 49931.

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

	2018	2017
Assets		
Current assets	$ 7,152,809	$ 7,113,290
Noncurrent assets:		
Investments	138,068,343	129,358,769
Accounts receivable from the University	262,000	-
Other	9,039,286	7,933,006
Total assets	**154,522,438**	**144,405,065**
Liabilities		
Current liabilities:		
Accounts payable to the University	886,000	662,500
Other	580,473	880,989
Noncurrent liabilities	5,382,704	5,712,158
Total liabilities	**6,849,177**	**7,255,647**
Net position		
Restricted		
Nonexpendable	96,415,785	90,789,469
Expendable	45,626,171	42,619,727
Unrestricted	5,631,305	3,740,222
Total net position	**$ 147,673,261**	**$ 137,149,418**

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

	2018	2017
Operating expenses		
Supplies and services	$ 12,942,297	$ 13,072,482
Student financial support	2,542,572	2,151,490
Total operating expenses	**15,484,869**	**15,223,972**
Operating loss	**(15,484,869)**	**(15,223,972)**
Nonoperating revenues and expenses		
Gifts	10,478,346	9,133,228
Investment return	9,803,765	11,723,788
Gifts for capital and permanent endowment purposes	5,626,316	3,783,846
Other nonoperating revenues	100,285	111,371
Net nonoperating revenues	**26,008,712**	**24,752,233**
Change in net position	10,523,843	9,528,261
Net position		
Beginning of year	137,149,418	127,621,157
End of year	**$ 147,673,261**	**$ 137,149,418**

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

	2018	2017
Cash flows from		
Operating activities	$ (15,377,824)	$ (14,562,088)
Noncapital financing activities	5,496,796	8,507,715
Capital and related financing activities	6,811,376	3,810,280
Investing activities	3,605,751	5,510,883
Net increase in cash and cash equivalents	**536,099**	**3,266,790**
Cash and cash equivalents, beginning of year	5,722,676	2,455,886
Cash and cash equivalents, end of year	**$ 6,258,775**	**$ 5,722,676**

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 conformity 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 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 Statement 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. 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. Any unrealized losses on amounts invested for donor-restricted endowments are recorded as expendable restricted to the extent of unexpended earnings of the respective endowment fund. Any unrealized losses in excess of that amount are charged to unrestricted net position. Subsequent unrealized appreciation on the related investments is recorded as unrestricted up to the amount of losses previously absorbed by unrestricted net position.

Capital Assets

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

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

Goodwill

The University purchased the assets of Environmental and Emerging Technologies Division (EETD) (a division of Altarum Institute) for a price of $1.4 million. The University operates this research center under the name of Michigan Tech Research Institute (MTRI). The purchase price exceeded the value of net assets by $978,544 and was considered goodwill. The University does not amortize goodwill. Management annually analyzes the goodwill for impairment. At year end, management 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 other postemployment benefit (OPEB) liability on the statement 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, at July 1, 2017, the University recognized a net OPEB liability of $21,986,084 and deferred

outflows of resources of $1,511,571, 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 2017 financial statements have been reclassified to conform to the 2018 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 $30,624,596 and $34,376,620 as of June 30, 2018 and 2017, respectively. The University had $12,405,554 and $16,967,974 exposed to custodial credit risk because the deposits were uninsured or uncollateralized, as of June 30, 2018 and 2017, 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, 2018 and 2017, are categorized as follows:

INVESTMENT PORTFOLIO

	2018	2017
Marketable securities		
Equities	$ 1,323,537	$ 967,029
Equity mutual funds	102,745,502	92,351,726
Fixed income mutual funds	51,683,606	52,540,446
Total marketable securities	**155,752,645**	**145,859,201**
Alternative investments		
Hedge funds	8,356,401	9,706,173
Real estate and natural resources	352,028	464,640
Private equity limited partnerships	5,063,184	3,371,459
Total alternative investments	**13,771,613**	**13,542,272**
Precious metals	1,632,868	1,628,012
Closely-held stock	20,000	20,000
Total investments	**$ 171,177,126**	**$ 161,049,485**

The University's net investment return is comprised of the following for the years ended June 30, 2018 and 2017.

INVESTMENT RETURN

	2018	2017
Dividends and interest	$ 4,685,289	$ 3,927,038
Capital gain distributions	1,289,409	1,628,577
Net gain on sale of investments	2,493,096	1,358,258
Net increase in the fair value of investments	5,201,070	8,822,944
Asset-based management and administrative fees	(636,225)	(515,060)
Total investment return	**$ 13,032,639**	**$ 15,221,757**

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	102,745,502	102,745,502	-	-
Fixed income mutual funds	51,683,606	26,113,137	25,570,469	-
Precious metals	1,632,868	-	-	1,632,868
Closely-held stock	20,000	-	-	20,000
Total investments by fair value level	**157,405,513**	**$ 130,182,176**	**$ 25,570,469**	**$ 1,652,868**
Investments measured at the net asset value:				
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	**13,771,613**			
Total investments at fair value	**$ 171,177,126**			

The fair values of investments measured on a recurring basis at June 30, 2017 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	$ 967,029	$ 967,029	$ -	$ -
Equity mutual funds	92,351,726	92,351,726	-	-
Fixed income mutual funds	52,540,446	43,140,605	9,399,841	-
Precious metals	1,628,012	-	-	1,628,012
Closely-held stock	20,000	-	-	20,000
Total investments by fair value level	**147,507,213**	**$ 136,459,360**	**$ 9,399,841**	**$ 1,648,012**
Investments measured at the net asset value:				
Hedge funds	9,706,173			
Real estate and natural resources	464,640			
Private equity limited partnerships	3,371,459			
Total investments at the net asset value	**13,542,272**			
Total investments at fair value	**$ 161,049,485**			

Remaining commitments in private equity limited partnerships were $9,694,515 and $12,104,263 at June 30, 2018 and 2017, respectively.

