

2021 FINANCIAL REPORT



**Michigan
Technological
University**



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THE MICHIGAN TECH *STRATEGIC PLAN*

We prepare students to create the future.

VISION

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

MISSION

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

GOALS

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





LETTER FROM THE *PRESIDENT*

This fall we will...

Welcome the largest and most diverse freshman class in nearly 39 years.

Celebrate our faculty for their remarkable contributions to scholarship and research—notably a record year in research expenditures and the establishment of three new degree programs, 34 graduate certificates, and three new undergraduate concentrations.

Usher in a new era for campus diversity and inclusion efforts as Dr. Wayne Gersie joins Michigan Tech.

Re-envision the future of the University through the Tech Forward initiatives and Campus Master Plan.

Thank our donors for doubling down on their commitment to Michigan Tech and surpassing last year's giving total.

In the best of times, this year's accomplishments are impressive. But, 2020-21 was anything but normal. In spite of its challenges, the remarkable resiliency and tenacity of our campus community yielded positive growth for MTU—an accomplishment underscored by the remarkable efforts of our campus community to help mitigate the effects of the pandemic. From establishing the first COVID-19 testing facility in the Upper Peninsula to designing protective face shields for local schools, to offering courses and student support services through a variety of modalities, to instituting a wastewater testing program to pinpoint local COVID-19 outbreaks, the Michigan Tech community went above and beyond in our fight against COVID-19, advancing Michigan Tech as a "premier national university positioned to lead the nation in the Fourth Industrial Revolution."

These are extraordinary times that are punctuated by extraordinary accomplishments—none of which would have been possible without the unwavering dedication and service of our faculty and staff.

Thank you,

Rick Koubek
President



ADMINISTRATIVE OFFICERS

BOARD OF TRUSTEES

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2022	Matthew Johnson	Brenda Ryan, Chair
2024	Derhun Sanders	Steven Tomaszewski
2026	John Bacon	Jeffrey Littmann, Vice Chair
2028	Andrea Dickson	John Jipping

EXECUTIVE AND BOARD OFFICERS

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Sarah Schulte
Secretary of the Board of Trustees

Wallace Southerland, III
Vice President for Student Affairs and Dean of
Students





UNIVERSITY *UPDATE*

COVID-19 has been a disruptor unparalleled in our lifetime. Since it began in March 2020, the global pandemic has taught us that Michigan Tech, as an institution, can respond with flexibility in the face of a crisis. We are bringing that lesson forward to the 2021-22 academic year. Because it's likely that some disruption from COVID-19 will continue, our proactive MTU Flex plan remains in place to create a healthy and safe on-campus experience for our students, faculty, and staff—one that we can flex in response to rapidly changing environments.

- All Michigan Tech operations returned to normal June 14, 2021.
- We are delighted to welcome our students back to campus for a normal start to the fall 2021 semester.
- We will offer free walk-in COVID-19 testing on campus for all students and employees.
- Our [Health and Safety Levels](#) continue to guide our on-campus behavior. The levels are based on the COVID-19 public health situation on campus and in the community, the fall academic calendar, and the strength of the local health care system.

MTU Flex is built on Michigan Tech's institutional agility. It allows us to make adjustments as required with the least amount of disruption to students, faculty, and staff. This helps ensure continuity of education, teaching, research, and workflow while prioritizing the health and well-being of the Michigan Tech community. It also means the University is ready to respond to disruptions caused by COVID-19. Michigan Tech's focus continues to be the education of our students and the safety of our community.



Independent Auditor's Report

To the Board of Trustees
Michigan Technological University

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Technological University (the "University"), a component unit of the State of Michigan, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Michigan Technological University's basic financial statements, as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. The Michigan Tech Fund, a blended component unit, was not audited under *Government Auditing Standards*.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Technological University as of June 30, 2021 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Prior Year Financial Statements

The basic financial statements of Michigan Technological University as of and for the year ended June 30, 2020 were audited by a predecessor auditor, which expressed an unmodified opinion on the basic financial statements. The predecessor auditor's report was dated November 30, 2020.

To the Board of Trustees
Michigan Technological University

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion & analysis, schedule of the university's proportionate share of the net pension liability and schedule of university pension contributions, schedule of the university's proportionate share of the net OPEB liability and schedule of university OPEB contributions, and schedule of changes in the university's total OPEB liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Michigan Technological University's basic financial statements. The other information and other supplementary information, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 fairly stated in all material respects in relation to the basic financial statements as a whole.

The Michigan Tech strategic plan, the letter from the president, the listing of administrative officers, and the university update have not been subjected to the auditing procedures applied in the audit of the basic 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 December 17, 2021 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan Technological University's internal control over financial reporting and compliance.



December 17, 2021

MANAGEMENT'S 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, 2021, 2020, and 2019. 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.





COVID-19 AND FEDERAL CORONAVIRUS RELIEF FUNDS

The University began the academic year 2020-2021 with students on campus; however, the University suspended face-to-face instruction on November 23, 2020. Instruction was moved to remote learning for the remainder of the fall semester 2020. Students living in the residence halls were asked to not return after the Thanksgiving break, and were given prorated housing and dining refunds/credits that totaled \$1,962,400. In-person instruction for the spring 2021 semester began two weeks later than scheduled, and students living in the residence halls were given housing and dining refunds/credits that totaled \$405,600.

During fiscal year 2020, the University was awarded Federal coronavirus relief aid of \$4,605,779 from the Higher Education Emergency Relief Fund I (HEERF I), and recognized \$80,538 of revenue on the Statements of Revenues, Expenses and Changes in Net Position. During fiscal year 2021, the University was awarded Federal coronavirus relief aid of \$6,991,814 from the Higher Education Emergency Relief Fund II (HEERF II) and \$12,364,790 from the Higher Education Emergency Relief Fund III (HEERF III). Awards received under HEERF II and HEERF III have a student and an institutional component, with the restriction on the student component having to be satisfied before the institutional component can be recognized as revenue. During the fiscal year ended June 30, 2021, the University recognized \$11,456,581 in revenue from HEERF I and II funding, which can be found on the Statements of Revenues, Expenses and Changes in Net Position under Nonoperating Revenues (Expenses). The University plans on recognizing the HEERF III revenue during fiscal year ending June 30, 2022.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$ 58,692,682	\$ 46,853,171	\$ 51,011,521
Noncurrent assets:			
Capital assets, net	221,553,124	227,503,910	234,218,326
Other	262,868,880	204,634,328	204,960,598
Total assets	543,114,686	478,991,409	490,190,445
Deferred outflows of resources	6,656,404	5,739,106	7,009,187
Liabilities			
Current liabilities	32,283,267	32,524,812	32,454,891
Noncurrent liabilities	174,136,637	182,521,765	186,873,504
Total liabilities	206,419,904	215,046,577	219,328,395
Deferred inflows of resources	13,324,871	2,789,044	4,707,239
Net position			
Net investment in capital assets	135,790,477	138,086,386	141,106,255
Restricted			
Nonexpendable	106,282,134	104,236,751	99,051,271
Expendable	116,071,789	70,460,591	73,420,432
Unrestricted deficit	(28,118,085)	(45,888,834)	(40,413,960)
Total net position	\$ 330,026,315	\$ 266,894,894	\$ 273,163,998

Changes from 2020 to 2021

Total assets of the University increased by \$64.1 million. The main driver of the increase in assets was from the investment portfolios held by the University and the Fund, which both experienced double-digit returns. Another significant increase was in the pledge receivable category. The Fund received a large pledge for scholarships that will benefit students at the University for many years into the future. Cash also increased due the receipt of Federal coronavirus relief funds.

Total liabilities decreased by \$8.6 million in fiscal year 2021. The net OPEB liability that is passed through to the University from the Michigan Public Schools Employees Retirement System (MPSERS) had a significant decrease.

Deferred inflows of resources increased by \$10.5 million. The increase was due to a change in the accounting treatment of irrevocable split-interest agreements by the Fund.

Total net position increased by \$63.1 million. The majority of the increase was in the restricted-expendable category. Net appreciation on endowment investments is in this category and strong investment returns drove the increase.

Changes from 2019 to 2020

Total assets of the University decreased by \$11.2 million. The main drivers of the decrease in assets were from a reduction in accounts receivable and a reduction in capital assets. The State of Michigan reduced its appropriations for Michigan public universities due to the pandemic in fiscal year 2020, causing the decrease. At the end of fiscal year 2019, the University had recorded an insurance receivable which was for damages sustained to campus from the 2018 flood. There was no insurance receivable in fiscal year 2020. Capital assets declined as capital projects were halted on campus because of pandemic-related restrictions.

Total liabilities decreased by \$4.3 million in fiscal year 2020. The decrease came from principal payments made on long-term debt. The increase in the net pension liability was offset by the decrease in net OPEB liability.

Total net position decreased by \$6.3 million. The majority of the decrease was in the unrestricted category and was a result of the reduction in State appropriations of \$5.6 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

	2021	2020	2019
Net investment in capital assets	\$ 135,790,477	\$ 138,086,386	\$ 141,106,255
Restricted-nonexpendable net position - endowment	106,282,134	104,236,751	99,051,271
Restricted-expendable net position			
Gifts and sponsored programs	47,795,171	29,481,983	27,544,023
Capital projects and debt service	2,530,518	2,551,281	2,048,063
Student loans	8,760,339	10,710,918	13,525,964
Net appreciation on permanent endowment funds and land held for investment	56,985,761	27,716,409	30,302,382
Total restricted-expendable net position	116,071,789	70,460,591	73,420,432
Unrestricted net position (deficit)			
Capital projects and repairs	6,942,720	3,961,572	4,774,232
Auxiliary enterprises	1,291,901	4,589,683	5,673,485
Designated for departmental use	27,194,753	20,989,583	18,406,286
Pension and OPEB plans	(81,699,973)	(88,365,351)	(88,945,951)
Uncommitted	18,152,514	12,935,679	19,677,988
Total unrestricted net deficit	(28,118,085)	(45,888,834)	(40,413,960)
Total net position	\$ 330,026,315	\$ 266,894,894	\$ 273,163,998



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

	2021	2020	2019
Operating revenues			
Tuition and fees, net	\$ 98,248,502	\$ 101,082,940	\$ 102,821,248
Grants and contracts	55,608,186	49,635,791	52,016,788
Educational activities	4,456,771	3,643,172	5,363,254
Auxiliary and departmental activities, net	20,521,130	26,965,146	28,554,894
Total operating revenues	178,834,589	181,327,049	188,756,184
Operating expenses			
Compensation and benefits	163,681,571	174,337,667	178,836,147
Supplies and services	48,752,132	49,073,033	55,035,855
Student financial support	15,330,746	11,240,114	13,567,107
Utilities	6,263,372	6,303,890	6,790,677
Depreciation	14,464,888	14,767,842	14,933,237
Total operating expenses	248,492,709	255,722,546	269,163,023
Operating loss	(69,658,120)	(74,395,497)	(80,406,839)
Nonoperating revenues (expenses) and other revenues			
Federal Pell grants	5,104,880	5,383,769	6,293,211
State appropriations	50,795,200	44,953,000	49,949,600
Other nonoperating revenues and expenses, net	76,889,461	17,789,624	19,141,731
Net nonoperating revenues (expenses) and other revenues	132,789,541	68,126,393	75,384,542
Net increase (decrease) in net position	63,131,421	(6,269,104)	(5,022,297)
Net position			
Beginning of year	266,894,894	273,163,998	278,186,295
End of year	\$ 330,026,315	\$ 266,894,894	\$ 273,163,998

Changes from 2020 to 2021

Overall, the University experienced a \$2.5 million decrease to operating revenues. Tuition and fees, net decreased due to a slight enrollment decline because of the pandemic. Revenues from auxiliary and departmental activities suffered from the pandemic as well, as students were given room and board refunds when there were shifts to remote learning. Research grants and contract revenue increased as faculty were able to continue with their research during the pandemic.

Operating expenses decreased by \$7.2 million. Compensation and benefits decreased due to a large credit passed through to the University from the MPSERS OPEB plan. In addition, budget reallocations were undertaken by the University due to the pandemic. Student financial support increased due to satisfying the student portion of Federal coronavirus relief funding.

Nonoperating revenues (expenses) and other revenues increased by \$64.7 million. State appropriations increased compared to the prior year. The University had its State appropriations reduced in fiscal year 2020 due to the pandemic and the funding was restored to a more normal level in fiscal year 2021. Other nonoperating revenues (expenses), net increased significantly due to the receipt of Federal coronavirus relief funds, strong investment returns, and increased charitable giving.

Changes from 2019 to 2020

Overall, the University experienced a \$7.4 million decrease to operating revenues. Tuition and fees, net decreased due to a slight enrollment decline, mostly in graduate students. Revenues from auxiliary, departmental, and educational activities decreased due to the pandemic, as students were given room and board refunds when instruction was changed to remote in March of 2020 and many campus operations ceased.

