



2014 Financial Report

MichiganTech
Create the Future



MICHIGAN TECHNOLOGICAL UNIVERSITY

Michigan Tech
Create the Future



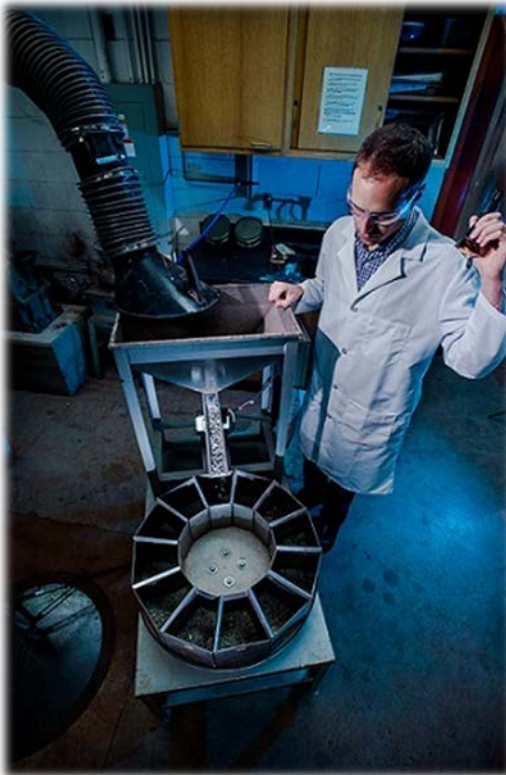


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THE MICHIGAN TECH *PLAN*

MISSION

We prepare students to create the future.

VISION

Michigan Tech will grow as a premier technological research university of international stature, delivering education, new knowledge, and innovation for the needs of our world.

GOALS

Michigan Tech will be a leader in creating solutions for society's challenges through education and interdisciplinary endeavors that advance sustainable economic prosperity, health and safety, ethical conduct, and responsible use of natural resources in Michigan, the nation, and the world. We will attract exceptional faculty, staff, and students who understand, develop, apply, manage, and communicate science and technology—all with the goal of a prosperous, sustainable world.

Michigan Tech will be respected and recognized by leaders in education, science, and engineering, government, business, and society for our ability to inspire students, advance knowledge, innovate, and foster economic growth. Our success will be measured by the accomplishments and reputation of our graduates and by the national and international impact of our research and scholarly activities.

Goal 1: A world-class and diverse faculty, staff, and student population.

Goal 2: A distinctive and rigorous discovery-based learning experience grounded in science, engineering, technology, sustainability, the business of innovation, and an understanding of the social and cultural contexts of our contemporary world.

Goal 3: World-class research, scholarship, entrepreneurship, innovation, and creative work that promotes sustainable economic and social development in Michigan, the nation, and the world.



LETTER FROM THE PRESIDENT

On the heels of the Generations of Discovery campaign, the Board of Control set a lofty fundraising goal for the 2014 fiscal year: \$30.8 million. I am proud to say Michigan Tech has surpassed this goal, raising \$30.94 million from individuals, corporations, and other private sources. This level of fundraising following a \$215-million capital campaign is impressive.

The state of the economy over the past six years has not been kind to institutions of higher education. The story is all too familiar to us: our governor and legislators cut budgets across the board to deal with the larger issue of the financial crisis at the state level. During this time, it would have in many ways been easier and less worrisome for the Board to take draconian approaches to deal with those budget cuts. Instead, more-elegant paths were chosen, which were not without risk, to ensure financial stability, continued growth, and at the same time causing the least disruption to the lives of the people of Michigan Tech and the community.

The prize was to keep up the momentum of pursuing our strategic plan so Michigan Tech and, likewise, our students would be well positioned for the economic recovery of today.

This did not take place without vigorous, penetrating, and often contentious discussion, but that is simply a manifestation of the intellectual commitment on the part of the Board and management.

Risk does come with its rewards—in this case, in the form of the people of Michigan Tech. Long-term results like these are noted nationally, as well. Last week, *Money Magazine* ranked us thirty-three among public institutions in the nation, and the *Princeton Review* again listed us among their best colleges and universities.

I think the Board can look with pride on what has been accomplished by maintaining a steady course through turbulent financial times. At the August Board meeting, State Rep. Scott Dianda made a surprise appearance. He praised the Generations of Discovery campaign and recognized Michigan Tech with a framed tribute signed by him, Governor Rick Snyder, and State Sen. Tom Casperson.

We continue our vision of creating the future for 2035 and beyond, with increased student enrollment, a more-diverse campus community, and a dedication to future technologies and work across disciplines. Thank you to everyone who shares this vision and invests in Michigan Tech.



Dr. Glenn D. Mroz
President



ADMINISTRATIVE OFFICERS

BOARD OF CONTROL

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

2014	Lenora Ashford	Stephen J. Hicks, Chair
2016	Thomas L. Baldini	Paul G. Ollila
2018	Julie A. Fream, Vice Chair	Terry J. Woychowski
2020	Linda Kennedy	Robert Jacquart

EXECUTIVE AND BOARD OFFICERS

Dr. Glenn D. Mroz
President

Dr. Maximilian J. Seel
Provost and Vice President for Academic Affairs

Dr. David D. Reed
Vice President for Research

Dr. Les P. Cook
Vice President for Student Affairs and Advancement

Dr. Dale R. Tahtinen
Vice President for Governmental
Relations
Secretary of the Board of Control

Daniel D. Greenlee, CPA
Chief Financial Officer and Treasurer of the Board of
Control
President of the Michigan Tech Fund

Ellen S. Horsch
Vice President for Administration

Dr. Walter W. Milligan
Chief Information Officer



UNIVERSITY UPDATE

Collaboration and Teamwork

Michigan Tech, Central Michigan University Launch Collaborative Physical Therapy Doctoral Program

Michigan Tech and Central Michigan University have partnered to offer a Doctor of Physical Therapy degree from CMU to students at both campuses.

“This partnership is a signal of Michigan Tech’s commitment to strengthening its education and research initiatives in the life sciences,” said President Glenn Mroz. “We are thrilled to mark the beginning of this cooperative endeavor by dedicating this wonderful space designed for physical therapy education.”

The space, including a technologically cutting-edge remote classroom that will be shared in real time by students at both universities, is in Michigan Tech’s Advanced Technology Development Complex. A student lounge there was furnished by a gift from the family of Roy and Ruth Jurva.

A cohort of twelve students is starting the program at Michigan Tech. Another forty-eight are enrolled on the CMU campus.

APMP Gold Team Rises to the Occasion, Champs Two Times

An Applied Portfolio Management Program team from Michigan Tech has won two global investment competitions. The Gold Team won the value category in the Global Asset Management Education (GAME) Forum IV, hosted by Quinnipiac University in New York City. They also won the Fourteenth Annual Redefining Investment Strategy Education (RISE) competition in the same category with the same portfolio a week later at the University of Dayton.

Their results were impressive, according to Dean Johnson, who is the James and Delores Trethewey Professor in the School of Business and Economics and the team’s advisor.

“For the calendar year 2013, they showed a return of 29.66 percent,” Johnson said. “In the value category, they are also judged on standard deviation, or risk, and theirs was a very low 1.7 percent.”