(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30, 2018 and 2017.

ACCOUNTS RECEIVABLE

	2018	2017
Student tuition and fees	$ 802,531	$ 962,773
State appropriations		
Operating	8,918,578	8,745,005
Capital	2,168	2,158
Grants and contracts	8,017,874	7,937,272
Auxiliary activities	410,647	447,587
Other	1,047,768	946,140
Less allowance for doubtful accounts	(120,653)	(105,653)
Accounts receivable, net	**$ 19,078,913**	**$ 18,935,282**

In addition, the University has student loans receivable in the amount of $11,572,076 and $11,824,449, recorded at June 30, 2018 and 2017, respectively. These amounts are net of an allowance for uncollectible accounts of $174,000 and $169,461 at June 30, 2018 and 2017, respectively.

Pledges receivable of the University are summarized as follows as of June 30, 2018 and 2017.

PLEDGES RECEIVABLE

	2018	2017
Pledges receivable in less than one year	$ 3,530,990	$ 3,547,801
Pledges receivable in one to five years	2,369,225	1,200,837
Pledges receivable in more than five years	4,700	126,615
Less:		
Allowance for uncollectible pledges	(2,816,297)	(2,311,778)
Present value discount	(200,667)	(134,583)
Net pledges receivable	**$ 2,887,951**	**$ 2,428,892**

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 2018, rates range from 2.77% to 3.10%.

(4) CAPITAL ASSETS

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

CHANGES IN CAPITAL ASSETS
2018

	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**

The following table presents the changes in the capital asset class categories for the year ended June 30, 2017:

CHANGES IN CAPITAL ASSETS
2017

	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	$ 9,889,310	$ -	$ (7,800)	$ 9,881,510
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	376,088	-	-	376,088
Construction in progress	2,836,639	11,226,345	(7,628,302)	6,434,682
Cost of nondepreciable capital assets	**19,323,209**	**11,226,345**	**(7,636,102)**	**22,913,452**
Depreciable capital assets				
Land improvements	1,571,426	-	-	1,571,426
Infrastructure	6,374,927	649,464	-	7,024,391
Buildings	365,604,960	6,978,839	-	372,583,799
Equipment	40,472,903	5,210,885	(686,715)	44,997,073
Library books	323,450	22,044	-	345,494
Cost of depreciable capital assets	**414,347,666**	**12,861,232**	**(686,715)**	**426,522,183**
Total cost of capital assets	**433,670,875**	**24,087,577**	**(8,322,817)**	**449,435,635**
Less: accumulated depreciation				
Land improvements	1,040,738	72,967	-	1,113,705
Infrastructure	3,051,196	216,420	-	3,267,616
Buildings	170,138,210	8,681,339	-	178,819,549
Equipment	22,549,065	5,174,489	(589,883)	27,133,671
Library books	199,141	40,574	-	239,715
Total accumulated depreciation	**196,978,350**	**14,185,789**	**(589,883)**	**210,574,256**
Capital assets, net	**$ 236,692,525**	**$ 9,901,788**	**$ (7,732,934)**	**$ 238,861,379**

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, 2018 and 2017, respectively, construction in progress consisted of several building renovation projects and the costs of one new building as detailed below.

CONSTRUCTION IN PROGRESS

Project	2018	2017
Daniell Heights Apartments renovations	$ 98,385	$ 2,425,587
Retail Dining remodel	-	285,007
McNair Residence Hall renovations	-	2,173,327
Safety upgrades	-	218,869
Sherman Field and SDC upgrades	920,610	334,300
Undergraduate chemical laboratory and storage upgrades	-	569,494
STEM Facility	-	165,500
Sleep Laboratory	221,244	-
Alumni Way Clock Tower	198,289	-
Other projects	37,199	262,598
Total	**$ 1,475,727**	**$ 6,434,682**

The estimate to complete the above construction projects approximated $3.5 million at June 30, 2018. The expected sources of financing for these projects are University unspent bond proceeds and private gifts.

(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 150 basis points. There were no amounts outstanding under the line of credit at June 30, 2018 and 2017. There are no restrictive covenants associated with this line of credit. The line of credit expires on January 31, 2019.

(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30, 2018 and 2017.