Operating expenses decreased by \$13.4 million. Supplies and services expense decreased from pandemic-related financial restraints put in place during the last three months of the fiscal year, and from the slow-down of capital projects work on campus. Compensation and benefits were down because a large pension and OPEB expense was recognized in fiscal year 2019, whereas pension and OPEB expense was a net credit in fiscal year 2020.

Nonoperating revenues (expenses) and other revenues decreased by \$7.3 million. The reduction in State appropriations caused most of the change, along with drastically reduced gift activity from March through June.

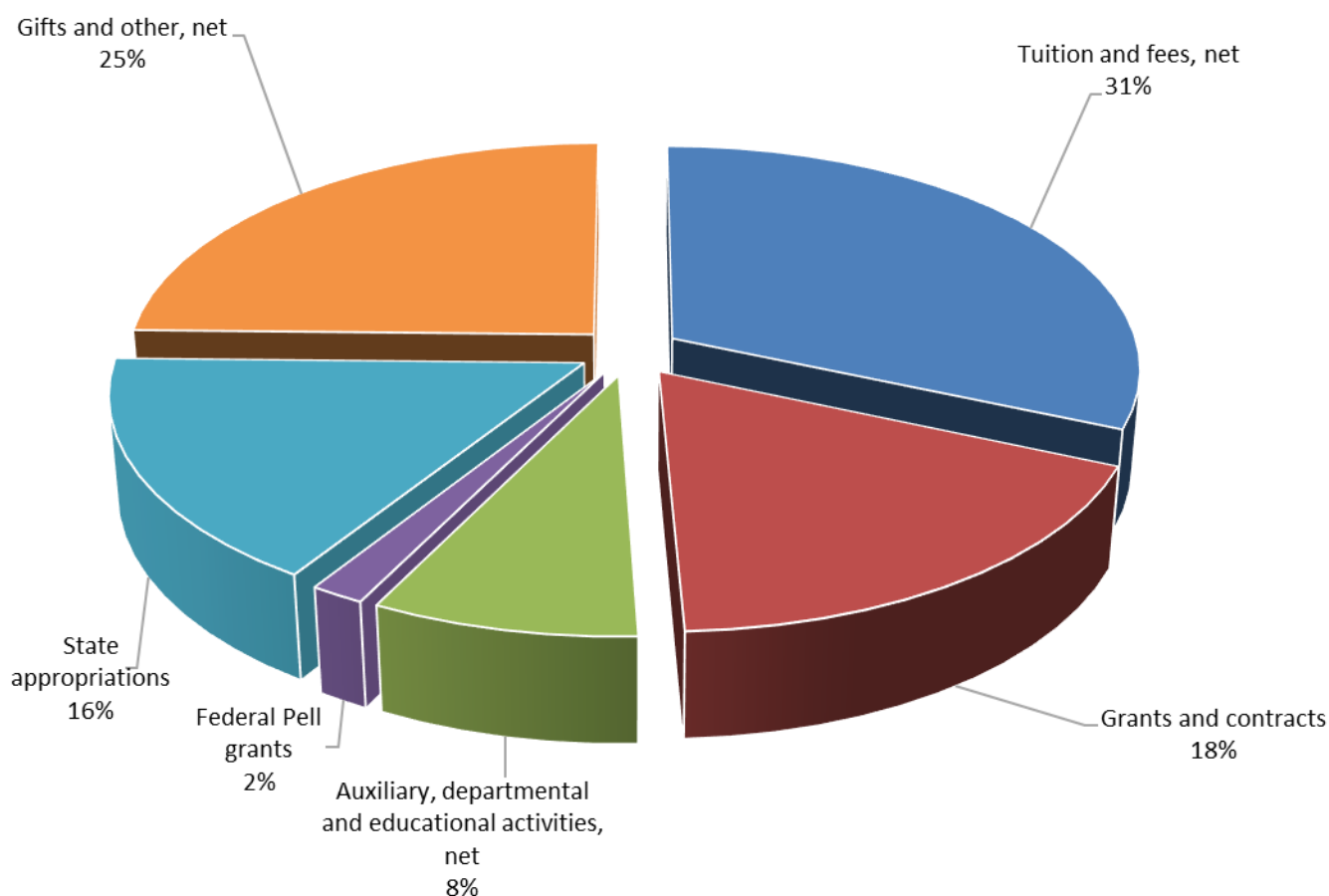


Revenue Diversification

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 2021 revenues by source:

SOURCES OF REVENUES

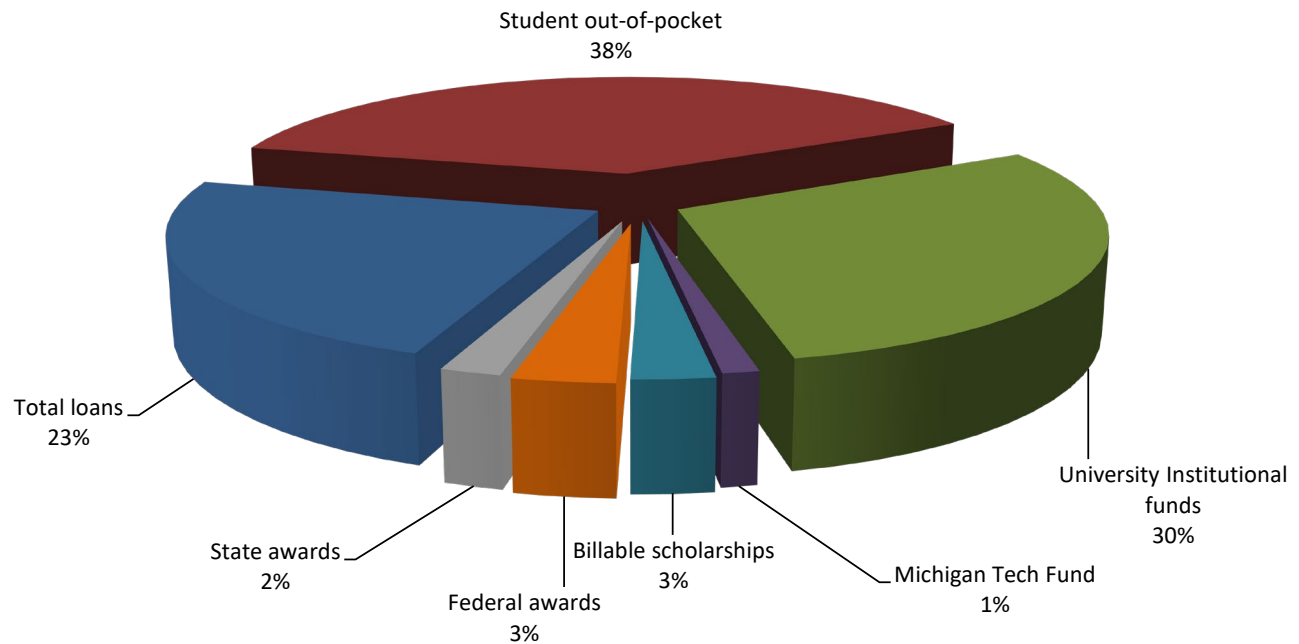


TUITION AND FEES REVENUE

The University provides students with the opportunity to obtain a quality education at a price that is subsidized by state funding. For fiscal year 2021, the University implemented a 2% average increase in tuition and mandatory fees for Michigan resident undergraduates. Graduate students saw a 6% 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, 2021. The graph shows that 40% 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

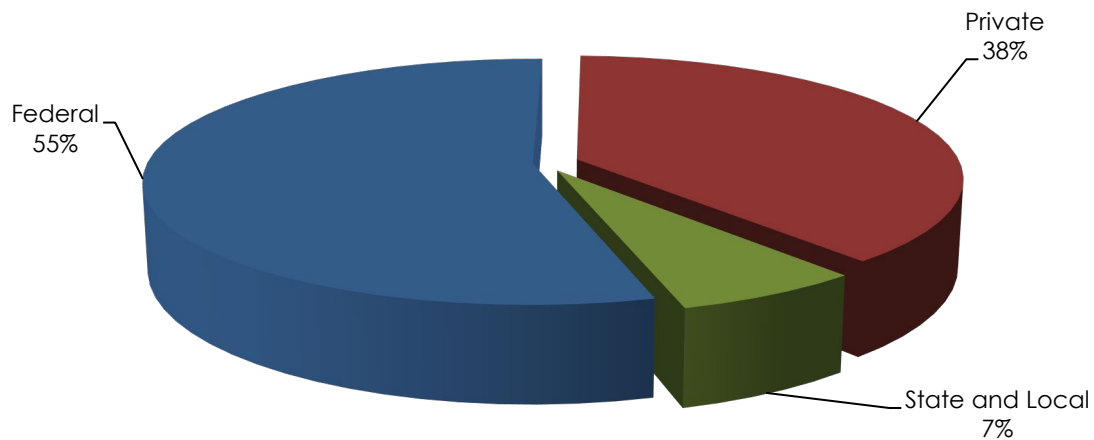
The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were \$71.2 and \$71.8 million of research and sponsored programs awarded to the University in fiscal years 2021 and 2020, respectively. The University currently has 19 interdisciplinary research institutes and centers that have enabled the University to maintain its growing recognition as a research institution. The University also operates off-campus research facilities in Hancock, Michigan and Ann Arbor, Michigan.



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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Federal sources:			
Department of Agriculture	\$ 1,836,306	\$ 2,098,683	\$ 2,032,158
Department of Defense	12,033,433	8,476,314	8,496,921
Department of Education	531,842	568,952	499,381
Department of Energy	2,508,254	1,526,756	1,561,490
Department of Interior	1,070,028	799,761	1,045,332
Department of Transportation	406,975	363,017	93,775
Environmental Protection Agency	162,853	126,813	355,377
National Aeronautics and Space Administration	3,927,372	4,210,025	5,099,718
National Science Foundation	6,935,289	6,126,328	6,525,749
Health and Human Services	2,266,570	2,662,718	2,461,387
Other federal sources	546,908	740,607	670,920
Repayments	(1,741,655)	(2,585,315)	-
Total federal sources	<u>30,484,175</u>	<u>25,114,659</u>	<u>28,842,208</u>
Non-federal sources:			
State and local	3,800,457	4,076,024	4,377,969
Private	21,323,554	20,445,108	18,796,611
Total non-federal sources	<u>25,124,011</u>	<u>24,521,132</u>	<u>23,174,580</u>
Total all sources	<u>\$ 55,608,186</u>	<u>\$ 49,635,791</u>	<u>\$ 52,016,788</u>

The following graph illustrates the fiscal year 2021 grant and contract revenue by source.





OPERATING EXPENSES BY FUNCTION

Functional classifications are the traditional categories that universities have used for expenses. They represent the types of programs and services that the University provides.

FUNCTIONAL EXPENSES YEAR ENDED JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Instruction	\$ 62,431,697	\$ 68,520,081	\$ 68,849,760
Research	60,016,828	59,159,329	60,969,147
Public service	11,027,767	9,768,499	11,163,433
Academic support	21,078,846	22,555,415	24,568,081
Student services	13,810,086	15,985,526	16,161,647
Institutional support	23,081,412	24,913,814	26,221,651
Operations and maintenance of plant	13,640,128	13,738,173	14,850,798
Student financial support	16,267,506	12,470,722	14,307,807
Departmental activities	4,232,924	6,838,574	8,514,434
Student residents	8,440,627	7,004,571	8,623,028
Depreciation	14,464,888	14,767,842	14,933,237
Total	<u>\$ 248,492,709</u>	<u>\$ 255,722,546</u>	<u>\$ 269,163,023</u>

Overall, expenses decreased by 3% in fiscal year 2021 compared to fiscal 2020 and decreased by 5% in fiscal year 2020 compared to fiscal year 2019. The year-over-year comparisons are skewed by non-cash pension and OPEB expenses that were passed through to the University from the MPSERS defined benefit plan. In fiscal year 2021 and 2020, the non-cash expenses were credits, thus reducing expenses. In fiscal year 2019, the non-cash expenses increased expenses. The non-cash expenses or credits were allocated to the various functions based on payroll, so those categories with higher payroll, such as instruction, have more dynamic swings from year to year. Fiscal year 2021 and 2020 expenses were also down compared to fiscal year 2019 due to fiscal restraints put on spending and less services provided on campus because of the pandemic.

The pandemic is also the cause of the functional categories that increased significantly. For instance, student financial support expenses increased by 23% in fiscal year 2021 due to the distribution of federal coronavirus relief funds to students. Public service expenses increased by 11% due to the spending of the institutional portion of federal coronavirus relief funds.