That means for one year, the team’s returns were very steady. In fact, they only had one negative month. They grew their portfolio from \$397,000 to \$515,000.

Research

Five Faculty Members Receive NSF CAREER Awards—An All-Time High

Five junior faculty members received National Science Foundation (NSF) Faculty Early Career Development (CAREER) Awards during the past year. NSF CAREER Awards go to researchers who have already distinguished themselves early in their careers, to support extraordinarily promising interdisciplinary research.

“The NSF CAREER awards are very prestigious,” said David Reed, vice president for research. “We have had a number of faculty receive these awards over the years, but this is the first time we have had five in one year. Since only untenured faculty are eligible to apply for these awards, this reflects very strongly the quality of our faculty hires in recent years.”

NSF CAREER Award winners at Michigan Tech during the past year are Zhuo Feng and Shiyan Hu, assistant professors of electrical and computer engineering; Mo Rastgaar and Tolou Shokuhfar, assistant professors of mechanical engineering-engineering mechanics; and Chaoli Wang, assistant professor of computer science.

Michigan Tech Researcher Develops Low-Cost 3D Metal Printer

Joshua Pearce, an associate professor in the Department of Materials Science and Engineering, and his research group developed a low-cost metal 3D printer, which costs around \$1,500 to build. The printer can lay down thin layers of steel to form complex geometric objects. The detailed plans, software, and firmware are all freely available and open source, so anyone can use them to make their own.

Great Lakes Research Center Has New Supercomputer

Michigan Tech now has one of the most powerful supercomputers in the region. Dubbed Superior, this machine is located in the Great Lakes Research Center and can undertake calculations that were previously the stuff of scientists' dreams. Superior's power enables heavyweight projects, such as the hydrogeological modeling of all the Great Lakes being undertaken by Pengfei Xue, an assistant professor of civil and environmental engineering.

New Satellite Maps Track Harmful Algal Blooms in Great Lakes

Scientists from the Michigan Tech Research Institute (MTRI), located in Ann Arbor, are using satellite data to find harmful algal blooms (HABs) in the Great Lakes and determine what threats they may pose to water quality and public health. Caused by agricultural runoff and climate change, this overgrowth of algae can clog water intake pipes, degrade drinking water, and potentially sicken people and animals.

The project generates HAB maps of portions of Lake Erie, Lake Huron, and Lake Michigan that are available online. This data will be useful to fishermen, sailors, tourists, and public water system managers, not to mention the public, said Robert Shuchman, a lead scientist on the project.

Toward Smarter Underwater Drones

Nina Mahmoudian is developing the next generation of autonomous underwater vehicles (AUVs). Named ROUGHIEs (for Research Oriented Underwater Gliders for Hands-on Investigative Engineering), these underwater gliders will be the approximate size of a loaf of French bread and designed for use near the water's edge. Powered only by batteries, they will "fly" slowly through the water simply by adjusting their buoyancy and weight. This will make them safer and more reliable in shallow waters, where a propeller could become tangled in vegetation or cause injury.

Giving Back

Better Dental Implants are on the Horizon

Since she was a graduate student, Tolou Shokuhfar, an assistant professor of mechanical engineering-engineering mechanics, has been researching a new surface for titanium implants to help reduce their failure rate. Using a simple procedure she developed, she etches nanotubes into the titanium dioxide that naturally encases metallic titanium.

In lab tests, osteoblasts have clung to Shokuhfar's nanotubes and proliferated far better than to plain titanium or even the roughened titanium used on some implants. This may be because the nanotube surface forms a regular lattice, not unlike the matrix that forms the basis of bone tissue.

Early tests show that bacteria are repelled by the nanotube surface. Now scientists at Beaumont Hospital in Metro Detroit are conducting additional research into how MRSA, an antibiotic-resistant form of staphylococcus, reacts to the surface. And scientists at the University of Tennessee are investigating its effect on bacteria that cause the gum disease periodontitis.

The nanotube surface has yet another attribute that Shokuhfar believes could reduce the failure rate in all types of titanium implants. It can serve as a drug-delivery system for antibiotics, anti-inflammatory drugs, or even silver nanoparticles. "Silver has antimicrobial properties, and we are capable of obtaining a dose that can kill microbes but would not hurt healthy cells and tissues," she said.

On the horizon are animal tests and eventually clinical trials. Because the nanotubes are simply another form of titanium dioxide, Shokuhfar hopes the approval process will be short. "We want to get to the clinical stage as soon as possible, so we can get this out there to people who need it," she said.

Athletics

Basketball—Men's

The Michigan Tech men's basketball team made a run to the NCAA Midwest Regional Championship game. The Huskies finished with the third-most wins in school history with a 24-9 overall record.

Basketball—Women's

In the GLIAC Women's Basketball Tournament quarterfinal, Jillian Ritchie's putback with five seconds left in regulation sent the game to overtime and her 3-pointer in the final minute of the extra session provided the game-winning points in Tech's 69-63 triumph over Saginaw Valley State.

Cross Country Skiing

For the first time in thirteen years, Michigan Tech hosted the GLIAC Cross Country Championships. The challenging course and cold weather benefited the Huskies men's team, which finished sixth overall—its best finish in five years. Michigan Tech will host the US Nationals in 2015 and 2016.

Hockey

Tanner Kero and Ryan Furne both scored in a shoot-out to send Michigan Tech past Michigan State and into its second consecutive Great Lakes Invitational Championship game. The Forty-Ninth Annual GLI was played outdoors at Comerica Park as part of the SiriusXM Hockeytown Winter Festival in Detroit.

Soccer

Lindsey Van Rooy's goal in the final second of double overtime lifted the Huskies to a 1-0 GLIAC Tournament Quarterfinal victory over Saginaw Valley State. The play made ESPN SportsCenter's Top Ten. The win helped propel Tech to its first NCAA Tournament berth in the program's fourth year of existence.

University Rankings

- *US News and World Report* ranks Michigan Tech fifty-seventh among national public universities in its "Best Colleges" 2014 edition and named the University an "A-Plus for B Students" for admitting promising students whose high school GPA is less than an A.
- *Princeton Review* ranked Michigan Tech a "Best in the Midwest" for the third consecutive year in its 2014 "Best 378 Colleges" report. Tech also received good marks in quality of life, safety, and "green" categories. Student comments included Tech has "very high standards when it comes to education," offers "serious study in a beautiful (often snowy) environment," and has a "good reputation," especially for engineering.

- *Washington Monthly* rated Michigan Tech twenty-ninth nationally for the “Best Bang for the Buck,” and *Business Insider* rated Tech number twenty-two in the nation in its list of underrated schools.
- According to data from the National Science Foundation Higher Education Research and Development (HERD) survey, Michigan Tech is second in the state and in the top 15 percent of universities nationwide for its proportion of industry-sponsored research.
- For the ninth year in a row, Michigan Tech ranks as the number one university nationwide for the number of Peace Corps Master’s International (PCMI) students currently serving as Peace Corps volunteers. Michigan Tech has thirty-two graduate students overseas.
- According to *Business Insider*, Michigan Tech is the most underrated university in Michigan. The business, financial, tech, and education news website also ranked Tech number eleven among the top twenty public universities with the smartest students.
- Michigan Tech is ranked thirteenth on PayScale’s 2014 College ROI Report for public in-state tuition and fifty-fourth in the nation overall. The average starting salary for Tech grads is now at \$59,200—tenth in the nation in that category.
- NerdScholar named Michigan Tech’s software engineering program the “most engaging” in the nation, citing the plethora of hands-on opportunities—including Senior Design and Enterprise—available to students and the University’s efforts to recruit and support women in software engineering.
- Michigan Tech tops AccuWeather.com’s list of the snowiest college campuses in the nation.



MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis section of the Michigan Technological University (the "University") annual financial report provides an overview of our financial activities during the fiscal years ended June 30, 2014, 2013, and 2012. 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 generally accepted accounting principles, 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 (the "Fund") is a component unit of the University and its activity has been blended into the University's financial statements.

CONDENSED STATEMENTS OF NET POSITION

The Statements of Net Position include all assets and liabilities of the University. 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			
	2014	2013	2012
Assets			
Current assets	\$ 31,279,027	\$ 31,296,562	\$ 40,008,882
Noncurrent assets:			
Capital assets, net	246,085,350	253,799,271	258,710,677
Other	159,928,739	146,598,009	129,382,581
Total assets	\$ 437,293,116	\$ 431,693,842	\$ 428,102,140
Liabilities			
Current liabilities	\$ 22,323,408	\$ 21,927,137	\$ 21,549,237
Noncurrent liabilities	85,944,459	88,484,151	88,271,925
Total liabilities	\$ 108,267,867	\$ 110,411,288	\$ 109,821,162
Net position			
Net investment in capital assets	\$ 164,399,706	\$ 169,009,147	\$ 174,653,749
Restricted			
Nonexpendable	72,488,002	68,536,641	66,069,720
Expendable	76,264,509	72,263,098	67,652,076
Unrestricted	15,873,032	11,473,668	9,905,433
Total net position	\$ 329,025,249	\$ 321,282,554	\$ 318,280,978

Changes from 2013 to 2014

Current assets were comparable from fiscal year 2013 to fiscal year 2014. Within current assets, cash increased by \$4.6 million, whereas accounts receivable and pledges receivable decreased by approximately \$2.3 million each. Accounts receivable decreased because billings for grants and contracts were down, and pledges receivable decreased as more payments are being received on pledges made during the capital campaign.

Capital assets, net decreased by \$7.7 million. Capital asset additions (\$8.7 million), net of the book value of capital asset disposals (\$1.8 million), were \$6.9 million, and the depreciation charge for the year was \$14.6 million. Capital additions for fiscal 2014 included \$5.6 million for academic and research equipment, and \$3.1 million for the additional construction costs and renovations of facilities.

Other noncurrent assets increased by \$13.3 million, primarily due to the increase in the value of investments by \$13.8 million, of which \$11.3 million is from the Fund.

Current liabilities increased by \$396,000, which was due to a combination of slight increases in other accrued liabilities and unearned revenue, and modest decreases in insurance and benefit reserves.

Noncurrent liabilities decreased by \$2.5 million as a result of scheduled debt payments.

Total net position increased by \$7.7 million. The University's net investment in capital assets decreased by \$4.6 million. Expendable restricted net position increased by \$4.0 million and nonexpendable restricted net position increased by \$3.9 million. Unrestricted net position increased by \$4.4 million. The June 30, 2014 unrestricted net position of \$15.8 million consists of reserves in designated funds, auxiliary funds and the plant renewal and replacement fund offset by deficits in the general fund and retirement and insurance fund.

Changes from 2012 to 2013

Current assets decreased by \$8.7 million. That decrease is a result of cash and cash equivalents decreasing by \$6.4 million, accounts receivable decreasing \$1.2 million, and pledges receivable decreasing \$1.1 million. Cash and cash equivalents decreased due to the increase in financial aid allowances and the purchase of investments. Accounts receivable decreased because billings for grants and contracts were down, and pledges receivable decreased because the capital campaign was winding down.

Capital assets, net decreased by \$4.9 million. Asset additions during fiscal year 2013 totaled \$14.9 million, book value of disposals was \$4.4 million, and the depreciation charge for the year was \$14.0 million. Capital additions for fiscal 2013 included \$2.7 million in projects at the Student Development Complex, \$6.8 million for academic and research equipment, and \$5.4 million for the additional construction costs and renovations of facilities.

Other noncurrent assets increased by \$17.2 million, mostly due to the increase in the value of investments by \$16.1 million, of which \$12.2 million is from the Fund.

Current liabilities increased by \$378,000. The current portion of insurance and benefits reserve decreased by \$901,000, whereas the current portion of long-term debt increased by \$562,000, and other accrued liabilities increased by \$684,000.

Noncurrent liabilities increased by \$212,000, which was mostly due to the increase of long-term debt by \$633,000 from a new bond issue to refund and partially refund two series of outstanding bonds, and from entering into capital leases.

Total net position increased by \$3.0 million. The University's net investment in capital assets decreased by \$5.6 million. This is a result of the capitalization of the new research facility, other construction in progress, and equipment additions less the annual depreciation charge. Expendable restricted net position increased by \$4.6 million and nonexpendable restricted net position increased by \$2.5 million. Unrestricted net position increased by \$1.5 million. The June 30, 2013 unrestricted net position of \$11.5 million consists of reserves in designated funds, auxiliary funds and the plant renewal and replacement fund offset by deficits in the general fund and retirement and insurance fund.