ACCOUNTS PAYABLE

	2018	2017
Vendors for supplies and services	$ 3,498,683	$ 4,002,083
Employee benefits	1,109,415	1,335,173
Construction payables	2,494,548	3,344,678
Total accounts payable	**$ 7,102,646**	**$ 8,681,934**

OTHER ACCRUED LIABILITIES

	2018	2017
Payroll and payroll taxes	$ 7,672,814	$ 6,829,728
Compensated absences	4,990,638	4,972,191
Deposits payable	1,021,439	1,170,331
Total other accrued liabilities	**$ 13,684,891**	**$ 12,972,250**

(7) NONCURRENT LIABILITIES

NONCURRENT LIABILITIES
AS OF JUNE 30, 2018

General revenue bonds	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
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**	

NONCURRENT LIABILITIES
AS OF JUNE 30, 2017

General revenue bonds	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue and refunding bonds, 2008	$ 5,090,000	$ -	$ -	$ 5,090,000	$ -
General revenue bonds, 2009A/2009B	16,005,000	-	405,000	15,600,000	420,000
General revenue bonds, 2010A	8,555,000	-	215,000	8,340,000	220,000
General revenue and refunding bonds, 2012A	30,135,000	-	1,220,000	28,915,000	1,255,000
General revenue refunding bonds, 2013A	13,530,000	-	740,000	12,790,000	765,000
General revenue bonds, 2015A	24,295,000	-	425,000	23,870,000	435,000
Total bonds payable	**97,610,000**	**-**	**3,005,000**	**94,605,000**	**3,095,000**
Bond premium	3,974,586	-	194,748	3,779,838	-
Capital lease	303,185	1,676,453	303,185	1,676,453	597,830
Total debt	**101,887,771**	**1,676,453**	**3,502,933**	**100,061,291**	**3,692,830**
Other liabilities					
Insurance and postemployment benefits	1,608,975	402,139	481,391	1,529,723	1,111,346
Funds held for others	724,700	208,500	189,250	743,950	-
Annuity and pooled income obligations	6,089,235	720,110	684,948	6,124,397	412,239
Total	**$ 110,310,681**	**$ 3,007,202**	**$ 4,858,522**	**$ 108,459,361**	**$ 5,216,415**
Due within one year				(5,216,415)	
Total noncurrent liabilities (excluding net pension liability)				**$ 103,242,946**	

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 $11.550 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 and have been rated as A1 by Moody's.

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.

At June 30, 2018, the amount that remains in escrow to refund Series 2006 bonds and partially refund Series 2008 bonds was $4.595 million.

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

Fiscal Year	Principal	Interest	Total
2019	$ 3,205,000	$ 4,392,830	$ 7,597,830
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
Total 5 years	**17,430,000**	**20,420,518**	**37,850,518**
2024 to 2028	21,605,000	15,829,535	37,434,535
2029 to 2033	21,470,000	10,788,972	32,258,972
2034 to 2038	17,475,000	5,573,551	23,048,551
2039 to 2043	9,505,000	1,975,785	11,480,785
2044 to 2046	4,025,000	308,625	4,333,625
Total bonds	**$ 91,510,000**	**$ 54,896,986**	**$ 146,406,986**

Capital and Operating Lease Obligations

At June 30, 2018, the capitalized cost of equipment purchased under capital leases was $730,348, and its net book value was $597,296.

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, 2018 and 2017 are insignificant.

SCHEDULED MATURITIES OF CAPITAL LEASES FOR FISCAL YEAR ENDING JUNE 30

Fiscal Year	Principal	Interest	Total
2019	$ 291,216	$ 47,689	$ 338,905
2020	304,143	34,762	338,905
2021	317,695	21,210	338,905
2022	201,406	7,037	208,443
2023	18,875	2,827	21,702
2024 to 2028	90,021	5,833	95,854
Total lease payments	**$ 1,223,356**	**$ 119,358**	**$ 1,342,714**

(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

	2018	2017
Balance, beginning of year	$ 1,111,346	$ 1,109,463
Claims incurred, including changes in estimates	13,671,446	14,963,461
Less: claims paid	(13,857,152)	(14,961,578)
Balance, end of year	**$ 925,640**	**$ 1,111,346**

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, 2018, the University had approximately 3,569 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

	2018	2017	2016
University contributions to TIAA-CREF/Fidelity	$ 6,966,911	$ 6,629,170	$ 6,344,926
Payroll covered under TIAA-CREF/Fidelity	$ 97,399,656	$ 93,237,315	$ 89,651,072

Defined Benefit Plan

The University contributes to the Michigan Public School Employees Retirement System (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, 2018	4.87%	20.26%
June 30, 2017	4.30%	18.75%

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, 2018 and 2017 were $4,919,399 and $4,283,370, 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, 2018 and 2017, the University reported a liability of $64.789 million and $62.759 million respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and 2015, 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, 2017 and 2016, the University's proportion (as calculated by MPSERS) was 11.26247% and 11.20220%, respectively.

For the years ended June 30, 2018 and 2017, the University recognized pension expense of $9.938 million and $11.995 million, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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**

	2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 100,481	$ -
Changes of assumptions	-	-
Contributions subsequent to measurement date	3,403,231	-
Rate stabilization appropriations received subsequent to the measurement date	-	375,963
Changes in proportionate share and differences between contributions and proportionate share of contributions	1,273,253	21,845
Net difference between projected and actual earnings on pension plan investments	608,456	-
Total	**$ 5,385,421**	**$ 397,808**

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, 2018. 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	Amount
2019	(223,563)
2020	310,836
2021	(495,445)
2022	(551,366)
Total	**$ (959,538)**