CONDENSED STATEMENTS OF CASH FLOWS

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

CONDENSED STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash (used in) provided by			
Operating activities	\$ (59,517,363)	\$ (58,114,055)	\$ (57,924,435)
Noncapital financing activities	73,776,014	62,034,256	68,823,274
Capital and related financing activities	(7,321,222)	(7,904,720)	(16,865,349)
Investing activities	(921,726)	7,121,156	2,958,460
Net change in cash and cash equivalents	6,015,703	3,136,637	(3,008,050)
Cash and cash equivalents, beginning of the year	29,643,131	26,506,494	29,514,544
Cash and cash equivalents, end of the year	\$ 35,658,834	\$ 29,643,131	\$ 26,506,494

Changes from 2020 to 2021

Cash from operating activities decreased. Less cash was received from tuition and fees, student residence fees, and departmental activities due to an enrollment decline and the suspension of many campus operations during the pandemic. Cash received from research did increase, however, with research still being performed during the pandemic.

Cash from noncapital financing activities increased significantly. The increase was from cash received from Federal coronavirus relief funds.

Cash from capital and related financing activities was stable. The series 2010A bonds were refunded in fiscal year 2021 with the series 2020B bonds.

Cash from investing activities decreased due to less investments being sold in fiscal year 2021.

Overall, cash increased by \$6.0 million with most of the increase coming from the receipt of Federal coronavirus relief funds.

Changes from 2019 to 2020

Cash from operating activities decreased marginally, with the largest variance being a reduction in payments to suppliers. The financial restraints put in place due the pandemic caused less spending.

Cash from noncapital financing activities decreased because of less cash received from gifts.

Cash from capital and related financing activities increased. Less cash was spent on the acquisition of capital assets due to the slow-down in capital projects and more cash was received for the endowment.

Cash from investing activities increased due to more investments being sold than purchased.

Overall, cash increased by \$3.1 million.



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 22% of accepted students enroll at the University. Michigan residents account for 70% 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					
	2020	2019	2018	2017	2016
First-Year Students	5,260	4,442	4,313	4,074	4,272
Transfer Students	296	310	298	342	377
Graduate Students	1,525	1,655	1,566	1,616	1,327
Total	7,081	6,407	6,177	6,032	5,976

AVERAGE ACT SCORES FOR INCOMING FIRST-YEAR STUDENTS, FALL

	Michigan	
	Tech	National
2020	27.5	20.6
2019	27.6	20.7
2018	27.3	20.8
2017	27.2	21.0
2016	27.2	20.8

SELECTED ENROLLMENT DATA* SUMMER AND FALL TERMS

	2020	2019	2018	2017	2016
First-Year Students	1,201	1,301	1,245	1,323	1,381
New Transfer Students	149	159	156	189	199
Graduate Students	242	389	396	434	378
Total	1,592	1,849	1,797	1,946	1,958

ENROLLMENT BY RESIDENCY*

	2020	2019	2018	2017	2016
Resident	4,704	4,755	4,746	4,766	4,644
Non-Resident	1,376	1,389	1,470	1,478	1,498
International	607	768	900	1,000	1,056
Total	6,687	6,912	7,116	7,244	7,198

*Does not include Distance Learning

FULL-TIME EQUIVALENT STUDENTS BY RESIDENCY*

	2020	2019	2018	2017	2016
Resident	4,443	4,475	4,482	4,471	4,361
Non-Resident	1,307	1,324	1,401	1,393	1,416
International	559	730	858	936	990
Total	6,309	6,529	6,741	6,800	6,767

**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				
	2021	2020	2019	2018	2017
Associate	5	2	1	1	1
Bachelor's	1,173	1,170	1,160	1,120	1,066
Master's	424	357	448	438	489
Doctoral	84	85	86	93	88
Total	1,686	1,614	1,695	1,652	1,644





MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET POSITION

	June 30	
	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 35,658,834	\$ 29,543,709
Accounts receivable, net	20,166,958	14,490,942
Pledges receivable, net	1,661,638	849,449
Other assets	1,205,252	1,969,071
Total current assets	58,692,682	46,853,171
Noncurrent assets		
Student loans receivable, net	6,208,258	7,958,867
Pledges receivable, net of allowance and current portion	17,377,039	798,115
Restricted cash for capital projects - unspent bond proceeds	-	99,422
Investments	229,480,734	187,652,065
Beneficial interest in charitable remainder trusts	7,778,511	6,110,969
Capital assets, net	221,553,124	227,503,910
Other assets	2,024,338	2,014,890
Total noncurrent assets	484,422,004	432,138,238
Total assets	543,114,686	478,991,409
Deferred outflows of resources		
Deferred pension amounts	5,288,372	4,322,626
Deferred OPEB amounts	1,368,032	1,416,480
Total deferred outflows of resources	6,656,404	5,739,106
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	22,517,903	21,034,011
Unearned revenue	3,902,502	5,855,839
Annuity obligations, current portion	432,612	385,279
Insurance and benefit reserves	1,434,353	1,332,756
Long-term debt, current portion	3,995,897	3,916,927
Total current liabilities	32,283,267	32,524,812
Noncurrent liabilities		
Enrollment deposits	466,150	635,651
Annuity obligations, net of current portion	5,218,433	5,390,313
Long-term debt, net of current portion	81,304,743	85,180,388
Net pension liability	77,330,320	75,502,509
Net OPEB liability	9,816,991	15,812,904
Total noncurrent liabilities	174,136,637	182,521,765
Total liabilities	206,419,904	215,046,577
Deferred inflows of resources		
Deferred pension amounts	1,078,884	1,829,282
Deferred OPEB amounts	130,182	959,762
Deferred split-interest agreement amounts	12,115,805	-
Total deferred inflows of resources	13,324,871	2,789,044
Net position		
Net investment in capital assets	135,790,477	138,086,386
Restricted:		
Nonexpendable	106,282,134	104,236,751
Expendable:		
Academic support and student financial support	104,780,932	57,198,392
Capital projects	2,530,518	2,551,281
Student loans	8,760,339	10,710,918
Unrestricted deficit	(28,118,085)	(45,888,834)
Total net position	\$ 330,026,315	\$ 266,894,894

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	
	2021	2020
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$43,935,267 and \$41,545,008 in 2021 and 2020, respectively)	\$ 98,248,502	\$ 101,082,940
Federal grants and contracts	30,484,175	25,114,659
State and local grants and contracts	3,800,457	4,076,024
Nongovernmental grants and contracts	21,323,554	20,445,108
Educational activities	4,456,771	3,643,172
Departmental activities	5,418,921	8,933,470
Student residence fees (net of scholarship allowances of \$7,193,869 and \$8,120,273 in 2021 and 2020, respectively)	15,102,209	18,031,676
Total operating revenues	178,834,589	181,327,049
Expenses		
Operating expenses		
Compensation and benefits	163,681,571	174,337,667
Supplies and services	48,752,132	49,073,033
Student financial support	15,330,746	11,240,114
Utilities	6,263,372	6,303,890
Depreciation	14,464,888	14,767,842
Total operating expenses	248,492,709	255,722,546
Operating loss	(69,658,120)	(74,395,497)
Nonoperating revenues (expenses)		
Federal Pell grants	5,104,880	5,383,769
Federal grants, other	628,494	583,526
Federal coronavirus relief funds	17,071,681	80,538
State appropriations	50,795,200	44,953,000
Gifts	26,059,645	6,601,957
Investment return	26,946,630	7,671,386
Interest on capital asset-related debt	(3,551,233)	(4,123,654)
Loss on disposal of capital assets	(82,333)	(75,492)
Net nonoperating revenues	122,972,964	61,075,030
Loss before other revenues	53,314,844	(13,320,467)
Other revenues		
Capital grants and gifts	779,867	800,332
Gifts for permanent endowment purposes	8,975,679	5,467,724
Other revenues	61,031	106,313
Total other revenues	9,816,577	6,374,369
Extraordinary items due to flood		
Other flood expenses	-	(1,079,909)
Other realized insurance recoveries	-	1,756,903
Net extraordinary items due to flood	-	676,994
Change in net position	63,131,421	(6,269,104)
Net position		
Beginning of year	266,894,894	273,163,998
End of year	\$ 330,026,315	\$ 266,894,894

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



MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2021	2020
Cash flows from operating activities		
Student tuition and fees	\$ 98,862,384	\$ 103,117,848
Grants and contracts	54,029,281	48,548,342
Payments to employees	(128,141,974)	(132,016,169)
Payments for benefits	(41,626,886)	(42,738,843)
Payments to suppliers	(47,663,429)	(50,401,533)
Payments for utilities	(6,263,372)	(6,415,671)
Payments for financial aid	(15,330,746)	(11,240,114)
Loans issued to students	(130,500)	(198,542)
Collection of loans to students	1,881,109	1,956,822
Departmental activities	5,352,567	8,926,886
Educational activities	4,103,030	4,292,475
Student residence fees	15,210,344	17,901,541
William D. Ford direct lending cash received	26,763,626	27,905,375
William D. Ford direct lending cash disbursed	(26,757,588)	(27,887,901)
Other receipts	194,791	135,429
Net cash from operating activities	(59,517,363)	(58,114,055)
Cash flows from noncapital financing activities		
Federal Pell grants	5,072,264	5,461,226
Federal coronavirus relief funds	17,701,659	583,526
State appropriations	45,138,810	50,918,475
Gifts and grants for other than capital purposes	6,190,695	5,384,175
Payments to annuitants	(388,445)	(419,459)
Other receipts	61,031	106,313
Net cash from noncapital financing activities	73,776,014	62,034,256
Cash flows from capital and related financing activities		
Grants and gifts received for capital and endowment purposes	9,414,685	5,844,687
Proceeds from sale of capital assets	66,354	6,584
Purchases of capital assets	(9,308,721)	(7,889,904)
Proceeds from issuance of debt refinancing	7,725,000	4,725,000
Principal paid on capital debt and leases	(11,326,927)	(8,418,339)
Interest paid on capital debt and leases	(3,891,613)	(4,349,742)
Payments for flood repairs	-	(1,079,909)
Proceeds from insurance recoveries	-	3,256,903
Net cash from capital and related financing activities	(7,321,222)	(7,904,720)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	31,544,438	41,402,976
Purchase of investments	(35,639,469)	(37,579,131)
Income on investments	3,173,305	3,297,311
Net cash from investing activities	(921,726)	7,121,156
Net change in cash and cash equivalents	6,015,703	3,136,637
Cash and cash equivalents, beginning of year	29,643,131	26,506,494
Cash and cash equivalents, end of year	\$ 35,658,834	\$ 29,643,131
Cash and cash equivalents per statement of net position	\$ 35,658,834	\$ 29,543,709
Restricted cash for capital projects - unspent bond proceeds	-	99,422
Total cash and cash equivalents per statement of net position	\$ 35,658,834	\$ 29,643,131

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

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

	Year Ended June 30	
	2021	2020
Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (69,658,120)	\$ (74,395,497)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	14,464,888	14,767,842
Noncash gifts	(265,143)	(540,484)
Changes in operating assets and liabilities:		
Receivables, net	(42,673)	2,401,057
Other assets	1,241,881	291,258
Student loans receivable	1,750,609	1,758,280
Accounts payable	1,030,941	(2,396,694)
Other accrued liabilities	725,854	258,226
Unearned revenue	(1,925,318)	69,972
Enrollment deposits	(276,501)	(139,800)
Insurance and benefit reserves	101,597	392,385
Change in net pension and OPEB liability and deferred amounts	(6,665,378)	(580,600)
Net cash from operating activities	\$ (59,517,363)	\$ (58,114,055)





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, 2021, audited financial statements of the Fund can be obtained from its office at 1400 Townsend Drive, Houghton, MI 49931, or at www.mtu.edu/giving/about/tech-fund/.

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

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



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

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

	2021	2020
Assets		
Current assets	\$ 12,837,883	\$ 11,035,400
Noncurrent assets:		
Investments	177,644,281	139,991,855
Accounts receivable from the University	378,000	485,000
Other	26,201,344	8,110,430
Total assets	217,061,508	159,622,685
Liabilities		
Current liabilities:		
Accounts payable to the University	-	10,367
Other	633,000	526,943
Noncurrent liabilities	5,218,433	5,390,313
Total liabilities	5,851,433	5,927,623
Deferred inflows	12,115,805	-
Net position		
Restricted		
Nonexpendable	106,282,134	104,236,751
Expendable	84,012,420	41,072,805
Unrestricted	8,799,716	8,385,506
Total net position	\$ 199,094,270	\$ 153,695,062





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

	<u>2021</u>	<u>2020</u>
Operating expenses		
Supplies and services	\$ 9,475,174	\$ 12,201,478
Student financial support	2,200,584	2,524,897
Total operating expenses	<u>11,675,758</u>	<u>14,726,375</u>
Operating loss	(11,675,758)	(14,726,375)
Nonoperating revenues (expenses) and other revenues		
Gifts	25,717,004	6,563,448
Investment return	22,036,700	5,148,169
Gifts for capital and permanent endowment purposes	9,260,231	6,197,794
Other revenues	61,031	106,313
Net nonoperating revenues and other revenues	<u>57,074,966</u>	<u>18,015,724</u>
Change in net position	45,399,208	3,289,349
Net position		
Beginning of year	153,695,062	150,405,713
End of year	<u>\$ 199,094,270</u>	<u>\$ 153,695,062</u>

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

	<u>2021</u>	<u>2021</u>
Cash flows from		
Operating activities	\$ (11,407,463)	\$ (15,109,153)
Noncapital financing activities	5,520,640	5,516,829
Capital and related financing activities	9,062,989	5,785,653
Investing activities	(2,178,851)	6,744,432
Net increase in cash and cash equivalents	<u>997,315</u>	<u>2,937,761</u>
Cash and cash equivalents, beginning of year	10,170,945	7,233,184
Cash and cash equivalents, end of year	<u>\$ 11,168,260</u>	<u>\$ 10,170,945</u>

Basis of Presentation

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

Use of Estimates

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Pledges Receivable and Gifts

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

Investments

The University's and Fund'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.