NET POSITION

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

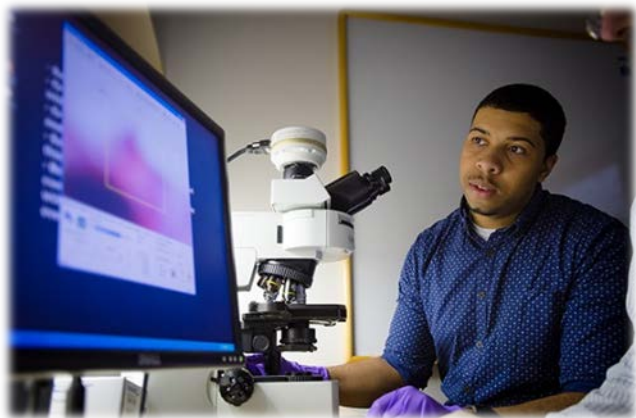
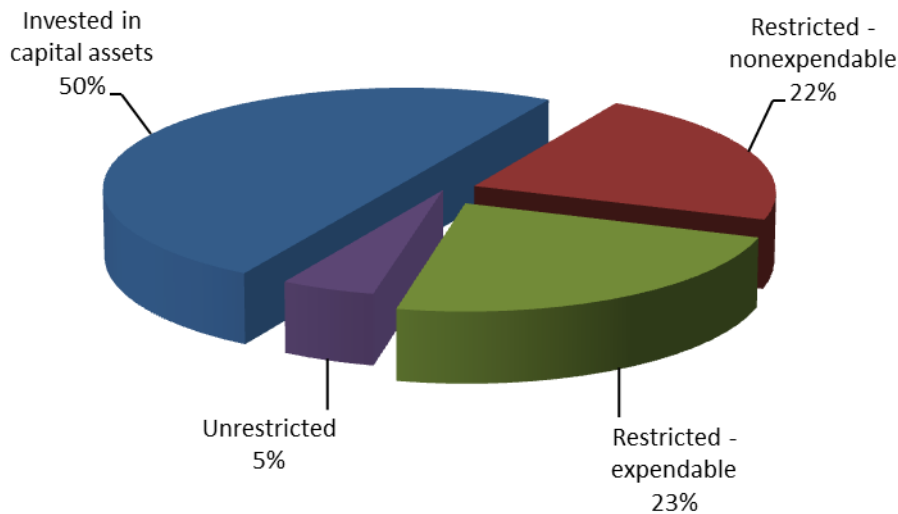
Net Position Summary			
As of June 30			
	2014	2013	2012
Net investment in capital assets	\$ 164,399,706	\$ 169,009,147	\$ 174,653,749
Restricted-nonexpendable net position			
Corpus of permanent endowment funds	67,298,821	63,227,069	59,553,748
Remainder interests in split-interest agreements	5,189,181	5,309,572	6,515,972
Total restricted-nonexpendable net position	72,488,002	68,536,641	66,069,720
Restricted-expendable net position			
Gifts and sponsored programs	24,093,337	24,840,606	22,271,213
Capital projects and debt service	1,078,879	2,480,566	3,387,405
Student loans	14,378,688	14,080,091	14,011,752
Net appreciation on permanent endowment funds	36,713,605	30,861,835	27,981,706
Total restricted-expendable net position	76,264,509	72,263,098	67,652,076
Unrestricted net position (deficit)			
Capital projects and repairs	(645,111)	(1,061,067)	651,704
Auxiliary enterprises	7,882,472	9,596,143	9,235,156
Designated for departmental use	17,207,640	16,031,437	15,816,151
Uncommitted	(8,571,969)	(13,092,845)	(15,797,578)
Total unrestricted net position	15,873,032	11,473,668	9,905,433
Total net position	\$ 329,025,249	\$ 321,282,554	\$ 318,280,978

Net investment in capital assets represents the University's capital assets 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 endowments 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 Control 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.

Net Position



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			
	2014	2013	2012
Operating revenues			
Tuition and fees, net	\$ 83,509,973	\$ 78,187,511	\$ 76,995,545
Grants and contracts	45,314,575	46,814,407	48,133,325
Educational activities	5,109,812	4,706,789	4,481,022
Auxiliary activities, net	26,348,530	25,738,765	24,549,259
Total operating revenues	160,282,890	155,447,472	154,159,151
Operating expenses	226,948,308	224,261,937	225,739,700
Operating loss	(66,665,418)	(68,814,465)	(71,580,549)
Nonoperating revenues (expenses)			
Federal Pell grants	5,715,100	5,836,503	5,756,429
State appropriations	43,785,501	42,633,969	40,733,597
Capital grants and gifts for all purposes	11,452,168	16,607,144	14,005,230
Other nonoperating revenues and expenses, net	13,455,344	6,738,425	12,621,169
Net nonoperating revenues	74,408,113	71,816,041	73,116,425
Net increase in net position	7,742,695	3,001,576	1,535,876
Net position			
Beginning of year	321,282,554	318,280,978	316,745,102
End of year	\$ 329,025,249	\$ 321,282,554	\$ 318,280,978

Changes from 2013 to 2014

Operating revenues increased by a total of \$4.8 million. Tuition and fees, net of scholarship allowance, increased by \$5.3 million due to an increase in enrollment of around 50 students and to increases in tuition of 2.9% for undergraduate students and 6.0% for graduate students. Grant and contract revenues decreased by \$1.5 million, educational activities revenues increased by \$403,000, and auxiliary activities revenues, net of scholarship allowance, increased by \$610,000.

Operating expenses increased by \$2.7 million. The major drivers of the increase were \$1.5 million from compensation and benefits and \$800,000 from supplies and services.

Net nonoperating revenues increased by \$2.6 million. State appropriations made up \$1.2 million of that increase. Capital grants and gifts to the University, including gifts for capital and endowment purposes, decreased by \$5.2 million, investment return increased by \$6.6 million, capital appropriations decreased by \$1.5 million, and all other nonoperating revenues increased by \$1.5 million.

The net result of operations for the fiscal year was an increase in net position of \$7.7 million.

Changes from 2012 to 2013

Operating revenues increased by a total of \$1.3 million. Tuition and fees, net of scholarship allowance, increased by \$1.2 million as enrollment declined by roughly 100 students, and tuition increases amounted to 3.9% for undergrad students and 6.0% for graduate students. Grant and contract revenues decreased by \$1.3 million, educational activities revenues increased by \$225,000 and auxiliary activities revenues, net of scholarship allowance, increased by \$1.2 million due to an increase in housing occupancy.

Operating expenses decreased by \$1.5 million. Salary and benefit costs decreased by \$299,000, supplies and services decreased by \$1.3 million, utilities decreased by \$396,000, and annual depreciation increased by \$1.1 million.

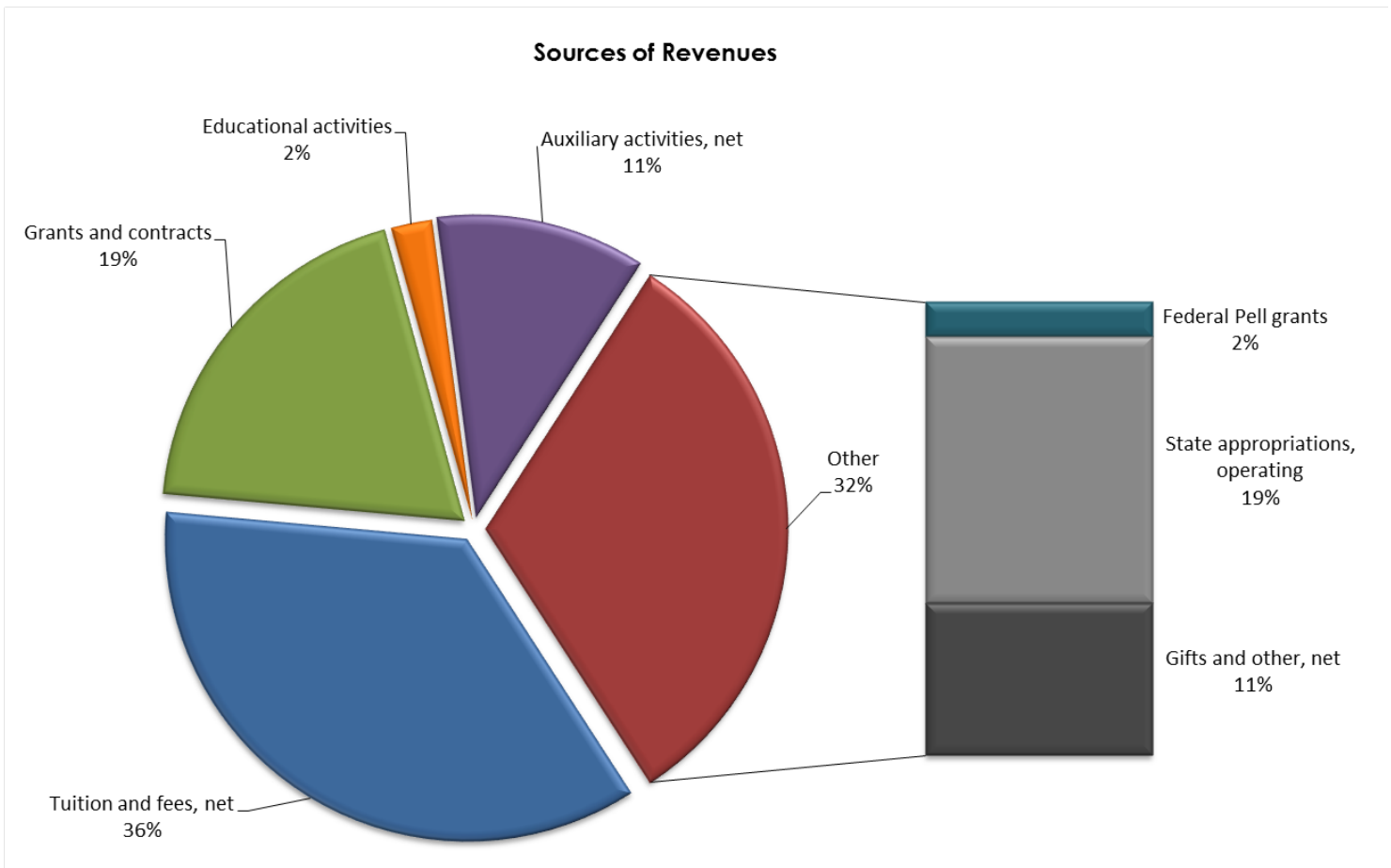
Net nonoperating revenues decreased by \$1.3 million. State appropriations increased by \$1.9 million, capital grants and gifts to the University, including gifts for capital and endowment purposes, increased by \$2.6 million, investment return increased by \$9.7 million, capital appropriations decreased by \$13.5 million, and other nonoperating revenues decreased by \$2.0 million.