Actuarial Assumptions

The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation of 3.5%
Investment rate of return	7.5% (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-2000 Male and Female Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2025 using projection Scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.0%	5.6%	1.6%
Private equity pools	18.0%	8.7%	1.6%
International equity pools	16.0%	7.2%	1.2%
Fixed income pools	10.5%	-0.1%	0.0%
Real estate and infrastructure pools	10.0%	4.2%	0.4%
Absolute return pools	15.5%	5.0%	0.8%
Short-term investment pools	2.0%	-0.9%	0.0%
	100.0%		5.6%
Inflation			2.3%
Investment rate of return			**7.9%**

Discount Rate
The discount rate used to measure the total pension liability is 7.5% for June 30, 2018 (8.0% for June 30, 2017). 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 7.5%, 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2018	$ 76,015,369	$ 64,788,673	$ 55,098,506

Fiscal Year	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
2017	$ 73,334,942	$ 62,759,225	$ 53,618,685

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, 2018, 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, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB CONTRIBUTION RATES

Benefit Structure	Member	Employer (10/1/16 to 9/30/17)	Employer (10/1/17 to 9/30/18)
Premium Subsidy	3.00%	7.36%	6.44%
Personal Healthcare Fund	0.00%	6.98%	6.13%

Required contributions to the OPEB plan from the University were $1,866,717 for the year ended June 30, 2018.

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

MPSERS

At June 30, 2018, the University reported a liability of $15,973,138 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, The University's proportion was 11.22486%.

Retiree Benefits Program

At June 30, 2018, the University reported a liability of $6,077,123 for its Retiree Benefit Program. The net OPEB liability was measured as of June 30, 2018. Changes in the OPEB liability for the year ended June 30, 2018 are summarized as follows:

Balance, beginning of year	$	6,431,323
Service cost		-
Interest cost		222,439
Changes in assumptions		(140,753)
Benefit changes		-
Difference between expected and actual plan experience		-
Benefit payments		(435,886)
Balance, end of year	$	6,077,123

On the above, there were no benefit changes. The $140,753 decrease in the liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The below charts summarize the change in the plan fiduciary net position for the fiscal year ended June 30, 2018, 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.

Plan fiduciary net position, beginning of year	$	-
University contributions		435,886
Participant contributions		200,805
Benefit payments		(636,691)
Net change in fiduciary net position		-
Plan fiduciary net position, end of year	$	-

Net OPEB liability	$	6,077,123
Plan fiduciary net position as a percentage of net OPEB liability		0%
University's covered payroll	$	130,754,665
Net OPEB liability as a percentage of covered payroll		5%

The June 30, 2018 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	112
Total inactive participants	118

For the year ending June 30, 2018, the University recognized OPEB expense of $888,602. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 120,274
Changes of assumptions	-	-
Net difference between projected and actual earnings 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
2019	$ (280,815)
2020	(129,547)
2021	(129,547)
2022	(129,549)
Total	**$ (669,458)**

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

	MPSERS	Retiree Benefits Program
Valuation Date	September 30, 2016	July 1, 2017
Actuarial Cost Method	Entry Age, Normal	Entry Age, Normal
Wage Inflation Rate	3.5%	N/A
Investment Rate of Return	7.5%	N/A
Projected Salary Increases	3.5 - 12.3%, including wage inflation at 3.5%	4.00%
Healthcare Cost Trend	7.5% Year 1 graded to 3.5% year 12	S&P Healthcare Economic Index and internal trend guidance
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using scale BB. This was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.	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

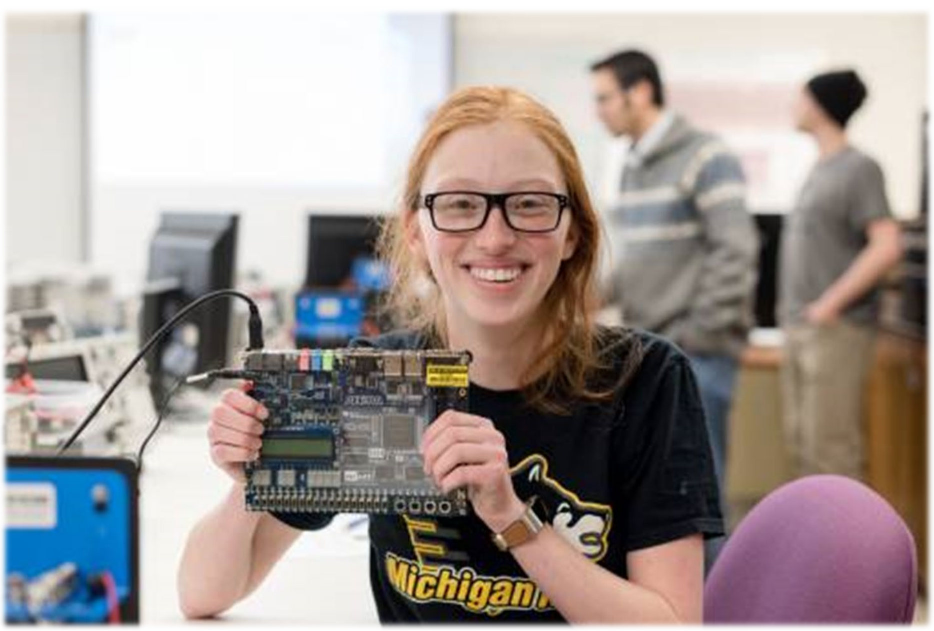
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges 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, 2017, 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%	5.6%	1.6%
Private equity pools	18.0%	8.7%	1.6%
International equity pools	16.0%	7.2%	1.2%
Fixed income pools	10.5%	-0.1%	0.0%
Real estate and infrastructure pools	10.0%	4.2%	0.4%
Absolute return pools	15.5%	5.0%	0.8%
Short-term investment pools	2.0%	-0.9%	0.0%
	100.0%		5.6%
Inflation			2.3%
Investment rate of return			**7.9%**

Rate of Return

MPSERS

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



Discount Rate

MPSERS

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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.