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. Donated capital assets are recorded at acquisition value on date of receipt. Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property, generally as follows:

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

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. Student tuition and fee revenues and student residence fee revenues are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances represent the difference between the

stated charge for goods and services provided by the University and the amount that is paid by the students or third parties on behalf of the students, where the University has discretion over such expenses.

Operating and Nonoperating Revenues

The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues due to their non-exchange nature, which include state appropriations and investment income. Restricted and unrestricted resources are spent and tracked within donor guidelines, if any, by the awarded University department. Federal Pell grant revenue is also classified as nonoperating. The amounts received for 2021 and 2020 are \$5,104,880 and \$5,383,769 respectively.

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. Under Michigan law set forth in Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 ("UPMIFA"), the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Under the programmatic spending policy established by the Board, 3.7% and 4.0% of the average market value of endowment investments for the twelve quarters of the three fiscal years prior to the beginning of the fiscal year was authorized for expenditure for fiscal year 2021 and 2020.

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.

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. The University reports deferred inflows of resources for irrevocable split-interest agreements such as charitable remainder trusts, charitable gift annuities and pool income funds. The remainder interests of split-interest agreements cannot be recognized as revenue until after the split-interest agreement is terminated.



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.

GASB Pronouncements Adopted

Effective for the fiscal year ended June 30, 2021, the University adopted GASB Statement No. 84, Fiduciary Activities, ("GASB 84"). This statement establishes criteria for identifying fiduciary activities and the related reporting requirements for fiduciary activities. GASB 84 permits certain entities, such as the University, to report activities that would otherwise require separate fiduciary fund financial statements within the University's Statement of Net Position and Statement of Cash Flows as an operating activity if upon receipt, the funds are normally expected to be held for three months or less. These fiduciary activities were reclassified to the operating activities portion of the Statement of Cash Flows at June 30, 2021 and 2020, respectively.

Upcoming GASB Statements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the University's fiscal year ending June 30, 2021 were extended to June 30, 2022 with the issuance of GASB Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the University's fiscal year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), which defines SBITAs and provides accounting and

financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's fiscal year ending June 30, 2023.

(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

The University has investment guidelines and the Fund has an investment policy statement which divide investments into pools based on liquidity needs, duration, and appropriate risk versus return percentage. The maturities of the University's fixed income investments as of June 30 are categorized below:

INVESTMENT MATURITIES

	June 30, 2021			
	Less than 1			
	Fair Value	Year	1 to 5 Years	6 to 10 Years
Mutual funds - fixed Income	\$ 79,524,899	\$ 7,864,700	\$ 26,045,665	\$ 45,614,534
Corporate bonds and notes	425,700	-	241,339	184,361
US government obligations	1,050,980	272,575	481,653	296,752
Total	\$ 81,001,579	\$ 8,137,275	\$ 26,768,657	\$ 46,095,647

	June 30, 2020			
	Less than 1			
	Fair Value	Year	1 to 5 Years	6 to 10 Years
Mutual funds - fixed Income	\$ 68,885,552	\$ 4,926,495	\$ 20,363,535	\$ 43,595,522
Corporate bonds and notes	418,522	-	170,414	248,108
US government obligations	1,110,062	156,468	767,977	185,617
Total	\$ 70,414,136	\$ 5,082,963	\$ 21,301,926	\$ 44,029,247





Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by limiting investments to those approved by Board policy and by diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the University. The University had the following debt instruments subject to interest rate fluctuations at June 30, 2021 and 2020:

	<u>Market Value June 30, 2021</u>	<u>Market Value June 30, 2020</u>	<u>Rating</u>	<u>Rating Agency</u>
Mutual funds - fixed income	\$ 169,432	\$ 111,159	5-star	Morningstar
Mutual funds - fixed income	15,570,261	10,457,063	4-star	Morningstar
Mutual funds - fixed income	39,133,949	36,423,599	3-star	Morningstar
Mutual funds - fixed income	101,835	13,691		Not available
Mutual funds - fixed income	17,788,766	15,905,160	AA	Average Quality
Mutual funds - fixed income	6,760,656	5,974,880	AA-	Average Quality
Corporate bonds and notes				
Arrow Electrs Note	10,516	-	BBB-	S&P
Abbvie Inc Sr Note	9,652	-	BBB+	S&P
Boeing Co Debenture	27,637	17,756	BBB-	S&P
Stryker Corp Sr Note	10,924	11,187	A-	S&P
Walgreens Boots Alliance Inc Note	9,804	-	BBB	S&P
Coca Cola Enterprises Inc Debenture	31,673	33,479	A+	S&P
Baker Hughes A GE Co LLC Sr Note	10,334	-	A-	S&P
Microsoft Corp Note	10,738	-	AAA	S&P
Raytheon Co Debenture	14,280	14,790	A-	S&P
Celgene Corp Sr Note	16,668	17,294	A+	S&P
Apple Inc.	25,537	26,123	AA+	S&P
Bank of NY Mellon Corp	-	45,379	A	S&P
Chevron Corp	26,464	26,860	AA-	S&P
Intel Corp	26,312	27,024	A+	S&P
Pfizer	26,273	26,807	A+	S&P
Royal Bank of Canada	26,198	26,304	A	S&P
Visa Inc	27,350	27,849	AA-	S&P
Prudential PLC	10,828	10,464		Not available
Comcast Corp	52,443	53,434	A-	S&P
State Street Corp	52,069	53,772	A	S&P
US government obligations				
Fed Farm Credit Bk	68,295	70,123	AA+	S&P
Fed Home Ln Mtg Corp	10,122	10,331	AA+	S&P
US Treasury Notes	920,507	976,289	AAA	Moody's
Fed National Mortgage Assn	52,056	53,319	AA+	S&P
Total	<u>\$ 81,001,579</u>	<u>\$ 70,414,136</u>		

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. Deposits were reflected in the accounts of the banks of \$35,866,361 and \$29,697,296 as of June 30, 2021 and 2020, respectively. The University had \$15,391,342 and \$14,396,621 exposed to custodial credit risk because the deposits were uninsured or uncollateralized, as of June 30, 2021 and 2020, 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. Investments in external investment pools and open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical and book entry form. All investments are in the name of the University or 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 following investments comprise more than 5% of the total investments as of June 30:

	Market Value June 30, 2021	Market Value June 30, 2020
Commonfund Core Equity Fund	\$ 11,505,342	\$ 9,923,270
Vanguard Total Stock Market ETF	22,762,178	18,426,085
Vanguard Total Bond Market	38,500,794	35,496,513
Vanguard International Equity Index Fund	21,464,300	17,839,895
Total	\$ 94,232,614	\$ 81,685,763

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. All of the University's foreign investments at June 30, 2021 and 2020 are valued in US dollars, therefore the University was not subject to foreign currency risk.





Investments and Investment Return

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

INVESTMENT PORTFOLIO

	<u>2021</u>	<u>2020</u>
Marketable securities		
Equities	\$ 30,103,411	\$ 22,266,664
Equity mutual funds	72,026,434	59,164,566
Fixed income mutual funds	81,001,579	70,414,136
Total marketable securities	183,131,424	151,845,366
Alternative investments		
Hedge funds	7,153,471	5,937,439
Real estate and natural resources	8,423,652	7,848,804
Private equity limited partnerships	19,558,811	11,056,346
Global credit	2,045,657	1,054,513
Total alternative investments	37,181,591	25,897,102
Closely-held stock	20,000	20,000
Land held for investment	9,147,719	9,889,597
Total investments	\$ 229,480,734	\$ 187,652,065

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

INVESTMENT RETURN

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 3,236,534	\$ 3,763,045
Net gain (loss) on sale of investments	5,418,037	(208,413)
Net increase in the fair value of investments	18,797,009	4,582,847
Investment fees	(504,950)	(466,093)
Total investment return	\$ 26,946,630	\$ 7,671,386

The following tables present information about the University's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by the University to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the University has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset.

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The fair values of investments measured on a recurring basis at June 30, 2021 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	\$ 30,103,411	\$ 30,103,411	\$ -	\$ -
Equity mutual funds	53,632,124	53,632,124	-	-
Fixed income mutual funds	56,452,156	56,026,456	425,700	-
Land held for investment	9,147,719	-	-	9,147,719
Closely-held stock	20,000	-	-	20,000
Total investments by fair value level	149,355,410	\$ 139,761,991	\$ 425,700	\$ 9,167,719
Investments measured at the net asset value:				
Commonfund equity funds	18,394,310			
Commonfund fixed income funds	24,549,423			
Hedge funds	7,153,471			
Real estate and natural resources	8,423,652			
Private equity limited partnerships	19,558,811			
Global credit	2,045,657			
Total investments at the net asset value	80,125,324			
Total investments	\$ 229,480,734			
Beneficial interest in charitable remainder trusts at the net asset value	\$ 7,778,511	\$ -	\$ -	\$ 7,778,511

The fair values of investments measured on a recurring basis at June 30, 2020 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	\$ 22,266,664	\$ 22,266,664	\$ -	\$ -
Equity mutual funds	43,273,993	43,273,993	-	-
Fixed income mutual funds	48,534,096	48,115,574	418,522	-
Land held for investment	9,889,597	-	-	9,889,597
Closely-held stock	20,000	-	-	20,000
Total investments by fair value level	123,984,350	\$ 113,656,231	\$ 418,522	\$ 9,909,597
Investments measured at the net asset value:				
Commonfund equity funds	15,890,573			
Commonfund fixed income funds	21,880,040			
Hedge funds	5,937,439			
Real estate and natural resources	7,848,804			
Private equity limited partnerships	11,056,346			
Global credit	1,054,513			
Total investments at the net asset value	63,667,715			
Total investments	\$ 187,652,065			
Beneficial interest in charitable remainder trusts at the net asset value	\$ 6,110,969	\$ -	\$ -	\$ 6,110,969



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

	Net Asset Value FY 2021	Net Asset Value FY 2020	Unfunded Commitments FY 2021	Unfunded Commitments FY 2020	Redemption Frequency	Redemption Notice Period
Commonfund equity funds (1)	\$ 18,394,310	\$ 15,890,573	\$ -	\$ -	Monthly	5 business days
Commonfund fixed income funds (2)	24,549,423	21,880,040	-	-	Monthly	5 business days
Hedge funds (3)	7,153,471	5,937,439	-	-	Quarterly Quarterly for one fund - not redeemable for others	90 calendar days + 5 business days Quarterly for one fund - NA for other funds
Real estate and natural resources (4)	8,423,652	7,848,804	1,314,376	1,694,376	funds	
Private equity limited partnerships (5)	19,558,811	11,056,346	11,575,128	14,071,337	NA	NA
Global credit (6)	2,045,657	1,054,513	200,000	-	Semi- annually	90 calendar days
Total	\$ 80,125,324	\$ 63,667,715	\$ 13,089,504	\$ 15,765,713		

Strategy

- (1) This category includes two funds which have the objective to outperform the S&P 500 by reducing risk through diversification of manager allocations and by investing in lower volatility stocks.
- (2) This category includes three funds which have the objective to outperform their benchmarks by reducing risk through diversification of manager allocations, by generating a higher current yield than short-term money market funds, and by investing in securities and strategies that offer the potential for increased yield.
- (3) This category includes one multi-strategy hedge fund.
- (4) This category includes funds that invest in commercial and residential real estate funds with U.S. properties and natural resource sector funds.
- (5) This category includes numerous private equity limited partnerships that invest in leverage buyouts, venture capital, growth equity financing, opportunistic situations, high yield, and subordinated debt across the primary and secondary markets.
- (6) This category includes one fund that invests in public and private credit markets, focusing on core, yield-oriented investments, supplemented by opportunistic positions with higher expected returns.