The net result of operations for the fiscal year was an increase in net position of \$3.0 million.

Revenue Diversification

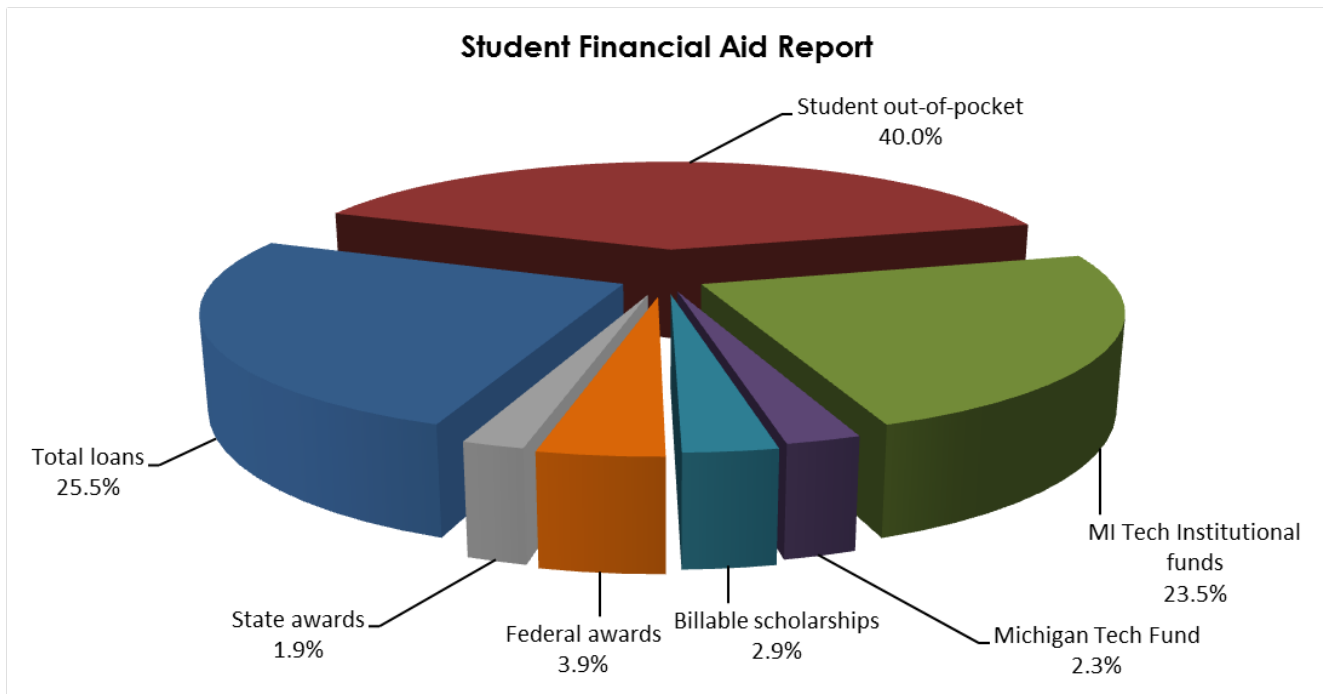
The University relies on multiple sources of revenues to supplement student tuition. The University continues to aggressively increase funding from other sources consistent with its mission.

The following graph illustrates the fiscal year 2014 revenues by source:



TUITION AND FEES REVENUE

The University provides students with the opportunity to obtain a quality education at a price that is subsidized by state funding. For fiscal year 2014, the University implemented a 2.9% average increase in tuition and mandatory fees for Michigan undergraduates. Graduate students saw a 6.0% 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, 2014. The graph shows that 34.5% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

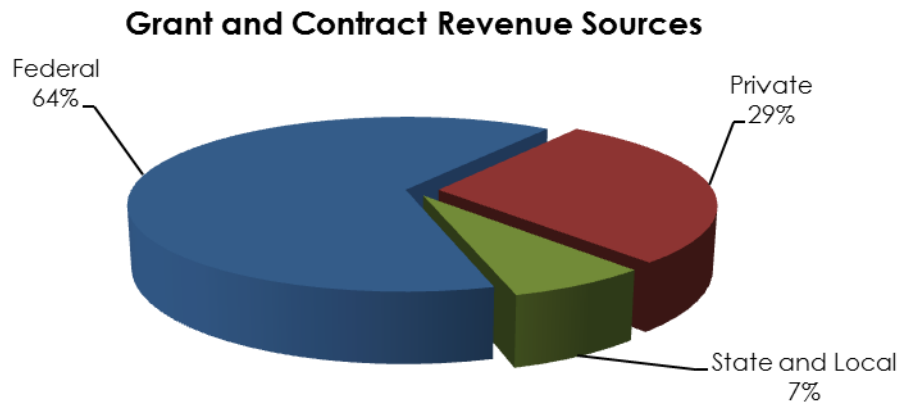


GRANT AND CONTRACT REVENUE

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 \$48.2 and \$48.0 million of research and sponsored programs awarded to the University in fiscal years 2014 and 2013, respectively. The University currently has 22 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			
	2014	2013	2012
Federal sources:			
Department of Agriculture	\$ 1,980,767	\$ 2,552,877	\$ 2,915,001
Department of Defense	9,024,707	9,190,418	9,781,331
Department of Education	709,459	752,969	831,035
Department of Energy	822,227	2,222,351	3,443,292
Department of Interior	836,327	800,301	637,404
Department of Transportation	1,319,838	1,490,529	1,638,899
Environmental Protection Agency	578,148	778,160	781,229
National Aeronautics and Space Administration	2,450,124	2,524,346	1,671,224
National Science Foundation	10,508,728	9,697,470	9,145,161
Health and Human Services	706,210	1,046,529	1,220,475
Other federal sources	218,274	311,964	417,676
Total federal sources	29,154,809	31,367,914	32,482,727
Non-federal sources:			
State and local	3,201,394	2,445,292	2,280,914
Private	12,958,372	13,001,201	13,369,684
Total non-federal sources	16,159,766	15,446,493	15,650,598
Total all sources	\$ 45,314,575	\$ 46,814,407	\$ 48,133,325

The following graph illustrates the fiscal year 2014 grant and contract revenue by source.