Retiree Benefits Program

A discount rate of 3.8% was used to measure the total OPEB liability. 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, 2018 measurement date.

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 7.5%, 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:

	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:

	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 2017 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, 2018 and 2017.

(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 State Building Authority (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

	2018	2017
Instruction	$ 67,440,316	$ 68,189,643
Research	60,616,133	54,601,808
Public service	10,991,883	10,982,915
Academic support	24,519,164	23,101,105
Student services	15,428,875	14,782,242
Institutional support	21,067,019	25,583,897
Operations and maintenance of plant	14,767,302	16,036,327
Student financial support	11,126,752	9,750,600
Departmental activities	7,058,198	7,072,384
Student residents	9,377,024	11,735,828
Depreciation	14,591,447	14,185,789
Total	**$ 256,984,113**	**$ 256,022,538**

(12) LOSS ON CAPITAL ASSET IMPAIRMENT 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 Statement 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 Statement of Revenues, Expenses, and Changes in Net Position.

The University expects to receive insurance recoveries to restore or replace the impaired capital asset 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.

At the time of completion of these financial statements, the total amount of insurance recoveries and FEMA funding was not able to be estimated with certainty. Therefore, insurance recoveries and the gain or loss resulting from them will be recognized in the University's financial statements when they are known. Additional capital asset impairments may be recognized as well.

REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-sharing Multiple Employer Plan

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	2018	2017	2016	2015
University's proportion of the net pension liability	11.26247%	11.20220%	10.00520%	9.64907%
University's proportionate share of the net pension liability	$ 64,788,673	$ 62,759,225	$ 54,888,547	$ 36,194,241
University's covered payroll	$ 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	271.32%	701.72%	601.97%	252.97%
Plan fiduciary net position as a percentage of the total pension liability	47.42%	46.77%	47.45%	63.00%

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

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	2018
University's proportion of the net OPEB liability	11.22486%
University's proportionate share of the net OPEB liability	$ 15,973,138
University's covered payroll	$ 23,879,000
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.89%
Plan fiduciary net position as a percentage of the total OPEB liability	44.11%

SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS	2018
Contractually required OPEB contributions	$ 1,608,346
Contributions in relation to the contractually required contribution	$ 1,608,346
Contribution deficiency (excess)	$ -
University's covered payroll	$ 23,619,500
Contributions as a percentage of covered payroll	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 in FY 2018.
Changes of assumptions: For the MPSERS pension plan, the discount rate decreased from 8.0% to 7.5% for the plan year 2018. The University recorded a deferred outflow for its portion of changes in assumptions for the fiscal year ended June 30, 2018.