(3) RECEIVABLES

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

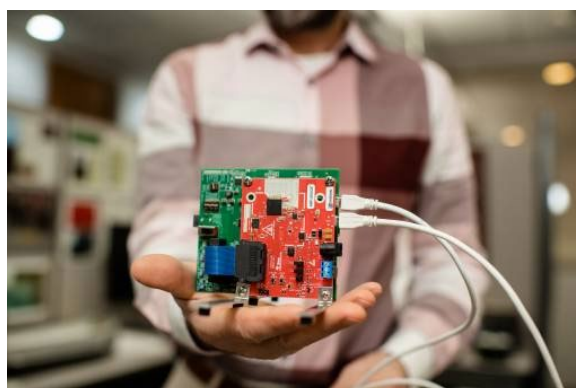
ACCOUNTS RECEIVABLE		
	2021	2020
Student tuition and fees	\$ 397,555	\$ 1,108,419
State appropriations		
Operating	9,235,488	3,579,098
Capital	348,933	70,751
Grants and contracts	9,354,617	8,901,956
Auxiliary activities	291,585	290,728
Other	641,655	660,666
Less allowance for doubtful accounts	(102,875)	(120,676)
Accounts receivable, net	\$ 20,166,958	\$ 14,490,942

In addition, the University has student loans receivable in the amount of \$6,208,258 and \$7,958,867, recorded at June 30, 2021 and 2020, respectively. These amounts are net of an allowance for uncollectible accounts of \$174,000 at June 30, 2021 and 2020.

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

PLEDGES RECEIVABLE		
	2021	2020
Pledges receivable in less than one year	\$ 3,550,576	\$ 1,656,840
Pledges receivable in one to five years	6,819,569	888,677
Pledges receivable in more than five years	13,054,000	30,000
Less:		
Allowance for uncollectible pledges	(1,888,938)	(807,391)
Present value discount	(2,496,530)	(120,562)
Net pledges receivable	\$ 19,038,677	\$ 1,647,564

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 2021, rates range from .5% to 1.7%.





(4) CAPITAL ASSETS

The following table presents the changes in the capital asset class categories for the year ended June 30, 2021:

CHANGES IN CAPITAL ASSETS				
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	\$ 10,762,548	\$ -	\$ -	\$ 10,762,548
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	376,088	-	-	376,088
Construction in progress	3,991,360	2,981,494	(2,538,716)	4,434,138
Cost of nondepreciable capital assets	21,351,168	2,981,494	(2,538,716)	21,793,946
Depreciable capital assets				
Land improvements	1,433,979	-	-	1,433,979
Infrastructure	6,778,890	-	-	6,778,890
Buildings	392,926,842	2,538,716	-	395,465,558
Equipment	35,753,257	5,602,391	(505,855)	40,849,793
Library books	146,385	12,552	-	158,937
Cost of depreciable capital assets	437,039,353	8,153,659	(505,855)	444,687,157
Total cost of capital assets	458,390,521	11,135,153	(3,044,571)	466,481,103
Less: accumulated depreciation				
Land improvements	533,869	70,204	-	604,073
Infrastructure	3,133,043	341,840	-	3,474,883
Buildings	206,427,030	9,194,424	-	215,621,454
Equipment	20,690,180	4,834,795	(423,520)	25,101,455
Library books	102,489	23,625	-	126,114
Total accumulated depreciation	230,886,611	14,464,888	(423,520)	244,927,979
Capital assets, net	\$ 227,503,910	\$ (3,329,735)	\$ (2,621,051)	\$ 221,553,124



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The following table presents the changes in the capital asset class categories for the year ended June 30, 2020:

CHANGES IN CAPITAL ASSETS

	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	\$ 10,762,548	\$ -	\$ -	\$ 10,762,548
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	376,088	-	-	376,088
Construction in progress	780,410	4,101,144	(890,194)	3,991,360
Cost of nondepreciable capital assets	18,140,218	4,101,144	(890,194)	21,351,168
Depreciable capital assets				
Land improvements	1,739,083	-	(305,104)	1,433,979
Infrastructure	7,874,550	-	(1,095,660)	6,778,890
Buildings	392,173,956	890,194	(137,308)	392,926,842
Equipment	52,146,755	3,998,914	(20,392,412)	35,753,257
Library books	364,513	9,061	(227,189)	146,385
Cost of depreciable capital assets	454,298,857	4,898,169	(22,157,673)	437,039,353
Total cost of capital assets	472,439,075	8,999,313	(23,047,867)	458,390,521
Less: accumulated depreciation				
Land improvements	766,586	72,387	(305,104)	533,869
Infrastructure	3,887,093	341,610	(1,095,660)	3,133,043
Buildings	196,898,994	9,621,304	(93,268)	206,427,030
Equipment	36,365,627	4,705,312	(20,380,759)	20,690,180
Library books	302,449	27,229	(227,189)	102,489
Total accumulated depreciation	238,220,749	14,767,842	(22,101,980)	230,886,611
Capital assets, net	\$ 234,218,326	\$ (5,768,529)	\$ (945,887)	\$ 227,503,910





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

CONSTRUCTION IN PROGRESS

Project	2021	2020
Athletic Facilities upgrades	\$ 1,325,184	\$ 1,734,079
H-STEM Building planning	1,586,747	723,631
Elevator replacements	949,711	1,245,771
Infrastructure and other projects	572,496	287,879
Total	\$ 4,434,138	\$ 3,991,360



(5) LINE OF CREDIT

The University has an unused line of credit arrangement with one bank, under which it may borrow up to \$20 million. This agreement is set at variable rates of interest, based on the 30-day London Interbank Offered Rate ("LIBOR") plus 135 basis points. There were no amounts outstanding under the line of credit at June 30, 2021 and 2020. There are no restrictive covenants associated with this line of credit. The line of credit expires on October 15, 2022.

(6) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES			
	2021		2020
Vendors for supplies and services	\$ 3,669,295	\$	2,790,163
Employee benefits	1,345,623		1,183,447
Construction payables	2,163,207		2,446,476
Payroll and payroll taxes	8,890,547		8,506,790
Compensated absences	5,015,537		4,983,381
Deposits payable	1,433,694		1,123,754
Total accounts payable	\$ 22,517,903	\$	21,034,011





(7) NONCURRENT LIABILITIES

NONCURRENT LIABILITIES

AS OF JUNE 30, 2021

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue and refunding bonds, 2008	\$ 265,000	\$ -	\$ 10,000	\$ 255,000	\$ 10,000
General revenue bonds, 2009A/2009B	14,305,000	-	465,000	13,840,000	485,000
General revenue bonds, 2010A	7,655,000	-	7,655,000	-	-
General revenue and refunding bonds, 2012A	24,985,000	-	1,415,000	23,570,000	1,490,000
General revenue refunding bonds, 2013A	10,570,000	-	690,000	9,880,000	715,000
General revenue bonds, 2015A	22,525,000	-	490,000	22,035,000	515,000
General revenue refunding bonds, 2020A - direct placement	4,725,000	-	165,000	4,560,000	170,000
General revenue refunding bonds, 2020B - direct placement	-	7,725,000	-	7,725,000	285,000
Total bonds payable	85,030,000	7,725,000	10,890,000	81,865,000	3,670,000
Bond premium	3,195,595	-	194,748	3,000,847	-
Capital lease	871,720	-	436,927	434,793	325,897
Total debt	89,097,315	7,725,000	11,521,675	85,300,640	3,995,897
Other liabilities					
Insurance reserves	1,332,756	17,224,915	17,123,318	1,434,353	1,434,353
Enrollment deposits	635,651	15,200	184,701	466,150	-
Annuity and pooled income obligations	5,775,592	309,479	434,026	5,651,045	432,612
Total	\$ 96,841,314	\$ 25,274,594	\$ 29,263,720	\$ 92,852,188	\$ 5,862,862
Due within one year				(5,862,862)	
Total noncurrent liabilities (excluding net pension and OPEB liabilities)				\$ 86,989,326	

NONCURRENT LIABILITIES

AS OF JUNE 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue and refunding bonds, 2008	\$ 5,090,000	\$ -	\$ 4,825,000	\$ 265,000	\$ 10,000
General revenue bonds, 2009A/2009B	14,750,000	-	445,000	14,305,000	465,000
General revenue bonds, 2010A	7,890,000	-	235,000	7,655,000	245,000
General revenue and refunding bonds, 2012A	26,350,000	-	1,365,000	24,985,000	1,415,000
General revenue refunding bonds, 2013A	11,235,000	-	665,000	10,570,000	690,000
General revenue bonds, 2015A	22,990,000	-	465,000	22,525,000	490,000
General revenue refunding bonds, 2020A - direct placement	-	4,725,000	-	4,725,000	165,000
Total bonds payable	88,305,000	4,725,000	8,000,000	85,030,000	3,480,000
Bond premium	3,390,343	-	194,748	3,195,595	-
Capital lease	1,290,059	-	418,339	871,720	436,927
Total debt	92,985,402	4,725,000	8,613,087	89,097,315	3,916,927
Other liabilities					
Insurance reserves	940,371	17,920,160	17,527,775	1,332,756	1,332,756
Enrollment deposits	775,451	185,200	325,000	635,651	-
Annuity and pooled income obligations	6,041,568	517,886	783,862	5,775,592	385,279
Total	\$ 100,742,792	\$ 23,348,246	\$ 27,249,724	\$ 96,841,314	\$ 5,634,962
Due within one year				(5,634,962)	
Total noncurrent liabilities (excluding net pension and OPEB liabilities)				\$ 91,206,352	

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.

Public Debt Issuances

During fiscal year 2009, the University's Board of Trustees approved the issuance of General Revenue and Refunding Bonds, Series 2008 in the amount of \$15.88 million. The proceeds of this bond issue were used to refund the \$10 million of Series 1998 bonds outstanding with the remainder funding the remodeling of the Michigan Tech Lakeshore Center building, remodeling of the Memorial Union ballroom and providing initial construction funds for the Keweenaw Research Center. These bonds bear fixed interest rates at 3.0% to 5.25% and mature at various dates from October 2009 through October 2038. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture. Outstanding principal of \$11.55 million was refunded with the series 2013A bonds and outstanding principal of \$4.67 million was refunded with the series 2020A bonds.

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

During fiscal year 2011, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2010A in the amount of \$10.975 million. The Series 2010A bonds were issued as taxable Build America Bonds. Under this federal program, 35% of the interest related to this bond issue in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of \$2.855 million with maturities of October 2011 through October 2017 and interest rates ranging from 1.37% to 3.84%. Three term bonds totaling \$8.12 million were also issued in this series. The first term bond in the amount of \$2.085 million matures in October 2025 and bears an interest rate of 5.569%. The second





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

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

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



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

Direct Placement Debt Issuances

During fiscal year 2020, the University's Board of Trustees approved the issuance of General Revenue Refunding Bonds Series 2020A in the amount of \$4.725 million. The Series 2020A bonds bear a fixed interest rate of 2.190% and mature on October 1, 2038. The proceeds of this bond issue were used to refund certain portions of the outstanding Series 2008 bond in the aggregate principal amount of \$4.670 million, maturing on October 1 of the years 2020 (4.375% interest rate), 2023 (4.500% interest rate), 2028 (4.750% interest rate), and 2038 (5.000% interest rate). The refunded Series 2008 bonds were called for redemption on June 8, 2020. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

During fiscal year 2021, the University's Board of Trustees approved the issuance of General Revenue Refunding Bonds Series 2020B in the amount of \$7.725 million. The Series 2020B bonds bear a fixed interest rate of 2.190% and mature on October 1, 2040. The proceeds of this bond issue were used to refund certain portions of the outstanding Series 2010A Bond maturing on October 1 of the years 2025, 2030, and 2040, in the aggregate principal of \$7,410,000. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

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

Fiscal Year	All Other Debt		Direct Placement Debt		Total		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 3,215,000	\$ 3,249,618	\$ 455,000	\$ 264,060	\$ 3,670,000	\$ 3,513,678	\$ 7,183,678
2023	3,360,000	3,091,839	470,000	253,931	3,830,000	3,345,770	7,175,770
2024	3,510,000	2,928,024	490,000	243,419	4,000,000	3,171,443	7,171,443
2025	3,675,000	2,756,758	510,000	232,469	4,185,000	2,989,227	7,174,227
2026	3,820,000	2,594,484	525,000	221,136	4,345,000	2,815,620	7,160,620
Total 5 years	17,580,000	14,620,723	2,450,000	1,215,015	20,030,000	15,835,738	35,865,738
2027 to 2031	19,225,000	10,340,546	2,920,000	921,007	22,145,000	11,261,553	33,406,553
2032 to 2036	17,120,000	6,005,649	3,440,000	574,219	20,560,000	6,579,868	27,139,868
2037 to 2041	9,260,000	2,673,628	3,475,000	172,409	12,735,000	2,846,037	15,581,037
2042 to 2046	6,395,000	831,125	-	-	6,395,000	831,125	7,226,125
Total bonded debt	\$ 69,580,000	\$ 34,471,671	\$ 12,285,000	\$ 2,882,650	\$ 81,865,000	\$ 37,354,321	\$ 119,219,321





(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. There were no claims or settlements that exceeded insurance coverage in the last three years. Changes in the estimated liability for self-insured plans during the past three fiscal years are as follows:

	SELF-INSURED CLAIMS LIABILITY		
	2021	2020	2019
Balance, beginning of year	\$ 1,332,756	\$ 940,371	\$ 925,640
Claims incurred, including changes in estimates	17,224,915	17,927,775	14,731,317
Less: claims paid	(17,123,318)	(17,535,390)	(14,716,586)
Balance, end of year	\$ 1,434,353	\$ 1,332,756	\$ 940,371

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) RETIREMENT 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 discussed in note 10.