CONDENSED STATEMENTS OF CASH FLOWS

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

Condensed Statements of Cash Flows			
Year Ended June 30			
	2014	2013	2012
Cash (used in) provided by			
Operating activities	\$ (49,004,478)	\$ (55,431,295)	\$ (59,730,006)
Noncapital financing activities	57,319,600	60,308,314	55,803,620
Capital and related financing activities	(8,871,107)	(5,020,393)	(6,169,171)
Investing activities	5,175,649	(6,286,999)	6,835,602
Net increase (decrease) in cash and cash equivalents	4,619,664	(6,430,373)	(3,259,955)
Cash and cash equivalents, beginning of the year	7,830,318	14,260,691	17,520,646
Cash and cash equivalents, end of the year	\$ 12,449,982	\$ 7,830,318	\$ 14,260,691

Changes from 2013 to 2014

Cash used in operations decreased by \$6.4 million. Significant changes in cash used in by operations include an increase in payments to employees and for employee benefits of \$1.0 million, an increase in payments to suppliers of \$1.4 million and a decrease in payments for utilities of \$507,000. A significant change in cash provided by operations was due to an increase in tuition payments of \$7.2 million.

Cash provided by noncapital financing activities decreased by \$3.0 million. That was due to a decrease in gifts to the University of \$3.8 million, an increase in state appropriations of \$1.3 million, and a decrease in all other receipts of \$400,000.

Cash used in capital and related financing activities increased by \$3.8 million. During fiscal year 2014 there was a decrease in cash provided by the issuance and payment of long-term debt of \$2.5 million, and a \$1.3 million decrease in cash received for capital appropriations. Cash gifts received decreased by \$2.4 million and cash used for the purchase of capital assets decreased by \$2.4 million.

Cash provided by investing activities increased by \$11.5 million primarily due to the net sales of investments, whereas in the prior year, there was a net purchase of investments.

Overall, cash and cash equivalents increased by \$4.6 million for the year ended June 30, 2014.

Changes from 2012 to 2013

Cash used in operations decreased by \$4.3 million. Significant changes in cash used in operations include a decrease in payments to employees and for employee benefits of \$2.3 million, a decrease in payments to suppliers of \$800,000 and a decrease in payments for utilities of \$507,000. Also, auxiliary and educational activities increased by \$1.4 million

Cash provided by noncapital financing activities increased by \$4.5 million. Gifts to the University increased by \$5.4 million, other receipts decreased by \$1.1 million, and state appropriations increased by \$257,000.

Cash used in capital and related financing activities decreased by \$1.1 million. During fiscal year 2013 there was a decrease in cash received for capital appropriations of \$13.5 million and a decrease in cash used for the purchase of capital assets of \$14.3 million.

Cash provided by investing activities decreased by \$13.1 million primarily due to the net purchasing of investments, whereas in the prior year, there was a net sale of investments.

Overall, cash and cash equivalents decreased by \$6.4 million for the year ended June 30, 2013.

FACTORS IMPACTING FUTURE PERIODS

Enrollment

Admission is open to all students on a competitive basis. The University's incoming first-year students consistently have average ACT scores greater than the national average. The following tables show that about 33% of accepted students enroll at the University. Michigan residents account for 63% of the University's enrollment.

	Accepted Students Summer and Fall Terms					Average ACT Scores for Incoming First-Year Students, Fall		
	2013	2012	2011	2010	2009	MTU	National	
First-Year Students	3,815	3,462	3,441	3,353	3,456	2013	26.7	20.9
Transfer Students	326	400	401	415	403	2012	26.3	21.1
Graduate Students	1,499	1,306	1,258	1,252	1,217	2011	26.4	21.1
Total	5,640	5,168	5,100	5,020	5,076	2010	26.1	21.0
						2009	26.0	21.1

Enrollment has been a priority of the University and is a part of our Strategic Plan.

	Selected Enrollment Data* Summer and Fall Terms				
	2013	2012	2011	2010	2009
First-Year Students	1,253	1,153	1,161	1,115	1,160
New Transfer Students	195	257	219	230	236
Graduate Students	404	393	402	364	443
Total	1,852	1,803	1,782	1,709	1,839

	Enrollment by Residency				
	2013	2012	2011	2010	2009
Resident	4,374	4,408	4,511	4,550	4,782
Non-Resident	1,471	1,426	1,404	1,381	1,457
International	1,057	1,018	1,011	985	892
Total	6,902	6,852	6,926	6,916	7,131

Full-Time Equivalent Students by Residency					
	2013	2012	2011	2010	2009
Resident	4,069	4,079	4,200	4,239	4,410
Non-Resident	1,386	1,349	1,319	1,307	1,378
International	988	953	962	925	848
Total	6,443	6,381	6,481	6,471	6,636

**Does not include Distance Learning*

Degrees Awarded

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

Degrees Awarded**					
	2013	2012	2011	2010	2009
Associate	1	0	3	6	23
Bachelor's	1,156	1,222	1,065	1,177	1,111
Master's	282	289	269	202	169
Doctorate	75	63	55	56	57
Total	1,514	1,574	1,392	1,441	1,360

***Includes Degrees in Second Major*



Board of Control and Budget Updates

Michigan Tech's Board of Control approved establishment of the Pavlis Honors College at its regular meeting on February 21, 2014. It is the first named College at Michigan Tech. Named for longtime friend and advocate Frank E. Pavlis, a 1938 alumnus of Michigan Tech, the Pavlis Honors College will provide a home for a number of high-impact academic programs such as the Honors Institute, the Enterprise program, the Pavlis Institute for Global Technological Leadership and the Summer Undergraduate Research Fellowship (SURF) program.

"Over the past sixteen years, Michigan Tech has created some of the most exceptional academic offerings in the country," said Provost Max Seel. "As their success caused them to grow, it became clear that we needed to bring these programs together."

At its regular meeting in February, the Board also approved two new master's degree programs. One will grant a Master of Science in Kinesiology through the Department of Kinesiology and Integrative Physiology. The other will award a Master of Science in Accounting from the School of Business and Economics.