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, 2018

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Michigan Tech Fund	Eliminations	Combined Total 2018	Combined Total 2017
Assets													
Current assets:													
Cash and cash equivalents	$ (14,662,284)	$ 18,119,384	$ 6,250,532	$ (5,872,250)	$ 2,344,163	$ 6,179,545	$ 1,521,151	$ 9,719,621	$ 2,598,929	$ 6,258,775	$ -	$ 26,278,021	$ 22,460,178
Accounts receivable, net	10,577,400	54,606	389,147	245,678	8,378,361	19,645,192	-	2,168	317,553	-	(886,000)	19,078,913	18,935,282
Pledges receivable, net	-	-	-	-	-	-	-	-	-	714,693	-	714,693	1,236,023
Other assets	256,418	13,525	1,302,267	530,923	-	2,103,133	-	-	-	179,341	-	2,282,474	2,338,665
Total current assets	**(3,828,466)**	**18,187,515**	**7,941,946**	**(5,095,649)**	**10,722,524**	**27,927,870**	**1,521,151**	**9,721,789**	**2,916,482**	**7,152,809**	**(886,000)**	**48,354,101**	**44,970,148**
Noncurrent assets:													
Student loans receivable, net	-	-	-	-	-	-	11,572,076	-	-	-	-	11,572,076	11,824,449
Pledges receivable, net	-	-	-	-	-	-	-	-	-	2,173,258	-	2,173,258	1,192,869
Restricted cash for capital projects	-	-	-	-	-	-	-	3,236,523	-	-	-	3,236,523	11,733,518
Investments	14,392,124	-	-	18,716,659	-	33,108,783	-	-	-	138,068,343	-	171,177,126	161,049,485
Beneficial interest in charitable remainder trusts	-	-	-	-	-	-	-	-	-	5,812,167	-	5,812,167	5,660,795
Land held for investment	-	-	-	-	-	-	-	9,781,997	-	64,000	-	9,845,997	9,873,697
Capital assets, net	-	-	-	-	-	-	-	237,277,224	-	-	-	237,277,224	238,861,379
Other assets	-	-	-	-	-	-	-	978,544	-	1,251,861	(262,000)	1,968,405	1,966,186
Total noncurrent assets	**14,392,124**	**-**	**-**	**18,716,659**	**-**	**33,108,783**	**11,572,076**	**251,274,288**	**-**	**147,369,629**	**(262,000)**	**443,062,776**	**442,162,378**
Total assets	**10,563,658**	**18,187,515**	**7,941,946**	**13,621,010**	**10,722,524**	**61,036,653**	**13,093,227**	**260,996,077**	**2,916,482**	**154,522,438**	**(1,148,000)**	**491,416,877**	**487,132,526**
Deferred outflows of resources	**-**	**-**	**-**	**7,231,195**	**-**	**7,231,195**	**-**	**-**	**-**	**-**	**-**	**7,231,195**	**5,385,421**
Liabilities													
Current liabilities													
Accounts payable	1,713,530	317,740	457,199	1,109,414	788,203	4,386,086	-	2,494,548	47,311	1,060,701	(886,000)	7,102,646	8,681,934
Other accrued liabilities	5,720,841	-	100,977	4,992,444	-	10,814,262	-	1,458	2,869,171	-	-	13,684,891	12,972,250
Unearned revenue	158,336	-	-	-	5,338,299	5,496,635	-	256,250	-	-	-	5,752,885	6,202,939
Annuity obligations, current portion	-	-	-	-	-	-	-	-	-	405,772	-	405,772	412,239
Insurance and benefit reserves, current portion	-	-	-	925,640	-	925,640	-	-	-	-	-	925,640	1,111,346
Long-term debt, current portion	-	-	-	-	-	-	-	3,496,216	-	-	-	3,496,216	3,692,830
Total current liabilities	**7,592,707**	**317,740**	**558,176**	**7,027,498**	**6,126,502**	**21,622,623**	**-**	**6,248,472**	**2,916,482**	**1,466,473**	**(886,000)**	**31,368,050**	**33,073,538**
Noncurrent liabilities							-						
Funds held for others	759,950	262,000	-	-	-	1,021,950	-	-	-	-	(262,000)	759,950	743,950
Annuity obligations, net of current portion	-	-	-	-	-	-	-	-	-	5,382,704	-	5,382,704	5,712,158
Insurance and benefit reserves, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	418,377
Long-term debt, net of current portion	-	-	-	-	-	-	-	92,822,231	-	-	-	92,822,231	96,368,461
Net pension liability	-	-	-	64,788,673	-	64,788,673	-	-	-	-	-	64,788,673	62,759,225
Net OPEB liability	-	-	-	22,050,261	-	22,050,261	-	-	-	-	-	22,050,261	-
Total noncurrent liabilities	**759,950**	**262,000**	**-**	**86,838,934**	**-**	**87,860,884**	**-**	**92,822,231**	**-**	**5,382,704**	**(262,000)**	**185,803,819**	**166,002,171**
Total liabilities	**8,352,657**	**579,740**	**558,176**	**93,866,432**	**6,126,502**	**109,483,507**	**-**	**99,070,703**	**2,916,482**	**6,849,177**	**(1,148,000)**	**217,171,869**	**199,075,709**
Deferred inflows of resources	**-**	**-**	**-**	**3,289,908**	**-**	**3,289,908**	**-**	**-**	**-**	**-**	**-**	**3,289,908**	**397,808**
Net position													
Net investment in capital assets	-	-	-	-	-	-	-	144,192,168	-	-	-	144,192,168	149,999,746
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	-	-	96,415,785	-	96,415,785	90,789,469
Expendable	1,468	-	61,122	-	4,596,022	4,658,612	13,248,042	12,768,237	-	45,626,171	-	76,301,062	72,233,176
Unrestricted (deficit)	2,209,533	17,607,775	7,322,648	(76,304,135)	-	(49,164,179)	(154,815)	4,964,969	-	5,631,305	-	(38,722,720)	(19,977,961)
Total net position	**$ 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**	**$ 293,044,430**

1885 Michigan Technological University

MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY OBJECT
FOR THE YEAR ENDED JUNE 30, 2018