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, 2021, the University had approximately 3,504 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 for the years ended June 30.

DEFINED CONTRIBUTION RETIREMENT PLAN CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>
University contributions to TIAA-CREF/Fidelity	\$ 7,118,192	\$ 7,209,900
Payroll covered under TIAA-CREF/Fidelity	\$ 103,854,435	\$ 101,220,224

(10) MICHIGAN PUBLIC SCHOOLS EMPLOYEES' RETIREMENT SYSTEM

Defined Benefit Plan

The University contributes to the Michigan Public Schools 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 (ORS) issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be found on the ORS website at michigan.gov/orsschools.

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:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Defined Contribution	Defined Contribution	Open

The 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 healthcare 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

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 MPSERS, 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

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.

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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedules below summarize the contribution rates in effect for fiscal years 2021 and 2020:

PENSION CONTRIBUTION RATES

Benefit Structure	Member	Employer (7/1/19 to 9/30/19)	Employer (10/1/19 to 9/30/20)	Employer (10/1/20 to 9/30/21)
Member Investment Plan (MIP)	3.00% - 7.00%	25.03%	26.03%	26.26%
Basic	0.00% - 4.00%	25.03%	26.03%	26.26%
Defined Contribution	0.00%	19.74%	19.74%	19.74%

OPEB CONTRIBUTION RATES

Benefit Structure	Member	Employer (7/1/19 to 9/30/19)	Employer (10/1/19 to 9/30/20)	Employer (10/1/20 to 9/30/21)
Premium Subsidy	3.00%	6.42%	6.57%	6.91%
Personal Healthcare Fund	0.00%	5.99%	5.99%	5.99%

The University's contributions to MPSERS under all pension plans as described above for the years ended June 30, 2021 and 2020 were \$5,769,605 and \$5,117,998, respectively. The University's contributions to the OPEB plan from the University were \$1,431,381 and \$1,365,419 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021 and 2020, the University reported a liability of \$77.330 million and \$75.503 million respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 and 2018, 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, 2020, 2019 and 2018, the University's proportion (as calculated by MPSERS) was 11.32182%, 11.27592% and 11.24088%, respectively.

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$6.098 million and \$8.832 million, respectively. At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 98,336	\$ -
Total amortized deferrals	98,336	-
University contributions subsequent to the measurement date	5,190,036	-
Total	\$ 5,288,372	\$ -

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,366,451
Total amortized deferrals	-	1,366,451
University contributions subsequent to the measurement date	4,322,626	-
Total	\$ 4,322,626	\$ 1,366,451

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 in the next year. The \$1,078,884 and \$462,831 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 236(4) of the State School Aid Act (PA 94 of 1979), will be recognized as net pension expense for the years ended June 30, 2022 and 2021, respectively. 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
2022	(540,274)
2023	13,998
2024	427,353
2025	197,259
Total	\$ 98,336

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

At June 30, 2021 and 2020, the University reported a liability of \$4,770,992 and \$10,367,445 respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019 and 2018, respectively. 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, 2020, 2019 and 2018, the University's proportion was 11.29115%, 11.29560% and 11.29059%, respectively.

For the years ended June 30, 2021 and June 30, 2020, the University recognized OPEB expense (recovery) of (\$4,793,213) and (\$2,085,143), respectively. At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 129,959
Changes of assumptions	23,277	-
Net difference between projected and actual earnings on OPEB plan investments	99,256	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	223
Total amortized deferrals	122,533	130,182
University contributions subsequent to the measurement date	1,245,499	-
Total	\$ 1,368,032	\$ 130,182

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 640,269
Changes of assumptions	257,377	-
Net difference between projected and actual earnings on OPEB plan investments	-	319,434
Changes in proportion and differences between employer contributions and proportionate share of contributions	981	59
Total amortized deferrals	258,358	959,762
University contributions subsequent to the measurement date	1,158,122	-
Total	\$ 1,416,480	\$ 959,762



University 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	(212,578)
2023	24,639
2024	117,715
2025	62,575
Total	<u>\$ (7,649)</u>

Actuarial Assumptions

The total pension and OPEB liabilities measured as of September 30, 2020 are based on the results of an actuarial valuation date of September 30, 2019 and rolled forward using generally accepted actuarial procedures.

Actuarial Cost Method	Entry age, normal cost
Assumed rate of return	6.80 percent, net of investment expenses based on the groups (Pension) 6.95 percent, net of investment expenses based on the groups (OPEB)
Salary increases	2.75% --11.55 percent, including wage inflation of 2.75%
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded for MIP members
Healthcare cost trend rate	7.00 percent, year 1 graded to 3.5% year 15; 3.00% Year 120
Mortality basis	
Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

The actuarial assumptions used for the September 30, 2019 valuation were based on the results of an actuarial experience study for the periods 2012-2017.

There were no significant changes to benefit terms for the pension or OPEB plans since the prior measurement date of September 30, 2019.

For 2020, the healthcare cost trend rate decreased by 0.50% and actual per person health benefit costs were lower than projected for the September 30, 2019 annual actuarial valuation.

The total pension and OPEB liabilities measured as of September 30, 2019 are based on the results of an actuarial valuation date of September 30, 2018 and rolled forward using generally accepted actuarial procedures.

Actuarial Cost Method	Entry age, normal cost
Assumed rate of return	6.80 percent, net of investment expenses based on the groups (Pension) 6.95 percent, net of investment expenses based on the groups (OPEB)
Salary increases	2.75% --11.55 percent, including wage inflation of 2.75%
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded for MIP members
Healthcare cost trend rate	7.50 percent, year 1 graded to 3.5% year 12
Mortality basis	
Retirees	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan and OPEB 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	September 30, 2020	
	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0%	9.3%
International equity pools	15.0%	7.4%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	4.9%
Absolute return pools	9.0%	3.2%
Real return/opportunistic pools	12.5%	6.6%
Short-term investment pools	2.0%	0.1%
Total	100.0%	



September 30, 2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity pools	28.0%	5.5%
Private equity pools	18.0%	8.6%
International equity pools	16.0%	7.3%
Fixed income pools	10.5%	1.2%
Real estate and infrastructure pools	10.0%	4.2%
Absolute return pools	15.5%	5.4%
Short-term investment pools	2.0%	0.8%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability for June 30, 2021 and 2020 was 6.80%. A discount rate of 6.95% was used to measure the total OPEB liability for June 30, 2021 and 2020. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.95%. 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 and OPEB liabilities.

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 6.80% for fiscal years 2021 and 2020, 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 (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
2021	\$ 90,626,431	\$ 77,330,320	\$ 65,991,453
Fiscal Year	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
2020	\$ 88,899,676	\$ 75,502,509	\$ 64,088,832

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

The following presents the University's net OPEB liability calculated using a discount rate of 6.95% for fiscal years ended June 30, 2021 and 2020, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

NET OPEB LIABILITY

<u>Fiscal Year</u>	<u>1% Decrease (5.95%)</u>	<u>Current Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
2021	\$ 7,132,512	\$ 4,770,992	\$ 2,758,323
<u>Fiscal Year</u>	<u>1% Decrease (5.95%)</u>	<u>Current Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
2020	\$ 13,028,027	\$ 10,367,445	\$ 8,102,601

Sensitivity 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:

NET OPEB LIABILITY

<u>Fiscal Year</u>	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
2021	\$ 2,625,562	\$ 4,770,992	\$ 7,226,394
<u>Fiscal Year</u>	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
2020	\$ 7,949,889	\$ 10,367,445	\$ 13,137,641

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the 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.



(11) OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description

The University offers postemployment benefits to its retirees through a single-employer plan, administered by the University. 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 65 years old with at least 10 years of service or 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.

Contributions

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, 2021, the most recent measurement date, the Plan was 0% funded.

At June 30, 2021 and 2020, the University reported a liability of \$5,045,999 and \$5,445,459 respectively, for its Retiree Benefit Program. The net OPEB liability was measured as of June 30, 2021, rolled forward from a valuation date of July 1, 2019. Changes in the OPEB liability for the years ended June 30 are summarized as follows:

	2021	2020
Balance, beginning of year	\$ 5,445,459	\$ 6,019,259
Interest cost	115,498	203,034
Differences between expected and actual experience	-	(292,608)
Changes in assumptions	(73,904)	(47,634)
Benefit payments	(441,054)	(436,592)
Balance, end of year	<u>\$ 5,045,999</u>	<u>\$ 5,445,459</u>

On the above, there were no benefit changes. The decrease in the liability from June 30, 2020 to June 30, 2021 is due to the net impact of the changes in the trend, mortality assumptions and the removal of the excise tax which were largely offset by the decrease in the assumed discount rate from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.



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The number of plan participants consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Retirees younger than 65 years old	-	2
Retirees 65 years old or older	105	112
Total inactive participants	<u>105</u>	<u>114</u>

Sensitivity of the Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rate

The following presents the University's net OPEB liability calculated using a discount rate of 2.16% and 2.21% for fiscal years ended June 30, 2021 and 2020, respectively, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

NET OPEB LIABILITY			
<u>Fiscal Year</u>	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
2021	\$ 5,424,273	\$ 5,045,999	\$ 4,704,929
<u>Fiscal Year</u>	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
2020	\$ 5,885,816	\$ 5,445,459	\$ 5,062,200

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

NET OPEB LIABILITY			
<u>Fiscal Year</u>	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
2021	\$ 4,617,704	\$ 5,045,999	\$ 5,516,457
<u>Fiscal Year</u>	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
2020	\$ 5,018,787	\$ 5,445,459	\$ 5,926,161

Actuarial Assumptions

SUMMARY OF ACTUARIAL ASSUMPTIONS

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Actuarial Cost Method	Entry Age, Normal	Entry Age, Normal
Valuation Date	July 1, 2019	July 1, 2019
CPI	3.00%	3.00%
Wage Inflation Rate	Since the population is inactive, a wage inflater is not necessary.	Since the population is inactive, a wage inflater is not necessary.
Healthcare Cost Trend	S&P Healthcare Economic Index and internal trend guidance	S&P Healthcare Economic Index and internal trend guidance
Mortality	PRI-2012 Mortality, projected generational from a central year of 2012 with Scale MP-2020	PRI-2012 Mortality, projected generational from a central year of 2012 with Scale MP-2020



Discount Rate

A discount rate of 2.16% was used to measure the total OPEB liability for June 30, 2021 (2.21% for June 30, 2020). The discount rate was determined using the interest rate reported under the 20-YEAR Municipal Bond Index on the last Friday prior to the measurement date.

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, 2021 and 2020.

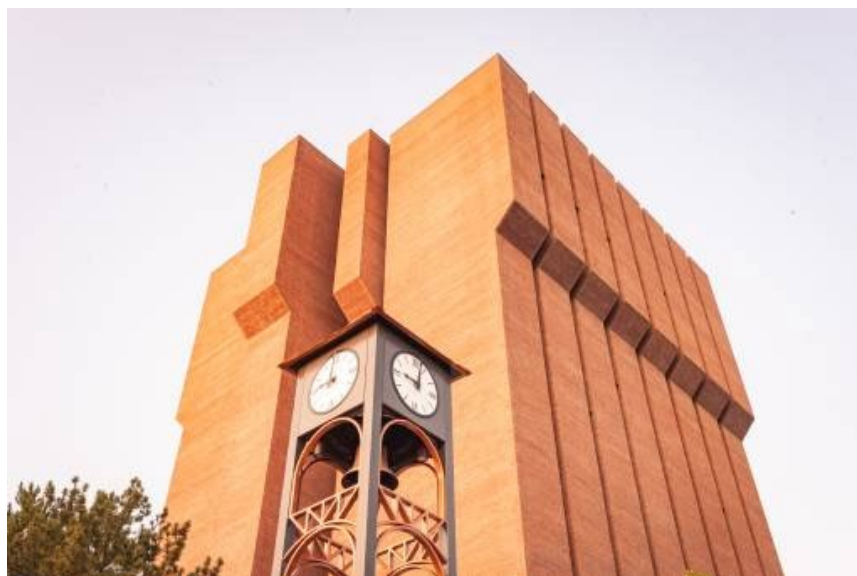
(12) COMMITMENTS AND CONTINGENCIES

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

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

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

In the normal course of its activities, the University is a party in various legal actions. Although some actions have been brought for large amounts, the University has not experienced any significant losses or costs. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.