At its regular meeting on May 2, 2014, the Board of Control approved a general fund (operating) budget and tuition rates for the 2015 fiscal year. The budget increased by 5 percent, to \$168.2 million, with state appropriations expected to increase \$2.5 million and tuition and fees expected to bring in \$5.7 million more than in FY 2014.

The Board approved a new differential tuition rate based on students' majors and the cost of supporting those majors. The new formula will bring Michigan Tech's existing differential tuition structure in line with other research universities in the state.

First- and second-year students will pay \$7,020 a semester plus \$150 in fees for 12 to 18 credits. Third- and fourth-year students will pay the same tuition, student activity and Experience Tech fees totaling \$150. They will also pay fees of \$150, \$300 or \$900 a semester, depending on their major.

Students in the School of Business, humanities, mathematics sciences, social sciences and visual and performing arts will pay the \$150 fee. Those majoring in biological sciences, chemistry, kinesiology and integrative physiology, cognitive and learning sciences, physics, the School of Forest Resources and Environmental Science, construction management, electrical engineering technology and mechanical engineering technology will pay a \$300 fee. Students in the College of Engineering, computer science, computer network and systems administration and surveying engineering technology will pay a \$900 fee.

"Most students will see a 2 to 3 percent increase," said Les Cook, vice president of student affairs and advancement. "This structure is similar to what most universities do. Varying degrees cost varying amounts to deliver. This plan is more equitable because the fees are based on the cost of the programs the students are taking."

Although tuition is increasing by about 2 percent, scholarship funds available to students will increase 9 percent, Board members pointed out.



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INDEPENDENT AUDITORS' REPORT

October 15, 2014

Board of Control
Michigan Technological University
Houghton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of *Michigan Technological University* (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 business-type activities of Michigan Technological University as of June 30, 2014 and 2013, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 19 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, who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 15, 2014, on our consideration of Michigan Technological University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the University's internal control over financial reporting and compliance.



MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET POSITION

	June 30	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 12,449,982	\$ 7,830,318
Accounts receivable, net	15,336,095	17,579,084
Pledges receivable, net	1,588,087	3,916,458
Other assets	1,904,863	1,970,702
Total current assets	31,279,027	31,296,562
Noncurrent assets		
Student loans receivable, net	11,865,226	12,141,355
Pledges receivable, net of allowance and current portion	2,433,799	3,348,269
Investments	128,235,204	114,386,187
Beneficial interest in charitable remainder trusts	5,349,710	4,854,847
Land held for investment	10,093,197	9,926,541
Capital assets, net	246,085,350	253,799,271
Other assets	1,951,603	1,940,810
Total noncurrent assets	406,014,089	400,397,280
Total assets	\$ 437,293,116	\$ 431,693,842
Liabilities		
Current liabilities		
Accounts payable	\$ 4,703,043	\$ 4,846,284
Other accrued liabilities	9,899,373	9,188,834
Unearned revenue	3,250,484	2,939,264
Annuity obligations, current portion	352,703	339,351
Insurance and benefit reserves, current portion	1,273,406	1,810,640
Long-term debt, current portion	2,844,399	2,802,764
Total current liabilities	22,323,408	21,927,137
Noncurrent liabilities		
Funds held for others	678,049	670,950
Annuity obligations, net of current portion	4,812,564	4,133,993
Insurance and benefit reserves, net of current portion	543,581	770,036
Long-term debt, net of current portion	79,910,265	82,909,172
Total noncurrent liabilities	85,944,459	88,484,151
Total liabilities	\$ 108,267,867	\$ 110,411,288
Net position		
Net investment in capital assets	164,399,706	169,009,147
Restricted:		
Nonexpendable	72,488,002	68,536,641
Expendable	76,264,509	72,263,098
Unrestricted	15,873,032	11,473,668
Total net position	\$ 329,025,249	\$ 321,282,554

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	
	2014	2013
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$33,292,090 and \$30,198,282 in 2014 and 2013, respectively)	\$ 83,509,973	\$ 78,187,511
Federal grants and contracts	29,154,809	31,367,914
State and local grants and contracts	3,201,394	2,445,292
Nongovernmental grants and contracts	12,958,372	13,001,201
Educational activities	5,109,812	4,706,789
Departmental activities	8,868,780	9,238,144
Student residence fees (net of scholarship allowances of \$6,756,136 and \$6,095,525 in 2014 and 2013, respectively)	17,479,750	16,500,621
Total operating revenues	160,282,890	155,447,472
Expenses		
Operating expenses		
Compensation and benefits	147,171,944	145,629,847
Supplies and services	50,823,198	50,054,815
Student financial support	6,732,569	7,115,958
Utilities	7,572,383	7,483,914
Depreciation	14,648,214	13,977,403
Total operating expenses	226,948,308	224,261,937
Operating loss	(66,665,418)	(68,814,465)
Nonoperating revenues (expenses)		
Federal Pell grants	5,715,100	5,836,503
Federal grants, other	523,687	577,721
State appropriations	43,785,501	42,633,969
Gifts	6,510,256	12,802,560
Investment return	16,430,829	9,829,998
Interest on capital asset-related debt	(3,689,272)	(4,128,952)
Loss on disposal of capital assets	(200,098)	(1,477,521)
Net nonoperating revenues	69,076,003	66,074,278
Income (loss) before other revenues	2,410,585	(2,740,187)
Other revenues		
Capital appropriations	210,482	1,691,591
Capital grants and gifts	990,551	1,337,663
Gifts for permanent endowment purposes	3,951,361	2,466,921
Other nonoperating revenues	179,716	245,588
Total other revenues	5,332,110	5,741,763
Net increase in net position	7,742,695	3,001,576
Net position		
Beginning of year	321,282,554	318,280,978
End of year	\$ 329,025,249	\$ 321,282,554