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2018	2017
Revenues												
Operating revenues												
Student tuition and fees, net	$ 137,273,058	$ 1,290	$ 1,164,459	$ -	$ 18,513	$ 138,457,320	$ -	$ -	$ -	$ (40,007,759)	$ 98,449,561	$ 95,869,984
Federal grants and contracts	122,824	-	-	-	27,520,723	27,643,547	(812,832)	-	-	-	26,830,715	23,906,185
State and local grants and contracts	11,600	-	-	-	4,023,315	4,034,915	-	-	-	-	4,034,915	3,686,015
Nongovernmental grants and contracts	-	-	-	-	17,156,165	17,156,165	-	-	-	-	17,156,165	15,802,264
Indirect cost recoveries	13,215,566	-	-	-	(13,215,566)	-	-	-	-	-	-	-
Educational activities	410,989	3,568,362	958,415	11,305	495,946	5,445,017	-	-	-	-	5,445,165	4,977,106
Departmental activities	39,146	91,473	9,879,013	-	1,771	10,011,403	148	50,901	-	-	10,062,304	9,922,747
Student residence fees, net	-	-	26,962,754	-	-	26,962,754	-	121,097	-	(7,842,688)	19,241,163	19,531,089
Total operating revenues	**151,073,183**	**3,661,125**	**38,964,641**	**11,305**	**36,000,867**	**229,711,121**	**(812,684)**	**171,998**	**-**	**(47,850,447)**	**181,219,988**	**173,695,390**
Expenses												
Operating expenses												
Salaries and wages	91,636,832	6,555,275	10,383,698	2,448,854	19,621,983	130,646,642	-	-	-	-	130,646,642	126,521,388
Fringe benefits	32,913,999	1,612,902	2,965,094	748,882	4,639,393	42,880,270	-	-	-	-	42,880,270	46,665,590
Supplies and services	15,669,596	10,761,965	13,070,210	1,265,442	12,835,196	53,602,409	274,849	17,227,519	12,942,297	(32,026,077)	52,020,997	51,746,778
Student financial support	44,408,748	1,230,776	-	-	12,152,707	57,792,231	-	-	2,542,572	(50,393,019)	9,941,784	8,814,735
Utilities	4,057,013	214,990	2,607,388	-	23,582	6,902,973	-	-	-	-	6,902,973	8,088,258
Depreciation	-	-	-	-	-	-	-	14,591,447	-	-	14,591,447	14,185,789
Total operating expenses	**188,686,188**	**20,375,908**	**29,026,390**	**4,463,178**	**49,272,861**	**291,824,525**	**274,849**	**31,818,966**	**15,484,869**	**(82,419,096)**	**256,984,113**	**256,022,538**
Operating (loss) income	**(37,613,005)**	**(16,714,783)**	**9,938,251**	**(4,451,873)**	**(13,271,994)**	**(62,113,404)**	**(1,087,533)**	**(31,646,968)**	**(15,484,869)**	**34,568,649**	**(75,764,125)**	**(82,327,148)**
Net transfers (out) in	**(15,694,502)**	**11,594,953**	**(9,662,493)**	**783,821**	**1,968,783**	**(11,009,438)**	**(153,517)**	**11,162,955**	**-**	**-**	**-**	**-**
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	6,128,727	6,128,727	-	-	-	-	6,128,727	5,408,211
Federal grants, other	-	-	-	-	-	-	-	492,469	-	-	492,469	501,082
State appropriations	49,081,629	-	-	-	-	49,081,629	-	-	-	-	49,081,629	48,586,922
Gifts	5,119,337	3,541,651	308,625	-	5,487,136	14,456,749	-	-	9,978,633	(13,276,931)	11,158,451	10,219,625
Investment return	505,338	-	-	2,220,592	316	2,726,246	399,623	103,005	9,803,765	-	13,032,639	15,221,757
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,357,001)	-	-	(4,357,001)	(4,429,956)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(106,695)	(106,695)	(99,107)
Net nonoperating revenues (expenses)	**54,706,304**	**3,541,651**	**308,625**	**2,220,592**	**11,616,179**	**72,393,351**	**399,623**	**(3,761,527)**	**19,782,398**	**(13,383,626)**	**75,430,219**	**75,408,534**
Income (loss) before other revenues	**1,398,797**	**(1,578,179)**	**584,383**	**(1,447,460)**	**312,968**	**(729,491)**	**(841,427)**	**(24,245,540)**	**4,297,529**	**21,185,023**	**(333,906)**	**(6,918,614)**
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	2,107,059	499,713	(1,638,919)	967,853	1,133,384
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	5,626,316	-	5,626,316	3,783,846
Other nonoperating revenues	-	-	-	-	-	-	-	-	100,285	-	100,285	111,371
Fund additions	-	-	-	-	-	-	-	19,546,104	-	(19,546,104)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,653,163**	**6,226,314**	**(21,185,023)**	**6,694,454**	**5,028,601**
Extraordinary item due to flood	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(744,170)**	**-**	**-**	**(744,170)**	**-**
Net increase (decrease) in net position	**1,398,797**	**(1,578,179)**	**584,383**	**(1,447,460)**	**312,968**	**(729,491)**	**(841,427)**	**(3,336,547)**	**10,523,843**	**-**	**5,616,378**	**(1,890,013)**
Net position, beginning of year, as restated	812,204	19,185,954	6,799,387	(74,856,675)	4,283,054	(43,776,076)	13,934,654	165,261,921	137,149,418	-	272,569,917	294,934,443
Net position, end 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**	**$ 293,044,430**

MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2018	2017
Revenues												
Operating revenues												
Student tuition and fees, net	$ 137,273,058	$ 1,290	$ 1,164,459	$ -	$ 18,513	$ 138,457,320	$ -	$ -	$ -	$ (40,007,759)	$ 98,449,561	$ 95,869,984
Federal grants and contracts	122,824	-	-	-	27,520,723	27,643,547	(812,832)	-	-	-	26,830,715	23,906,185
State and local grants and contracts	11,600	-	-	-	4,023,315	4,034,915	-	-	-	-	4,034,915	3,686,015
Nongovernmental grants and contracts	-	-	-	-	17,156,165	17,156,165	-	-	-	-	17,156,165	15,802,264
Indirect cost recoveries	13,215,566	-	-	-	(13,215,566)	-	-	-	-	-	-	-
Educational activities	410,989	3,568,362	958,415	11,305	495,946	5,445,017	-	-	-		5,445,165	4,977,106
Departmental activities	39,146	91,473	9,879,013	-	1,771	10,011,403	148	50,901	-	-	10,062,304	9,922,747
Student residence fees, net	-	-	26,962,754	-	-	26,962,754	-	121,097	-	(7,842,688)	19,241,163	19,531,089
Total operating revenues	**151,073,183**	**3,661,125**	**38,964,641**	**11,305**	**36,000,867**	**229,711,121**	**(812,684)**	**171,998**	**-**	**(47,850,447)**	**181,219,988**	**173,695,390**
Expenses												
Operating expenses												
Instruction	63,291,929	2,885,176	-	1,354,606	202,007	67,733,718	-	-	-	(293,402)	67,440,316	68,189,643
Research	17,947,882	13,305,413	-	973,623	30,551,851	62,778,769	-	-	-	(2,162,636)	60,616,133	54,601,808
Public service	1,497,426	624,050	-	169,326	8,754,094	11,044,896	-	-	-	(53,013)	10,991,883	10,982,915
Academic support	23,255,874	807,006	-	465,646	952	24,529,478	-	-	-	(10,314)	24,519,164	23,101,105
Student services	8,679,501	1,558,940	4,743,698	253,989	149,676	15,385,804	-	-	-	43,071	15,428,875	14,782,242
Institutional support	20,009,484	216,963	-	596,004	36,745	20,859,196	-	183,248	12,942,297	(12,917,722)	21,067,019	25,583,897
Student financial support	41,282,127	-	-	-	9,577,536	50,859,663	274,849	-	2,542,572	(42,550,332)	11,126,752	9,750,600
Operations and maintenance of plant	12,721,965	978,360	-	395,995	-	14,096,320	-	17,044,271	-	(16,373,289)	14,767,302	16,036,327
Sales and services of dept activities	-	-	24,282,692	253,989	-	24,536,681	-	-	-	(17,478,483)	7,058,198	7,072,384
Student residents	-	-	-	-	-	-	-	-	-	9,377,024	9,377,024	11,735,828
Depreciation	-	-	-	-	-	-	-	14,591,447	-	-	14,591,447	14,185,789
Total operating expenses	**188,686,188**	**20,375,908**	**29,026,390**	**4,463,178**	**49,272,861**	**291,824,525**	**274,849**	**31,818,966**	**15,484,869**	**(82,419,096)**	**256,984,113**	**256,022,538**
Operating (loss) income	**(37,613,005)**	**(16,714,783)**	**9,938,251**	**(4,451,873)**	**(13,271,994)**	**(62,113,404)**	**(1,087,533)**	**(31,646,968)**	**(15,484,869)**	**34,568,649**	**(75,764,125)**	**(82,327,148)**
Net transfers (out) in	**(15,694,502)**	**11,594,953**	**(9,662,493)**	**783,821**	**1,968,783**	**(11,009,438)**	**(153,517)**	**11,162,955**	**-**	**-**	**-**	**-**
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	6,128,727	6,128,727	-	-	-	-	6,128,727	5,408,211
Federal grants, other	-	-	-	-	-	-	-	492,469	-	-	492,469	501,082
State appropriations	49,081,629	-	-	-	-	49,081,629	-	-	-	-	49,081,629	48,586,922
Gifts	5,119,337	3,541,651	308,625	-	5,487,136	14,456,749	-	-	9,978,633	(13,276,931)	11,158,451	10,219,625
Investment return	505,338	-	-	2,220,592	316	2,726,246	399,623	103,005	9,803,765	-	13,032,639	15,221,757
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,357,001)	-	-	(4,357,001)	(4,429,956)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(106,695)	(106,695)	(99,107)
Net nonoperating revenues (expenses)	**54,706,304**	**3,541,651**	**308,625**	**2,220,592**	**11,616,179**	**72,393,351**	**399,623**	**(3,761,527)**	**19,782,398**	**(13,383,626)**	**75,430,219**	**75,408,534**
Income (loss) before other revenues	**1,398,797**	**(1,578,179)**	**584,383**	**(1,447,460)**	**312,968**	**(729,491)**	**(841,427)**	**(24,245,540)**	**4,297,529**	**21,185,023**	**(333,906)**	**(6,918,614)**
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	2,107,059	499,713	(1,638,919)	967,853	1,133,384
Gfits for permanent endowment purposes	-	-	-	-	-	-	-	-	5,626,316	-	5,626,316	3,783,846
Other nonoperating revenues	-	-	-	-	-	-	-	-	100,285	-	100,285	111,371
Fund additions	-	-	-	-	-	-	-	19,546,104	-	(19,546,104)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,653,163**	**6,226,314**	**(21,185,023)**	**6,694,454**	**5,028,601**
Extraordinary item due to flood	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(744,170)**	**-**	**-**	**(744,170)**	**-**
Net increase (decrease) in net position	**1,398,797**	**(1,578,179)**	**584,383**	**(1,447,460)**	**312,968**	**(729,491)**	**(841,427)**	**(3,336,547)**	**10,523,843**	**-**	**5,616,378**	**(1,890,013)**
Net position, beginning of year, as restated	812,204	19,185,954	6,799,387	(74,856,675)	4,283,054	(43,776,076)	13,934,654	165,261,921	137,149,418	-	272,569,917	294,934,443
Net position, end 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**	**$ 293,044,430**

MICHIGAN TECHNOLOGICAL UNIVERSITY
1400 TOWNSEND DRIVE
HOUGHTON, MICHIGAN 49931-1295
MTU.EDU