(13) 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

	2021	2020
Instruction	\$ 62,431,697	\$ 68,520,081
Research	60,016,828	59,159,329
Public service	11,027,767	9,768,499
Academic support	21,078,846	22,555,415
Student services	13,810,086	15,985,526
Institutional support	23,081,412	24,913,814
Operations and maintenance of plant	13,640,128	13,738,173
Student financial support	16,267,506	12,470,722
Departmental activities	4,232,924	6,838,574
Student residents	8,440,627	7,004,571
Depreciation	14,464,888	14,767,842
Total	\$ 248,492,709	\$ 255,722,546



(14) EXTRAORDINARY ITEMS DUE TO FLOOD

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

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

shown as an extraordinary item due to flood on the Statements of Revenues, Expenses, and Changes in Net Position.

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

During fiscal year 2020, the University incurred \$1,079,909 in expenses associated with flood damages and recognized \$1,756,903 in insurance recoveries, netting to a \$676,994 extraordinary item due to flood. During fiscal year 2019, the University incurred \$1,993,000 in expenses associated with flood damages and recognized \$2,500,000 in insurance recoveries (\$1,500,000 of which was recorded as a receivable at June 30, 2019), netting to a \$507,000 extraordinary item due to flood.



(15) IMPACT OF COVID-19

Federal Relief Legislation

The Coronavirus Aid, Relief and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) were passed by Congress and signed into law to provide economic relief from COVID-19. The University received the following grants under the CARES Act and CRRSAA through the US Department of Education:

- \$2,302,890 Student Portion of the Higher Education Emergency Relief Fund (HEERF I)
- \$2,302,889 Institutional Portion of the Higher Education Emergency Relief Fund (HEERF I)
- \$2,302,890 Student Portion of the Higher Education Emergency Relief Fund (HEERF II)
- \$4,688,924 Institutional Portion of the Higher Education Emergency Relief Fund (HEERF II)
- \$6,187,436 Student Portion of the Higher Education Emergency Relief Fund (HEERF III)
- \$6,177,354 Institutional Portion of the Higher Education Emergency Relief Fund (HEERF III)

The Higher Education Emergency Relief Funding provided funding to universities to use for emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. During fiscal year ended June 30, 2021, the University recognized \$11,456,581 in revenue from HEERF I and HEERF II funding, which is shown on the Statements of Revenues, Expenses and Changes in Net Position under Nonoperating Revenues (Expenses). During fiscal year ended June 30, 2020, the University recognized \$80,538 in revenue from HEERF I. The University will recognize revenue from HEERF III funding during fiscal year ending June 30, 2022.

State Appropriations - CARES Act Pass Through Funds

On July 22, 2020, the State of Michigan passed Senate Bill 373 which reduced the state appropriations funding for the University for the fiscal year ended June 30, 2020 by \$5,615,100. Accordingly, the accounts receivable, net on the Statement of Net Position and the state appropriations nonoperating revenue on the Statement of Revenues, Expenses, and Changes in Net Position, were reduced to reflect that subsequent reduction for fiscal year 2020.

At that same time, the State allocated \$5,615,100 from the federal funding awarded to the State under the CARES Act to the University. Since that award was made after June 30, 2020, no revenue from that allocation was reflected in the University's financial statements as of and for the fiscal year ended June 30, 2020. The federal pass through funding has the same restrictions as noted in the CARES Act for the funds awarded to the State. During the fiscal year ended June 30, 2021, the University recognized revenue from the pass-through funds equal to allowable expenditures incurred between March 1 and December 31, 2020.





REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-sharing Multiple Employer Plan

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (PLAN YEAR OCTOBER 1 - SEPTEMBER 30)

	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	11.32182%	11.27592%	11.24088%	11.26247%	11.20220%	10.00520%	9.64907%
University's proportionate share of the net pension liability	\$ 77,330,320	\$ 75,502,509	\$ 71,833,414	\$ 64,788,673	\$ 62,759,225	\$ 54,888,547	\$ 36,194,241
University's covered payroll	\$ 24,484,000	\$ 24,004,000	\$ 23,533,179	\$ 23,879,000	\$ 8,943,572	\$ 9,118,081	\$ 9,156,216
University's proportionate share of the net pension liability as a percentage of its covered payroll	315.84%	314.54%	305.24%	271.32%	701.72%	601.97%	252.97%
Plan fiduciary net position as a percentage of the total pension liability	43.07%	44.24%	45.87%	47.42%	46.77%	47.45%	63.00%

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS (FISCAL YEAR JULY 1 - JUNE 30)

	2021	2020	2019	2018	2017	2016	2015
Contractually required pension contributions	\$ 5,735,218	\$ 5,635,665	\$ 5,683,916	\$ 4,919,399	\$ 4,283,370	\$ 4,150,666	\$ 3,395,404
Contributions in relation to the contractually required contribution	\$ 5,735,218	\$ 5,635,665	\$ 5,683,916	\$ 4,919,399	\$ 4,283,370	\$ 4,150,666	\$ 3,395,404
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 24,851,260	\$ 24,364,060	\$ 23,886,295	\$ 23,619,500	\$ 8,526,091	\$ 8,606,261	\$ 8,877,145
Contributions as a percentage of covered payroll	23.08%	23.13%	23.80%	20.83%	50.24%	48.23%	38.25%

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (PLAN YEAR OCTOBER 1 - SEPTEMBER 30)

	2020	2019	2018	2017
University's proportion of the net OPEB liability	11.29115%	11.29560%	11.29059%	11.22486%
University's proportionate share of the net OPEB liability	\$ 4,770,992	\$ 10,367,445	\$ 13,395,226	\$ 15,973,138
University's covered payroll	\$ 24,484,000	\$ 24,004,000	\$ 23,533,179	\$ 23,879,000
University's proportionate share of the net OPEB liability as a percentage of its covered payroll		19.49%	43.19%	66.89%
Plan fiduciary net position as a percentage of the total OPEB liability		77.20%	61.07%	44.11%

SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS (FISCAL YEAR JULY 1 - JUNE 30)

	2021	2020	2019	2018
Contractually required OPEB contributions	\$ 1,497,010	\$ 1,466,062	\$ 1,465,359	\$ 1,608,346
Contributions in relation to the contractually required contribution	\$ 1,497,010	\$ 1,466,062	\$ 1,465,359	\$ 1,608,346
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 24,851,260	\$ 24,364,060	\$ 23,886,295	\$ 23,619,500
Contributions as a percentage of covered payroll	6.02%	6.02%	6.13%	6.81%

Notes to Required Supplementary Information

The amounts presented for the fiscal year in the above Schedule of the University's Proportionate Share of the Net Pension and OPEB 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.

RSI Covered – payroll

The employers' covered payroll to be reported in the requirement supplementary information is defined by GASB 82, Pension Issues – an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll represents payroll on which contributions to both plans are based.

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Changes of benefit terms: There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes of assumptions:

Michigan Public School Employees Retirement System (Pension) – There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

2019 – The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25% percentage points.

2018 – The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45% percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

2017 – The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50% percentage points.

Michigan Public School Employees Retirement System (OPEB) – There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

2020 – The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50% percentage points and actual per person health benefit costs were lower than projected.

2019 – The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20% percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

2018 – The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35% percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

University's Single Employer Plan

SCHEDULE OF CHANGES IN THE UNIVERSITY'S TOTAL OPEB LIABILITY AND RELATED INFORMATION

	2021	2020	2019	2018
Plan fiduciary net position, beginning of year	\$ -	\$ -	\$ -	\$ -
University contributions	441,054	436,592	449,629	435,886
Participant contributions		182,800	202,321	200,805
Benefit payments	(441,054)	(619,392)	(651,950)	(636,691)
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability	\$ 5,045,999	\$ 5,445,459	\$ 6,019,259	\$ 6,077,123
Plan fiduciary net position as a percentage of net OPEB liability	-	-	-	-
University's covered payroll*	-	-	-	-
Net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

* No active employees are covered, thus there is no employee payroll.

Discount rates used in determining the total reported liability for other post employment benefits were 2.16%, 2.21%, 3.50%, and 3.87% at the measurement dates of June 30, 2021, 2020, 2019, and 2018, respectively.

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



SUPPLEMENTARY *INFORMATION*



**MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF NET POSITION BY FUND AT JUNE 30, 2021**

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Michigan Tech Fund	Eliminations	2021	2020
Assets													
Current assets:													
Cash and cash equivalents	\$ (16,993,229)	\$ 27,824,203	\$ 696,915	\$ (9,832,026)	\$ 7,757,429	\$ 9,453,292	\$ 2,232,974	\$ 9,197,788	\$ 3,606,520	\$ 11,168,260	\$ -	\$ 35,658,834	\$ 29,543,709
Accounts receivable, net	9,607,748	70,335	270,302	34,171	9,735,271	19,717,827	-	348,933	100,198	-	-	20,166,958	14,490,942
Insurance receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-	-	-	-	1,661,638	-	1,661,638	849,449
Other assets	290,660	13,525	873,082	20,000	-	1,197,267	-	-	-	7,985	-	1,205,252	1,969,071
Total current assets	(7,094,821)	27,908,063	1,840,299	(9,777,855)	17,492,700	30,368,386	2,232,974	9,546,721	3,706,718	12,837,883	-	58,692,682	46,853,171
Noncurrent assets:													
Student loans receivable, net	-	-	-	-	-	-	6,208,258	-	-	-	-	6,208,258	7,958,867
Pledges receivable, net	-	-	-	-	-	-	-	-	-	17,377,039	-	17,377,039	798,115
Restricted cash for capital projects	-	-	-	-	-	-	-	-	-	-	-	-	99,422
Investments	15,618,002	-	-	27,325,732	-	42,943,734	-	-	-	177,389,281	-	220,333,015	177,762,468
Beneficial interest in charitable remainder trusts	-	-	-	-	-	-	-	-	-	7,778,511	-	7,778,511	6,110,969
Land held for investment	-	-	-	-	-	-	-	8,892,719	-	255,000	-	9,147,719	9,889,597
Capital assets, net	-	-	-	-	-	-	-	221,553,124	-	-	-	221,553,124	227,503,910
Other assets	-	-	-	-	-	-	-	978,544	-	1,423,794	(378,000)	2,024,338	2,014,890
Total noncurrent assets	15,618,002	-	-	27,325,732	-	42,943,734	6,208,258	231,424,387	-	204,223,625	(378,000)	484,422,004	432,138,238
Total assets	8,523,181	27,908,063	1,840,299	17,547,877	17,492,700	73,312,120	8,441,232	240,971,108	3,706,718	217,061,508	(378,000)	543,114,686	478,991,409
Deferred outflows of resources													
	-	-	-	6,656,404	-	6,656,404	-	-	-	-	-	6,656,404	5,739,106
Liabilities													
Current liabilities													
Accounts payable	1,493,105	335,336	338,514	1,345,623	1,206,185	4,718,763	12,325	2,163,203	83,446	200,388	-	7,178,125	6,420,086
Other accrued liabilities	6,565,181	(27)	134,451	5,015,443	-	11,715,048	-	1,458	3,623,272	-	-	15,339,778	14,613,925
Unearned revenue	63,082	-	-	-	3,658,170	3,721,252	-	181,250	-	-	-	3,902,502	5,855,839
Annuity obligations, current portion	-	-	-	-	-	-	-	-	-	432,612	-	432,612	385,279
Insurance and benefit reserves, current portion	-	-	-	1,434,353	-	1,434,353	-	-	-	-	-	1,434,353	1,332,756
Long-term debt, current portion	-	-	-	-	-	-	-	3,995,897	-	-	-	3,995,897	3,916,927
Total current liabilities	8,121,368	335,309	472,965	7,795,419	4,864,355	21,589,416	12,325	6,341,808	3,706,718	633,000	-	32,283,267	32,524,812
Noncurrent liabilities													
Funds held for others	466,150	378,000	-	-	-	844,150	-	-	-	-	(378,000)	466,150	635,651
Annuity obligations, net of current portion	-	-	-	-	-	-	-	-	-	5,218,433	-	5,218,433	5,390,313
Long-term debt, net of current portion	-	-	-	-	-	-	-	81,304,743	-	-	-	81,304,743	85,180,388
Net pension liability	-	-	-	77,330,320	-	77,330,320	-	-	-	-	-	77,330,320	75,502,509
Net OPEB liability	-	-	-	9,816,991	-	9,816,991	-	-	-	-	-	9,816,991	15,812,904
Total noncurrent liabilities	466,150	378,000	-	87,147,311	-	87,991,461	-	81,304,743	-	5,218,433	(378,000)	174,136,637	182,521,765
Total liabilities	8,587,518	713,309	472,965	94,942,730	4,864,355	109,580,877	12,325	87,646,551	3,706,718	5,851,433	(378,000)	206,419,904	215,046,577
Deferred inflows of resources													
	-	-	-	1,209,066	-	1,209,066	-	-	-	12,115,805	-	13,324,871	2,789,044
Net position													
Net investment in capital assets	-	-	-	-	-	-	-	135,790,477	-	-	-	135,790,477	138,086,386
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	-	-	106,282,134	-	106,282,134	104,236,751
Expendable	3,890	-	75,433	-	12,628,345	12,707,668	8,760,339	10,591,362	-	84,012,420	-	116,071,789	70,460,591
Unrestricted (deficit)	(68,227)	27,194,754	1,291,901	(71,947,515)	-	(43,529,087)	(331,432)	6,942,718	-	8,799,716	-	(28,118,085)	(45,888,834)
Total net position	\$ (64,337)	\$ 27,194,754	\$ 1,367,334	\$ (71,947,515)	\$ 12,628,345	\$ (30,821,419)	\$ 8,428,907	\$ 153,324,557	\$ -	\$ 199,094,270	\$ -	\$ 330,026,315	\$ 266,894,894

MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY OBJECT
FOR THE YEAR ENDED JUNE 30, 2021

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech		2021	2020
									Fund	Eliminations		
Revenues												
Operating revenues												
Student tuition and fees, net	\$ 140,995,799	\$ 5,992	\$ 1,162,428	\$ -	\$ 19,550	\$ 142,183,769	\$ -	\$ -	\$ -	\$ (43,935,267)	\$ 98,248,502	\$ 101,082,940
Federal grants and contracts	38,722	-	-	-	32,187,108	32,225,830	(1,741,655)	-	-	-	30,484,175	25,114,659
State and local grants and contracts	10,550	-	-	-	3,789,907	3,800,457	-	-	-	-	3,800,457	4,076,024
Nongovernmental grants and contracts	-	-	-	-	21,291,554	21,291,554	-	32,000	-	-	21,323,554	20,445,108
Indirect cost recoveries	15,479,273	-	-	-	(15,479,273)	-	-	-	-	-	-	-
Educational activities	335,486	1,868,564	563,381	196,862	1,492,236	4,456,529	242	-	-	-	4,456,771	3,643,172
Departmental activities	40,044	17,322	5,310,654	-	-	5,368,020	-	50,901	-	-	5,418,921	8,933,470
Student residence fees, net	-	-	22,265,172	-	-	22,265,172	-	30,906	-	(7,193,869)	15,102,209	18,031,676
Total operating revenues	156,899,874	1,891,878	29,301,635	196,862	43,301,082	231,591,331	(1,741,413)	113,807	-	(51,129,136)	178,834,589	181,327,049
Expenses												
Operating expenses												
Salaries and wages	88,815,806	6,682,742	7,912,685	3,246,789	21,863,769	128,521,791	-	3,940	-	-	128,525,731	132,439,081
Fringe benefits	33,587,210	1,876,972	2,489,704	(8,053,612)	5,255,231	35,155,505	-	335	-	-	35,155,840	41,898,586
Supplies and services	12,755,642	5,352,252	12,235,008	1,091,663	19,507,614	50,942,179	247,287	9,356,427	9,475,174	(21,268,935)	48,752,132	49,073,033
Student financial support	50,599,542	655,271	-	-	15,205,069	66,459,882	-	-	2,200,584	(53,329,720)	15,330,746	11,240,114
Utilities	3,883,221	191,176	2,162,392	-	26,583	6,263,372	-	-	-	-	6,263,372	6,303,890
Depreciation	-	-	-	-	-	-	-	14,464,888	-	-	14,464,888	14,767,842
Total operating expenses	189,641,421	14,758,413	24,799,789	(3,715,160)	61,858,266	287,342,729	247,287	23,825,590	11,675,758	(74,598,655)	248,492,709	255,722,546
Operating (loss) income	(32,741,547)	(12,866,535)	4,501,846	3,912,022	(18,557,184)	(55,751,398)	(1,988,700)	(23,711,783)	(11,675,758)	23,469,519	(69,658,120)	(74,395,497)
Net transfers (out) in Nonoperating revenues (expenses)	(20,433,405)	15,424,806	(7,802,346)	1,086,945	(1,032,471)	(12,756,471)	(338,181)	13,094,652	-	-	-	-
Federal Pell grants	-	-	-	-	5,104,880	5,104,880	-	-	-	-	5,104,880	5,383,769
Federal grants, other	-	-	-	-	-	-	-	628,494	-	-	628,494	583,526
Federal coronavirus relief funds	-	-	-	-	17,071,681	17,071,681	-	-	-	-	17,071,681	80,538
State appropriations	50,795,200	-	-	-	-	50,795,200	-	-	-	-	50,795,200	44,953,000
Gifts	3,490,670	3,646,900	7,530	-	3,707,809	10,852,909	-	-	25,717,004	(10,510,268)	26,059,645	6,601,957
Investment return	41,568	-	-	5,371,072	2,744	5,415,384	326,188	(831,642)	22,036,700	-	26,946,630	7,671,386
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,551,233)	-	-	(3,551,233)	(4,123,654)
Loss on disposal of capital assets	-	-	-	-	-	-	-	(82,333)	-	-	(82,333)	(75,492)
Net nonoperating revenues (expenses)	54,327,438	3,646,900	7,530	5,371,072	25,887,114	89,240,054	326,188	(3,836,714)	47,753,704	(10,510,268)	122,972,964	61,075,030
Income (loss) before other revenues	1,152,486	6,205,171	(3,292,970)	10,370,039	6,297,459	20,732,185	(2,000,693)	(14,453,845)	36,077,946	12,959,251	53,314,844	(13,320,467)
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	996,315	284,552	(501,000)	779,867	800,332
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	8,975,679	-	8,975,679	5,467,724
Other revenues	-	-	-	-	-	-	-	-	61,031	-	61,031	106,313
Fund additions	-	-	-	-	-	-	-	12,458,251	-	(12,458,251)	-	-
Total other revenues	-	-	-	-	-	-	-	13,454,566	9,321,262	(12,959,251)	9,816,577	6,374,369
Net extraordinary items due to flood												
Net increase (decrease) in net position	1,152,486	6,205,171	(3,292,970)	10,370,039	6,297,459	20,732,185	(2,000,693)	(999,279)	45,399,208	-	63,131,421	(6,269,104)
Net position, beginning of year	(1,216,823)	20,989,583	4,660,304	(82,317,554)	6,330,886	(51,553,604)	10,429,600	154,323,836	153,695,062	-	266,894,894	273,163,998
Net position, end of year	\$ (64,337)	\$ 27,194,754	\$ 1,367,334	\$ (71,947,515)	\$ 12,628,345	\$ (30,821,419)	\$ 8,428,907	\$ 153,324,557	\$ 199,094,270	\$ -	\$ 330,026,315	\$ 266,894,894



MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech		2021	2020
									Fund	Eliminations		
Revenues												
Operating revenues												
Student tuition and fees, net	\$ 140,995,799	\$ 5,992	\$ 1,162,428	\$ -	\$ 19,550	\$ 142,183,769	\$ -	\$ -	\$ -	\$ (43,935,267)	\$ 98,248,502	\$ 101,082,940
Federal grants and contracts	38,722	-	-	-	32,187,108	32,225,830	(1,741,655)	-	-	-	30,484,175	25,114,659
State and local grants and contracts	10,550	-	-	-	3,789,907	3,800,457	-	-	-	-	3,800,457	4,076,024
Nongovernmental grants and contracts	-	-	-	-	21,291,554	21,291,554	-	32,000	-	-	21,323,554	20,445,108
Indirect cost recoveries	15,479,273	-	-	-	(15,479,273)	-	-	-	-	-	-	-
Educational activities	335,486	1,868,564	563,381	196,862	1,492,236	4,456,529	242	-	-	-	4,456,771	3,643,172
Departmental activities	40,044	17,322	5,310,654	-	-	5,368,020	-	50,901	-	-	5,418,921	8,933,470
Student residence fees, net	-	-	22,265,172	-	-	22,265,172	-	30,906	-	(7,193,869)	15,102,209	18,031,676
Total operating revenues	156,899,874	1,891,878	29,301,635	196,862	43,301,082	231,591,331	(1,741,413)	113,807	-	(51,129,136)	178,834,589	181,327,049
Expenses												
Operating expenses												
Instruction	62,896,082	2,482,435	-	(2,132,922)	89,609	63,335,204	-	-	-	(903,507)	62,431,697	68,520,081
Research	18,608,891	9,266,468	-	(1,726,333)	37,530,565	63,679,591	-	-	-	(3,662,763)	60,016,828	59,159,329
Public service	1,347,976	217,633	-	(233,288)	9,902,365	11,234,686	-	-	-	(206,919)	11,027,767	9,768,499
Academic support	20,974,800	673,855	-	(666,538)	714	20,982,831	-	-	-	96,015	21,078,846	22,555,415
Student services	8,861,567	578,289	4,659,089	(406,588)	44,697	13,737,054	-	-	-	73,032	13,810,086	15,985,526
Institutional support	19,053,042	292,452	-	1,983,779	1,527,182	22,856,455	-	134,669	9,475,174	(9,384,886)	23,081,412	24,913,814
Student financial support	47,192,352	-	-	-	12,763,134	59,955,486	247,287	-	2,200,584	(46,135,851)	16,267,506	12,470,722
Operations and maintenance of plant	10,706,711	1,247,281	-	(259,990)	-	11,694,002	-	9,226,033	-	(7,279,907)	13,640,128	13,738,173
Sales and services of dept activities	-	-	-	-	-	-	-	-	-	4,232,924	4,232,924	6,838,574
Student residents	-	-	20,140,700	(273,280)	-	19,867,420	-	-	-	(11,426,793)	8,440,627	7,004,571
Depreciation	-	-	-	-	-	-	-	14,464,888	-	-	14,464,888	14,767,842
Total operating expenses	189,641,421	14,758,413	24,799,789	(3,715,160)	61,858,266	287,342,729	247,287	23,825,590	11,675,758	(74,598,655)	248,492,709	255,722,546
Operating (loss) income	(32,741,547)	(12,866,535)	4,501,846	3,912,022	(18,557,184)	(55,751,398)	(1,988,700)	(23,711,783)	(11,675,758)	23,469,519	(69,658,120)	(74,395,497)
Net transfers (out) in	(20,433,405)	15,424,806	(7,802,346)	1,086,945	(1,032,471)	(12,756,471)	(338,181)	13,094,652	-	-	-	-
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,104,880	5,104,880	-	-	-	-	5,104,880	5,383,769
Federal grants, other	-	-	-	-	-	-	-	628,494	-	-	628,494	583,526
Federal coronavirus relief funds	-	-	-	-	17,071,681	17,071,681	-	-	-	-	17,071,681	80,538
State appropriations	50,795,200	-	-	-	-	50,795,200	-	-	-	-	50,795,200	44,953,000
Gifts	3,490,670	3,646,900	7,530	-	3,707,809	10,852,909	-	-	25,717,004	(10,510,268)	26,059,645	6,601,957
Investment return	41,568	-	-	5,371,072	2,744	5,415,384	326,188	(831,642)	22,036,700	-	26,946,630	7,671,386
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,551,233)	-	-	(3,551,233)	(4,123,654)
Loss on disposal of capital assets	-	-	-	-	-	-	-	(82,333)	-	-	(82,333)	(75,492)
Net nonoperating revenues (expenses)	54,327,438	3,646,900	7,530	5,371,072	25,887,114	89,240,054	326,188	(3,836,714)	47,753,704	(10,510,268)	122,972,964	61,075,030
Income (loss) before other revenues	1,152,486	6,205,171	(3,292,970)	10,370,039	6,297,459	20,732,185	(2,000,693)	(14,453,845)	36,077,946	12,959,251	53,314,844	(13,320,467)
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	996,315	284,552	(501,000)	779,867	800,332
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	8,975,679	-	8,975,679	5,467,724
Other revenues	-	-	-	-	-	-	-	-	61,031	-	61,031	106,313
Fund additions	-	-	-	-	-	-	-	12,458,251	-	(12,458,251)	-	-
Total other revenues	-	-	-	-	-	-	-	13,454,566	9,321,262	(12,959,251)	9,816,577	6,374,369
Net extraordinary items due to flood	-	-	-	-	-	-	-	-	-	-	-	676,994
Net increase (decrease) in net position	1,152,486	6,205,171	(3,292,970)	10,370,039	6,297,459	20,732,185	(2,000,693)	(999,279)	45,399,208	-	63,131,421	(6,269,104)
Net position, beginning of year	(1,216,823)	20,989,583	4,660,304	(82,317,554)	6,330,886	(51,553,604)	10,429,600	154,323,836	153,695,062	-	266,894,894	273,163,998
Net position, end of year	\$ (64,337)	\$ 27,194,754	\$ 1,367,334	\$ (71,947,515)	\$ 12,628,345	\$ (30,821,419)	\$ 8,428,907	\$ 153,324,557	\$ 199,094,270	\$ -	\$ 330,026,315	\$ 266,894,894

2021 FINANCIAL REPORT



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