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

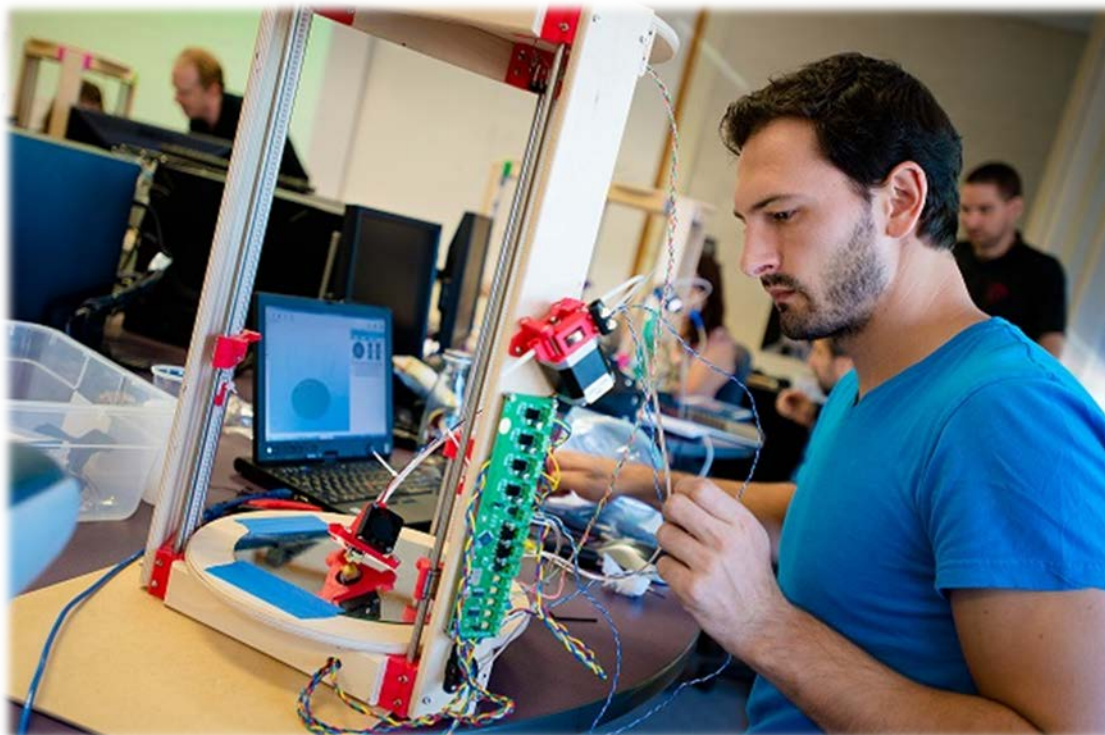
	Year Ended June 30	
	2014	2013
Cash flows from operating activities		
Student tuition and fees	\$ 84,268,185	\$ 77,021,353
Grants and contracts	47,437,742	47,322,208
Payments to employees	(113,164,800)	(110,256,747)
Payments for benefits	(34,132,400)	(36,133,364)
Payments to suppliers	(50,903,356)	(49,547,904)
Payments for utilities	(7,588,305)	(7,511,324)
Payments for financial aid	(6,732,569)	(7,115,958)
Loans issued to students	(2,095,361)	(2,021,680)
Collection of loans to students	2,371,489	2,087,539
Departmental activities	8,904,220	9,207,042
Educational activities	5,085,163	4,832,299
Student residence fees	17,496,351	16,487,221
Other receipts	49,163	198,020
Net cash used in operating activities	(49,004,478)	(55,431,295)
Cash flows from noncapital financing activities		
Federal Pell grants	5,680,880	5,840,879
Federal grants, other	523,687	577,721
State appropriations	43,622,828	42,298,422
Gifts and grants for other than capital purposes	7,746,287	11,552,955
Payments to annuitants	(344,184)	(324,623)
Other receipts	179,716	245,588
William D. Ford direct lending cash received	28,825,328	28,868,858
William D. Ford direct lending cash disbursed	(28,914,942)	(28,751,486)
Net cash provided by noncapital financing activities	57,319,600	60,308,314
Cash flows from capital and related financing activities		
Capital appropriations	210,482	1,691,561
Grants and gifts received for capital and endowment purposes	4,215,696	6,546,540
Proceeds from sale of capital assets	22,600	105,509
Purchases of capital assets	(6,702,241)	(9,128,416)
Proceeds on issuance of debt	-	15,023,022
Principal paid on capital debt and leases	(2,957,272)	(15,403,678)
Interest paid on capital debt and leases	(3,660,372)	(3,854,931)
Net cash used in capital and related financing activities	(8,871,107)	(5,020,393)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	46,416,579	42,834,690
Purchase of investments	(44,498,335)	(51,623,056)
Income on investments	3,257,405	2,501,367
Net cash provided by (used in) investing activities	5,175,649	(6,286,999)
Net increase (decrease) in cash and cash equivalents	4,619,664	(6,430,373)
Cash and cash equivalents, beginning of year	7,830,318	14,260,691
Cash and cash equivalents, end of year	\$ 12,449,982	\$ 7,830,318

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (continued)

	Year Ended June 30	
	2014	2013
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (66,665,418)	\$ (68,814,465)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	14,648,214	13,977,403
Changes in operating assets and liabilities:		
Receivables, net	2,525,166	197,263
Other assets	65,839	(49,105)
Student loans receivable	276,129	65,859
Accounts payable	(119,577)	(186,101)
Other accrued liabilities	710,539	737,749
Unearned revenue	311,220	(109,548)
Funds held for others	7,099	(9,500)
Insurance and benefit reserves	(763,689)	(1,240,850)
Net cash used in operating activities	\$ (49,004,478)	\$ (55,431,295)

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



NOTES TO THE FINANCIAL STATEMENTS

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

BASIS OF PRESENTATION

Reporting Entity

Michigan Technological University (the "University") is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Control 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 program 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 (the "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, 2014, audited financial statements of the Fund can be obtained from its office at 1400 Townsend Drive, Houghton, MI 49931.

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



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

Michigan Tech Fund Condensed Statements of Net Position As of June 30		
	2014	2013
Assets		
Current assets	\$ 5,705,934	\$ 7,805,437
Noncurrent assets:		
Capital assets, net	-	2,947
Investments	113,830,960	102,503,128
Other	9,065,368	9,525,622
Total assets	128,602,262	119,837,134
Liabilities		
Current liabilities:		
Accounts payable to University	325,707	371,290
Other	460,841	441,286
Noncurrent liabilities	4,812,564	4,133,993
Total liabilities	5,599,112	4,946,569
Net position		
Restricted		
Nonexpendable	72,488,002	68,536,641
Expendable	47,170,149	43,548,704
Unrestricted	3,344,999	2,805,220
Total net position	\$ 123,003,150	\$ 114,890,565



Michigan Tech Fund Condensed Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30		
	2014	2013
Operating expenses		
Supplies and services	\$ 12,146,303	\$ 12,645,908
Student financial support	3,903,293	1,548,647
Depreciation	2,947	3,950
Total operating expenses	16,052,543	14,198,505
Operating loss	(16,052,543)	(14,198,505)
Nonoperating revenues and expenses		
Gifts	6,499,056	12,800,831
Investment return	13,357,340	7,446,716
Gifts for capital and permanent endowment purposes	4,129,016	3,916,474
Other nonoperating revenues	179,716	145,588
Net nonoperating revenues	24,165,128	24,309,609
Increase in net position	8,112,585	10,111,104
Net position		
Beginning of year	114,890,565	104,779,461
End of year	\$ 123,003,150	\$ 114,890,565



Michigan Tech Fund Condensed Statement of Cash Flows Year Ended June 30		
	2014	2013
Cash (used in) provided by		
Operating activities	\$ (15,970,431)	\$ (13,730,410)
Noncapital financing activities	7,570,619	11,372,191
Capital and related financing activities	4,015,804	4,687,409
Investing activities	4,636,025	(4,479,571)
Net increase (decrease) in cash and cash equivalents	252,017	(2,150,381)
Cash and cash equivalents, beginning of year	3,723,033	5,873,414
Cash and cash equivalents, end of year	\$ 3,975,050	\$ 3,723,033

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 GASB pronouncements. In applying these accounting pronouncements, the University follows the guidance for special-purpose governments engaged only in "business type" activities rather than issuing financial statements that focus on accountability of individual funds.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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, other postemployment benefit liability, 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.

Pledges Receivable and Gifts

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

Investments

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

Fund investments in marketable securities including hedge funds are carried at quoted fair market value whenever possible. Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Real estate and natural resources are accounted for on the equity method. Private equity funds that do not have readily determinable market values as of June 30 are valued based on the most recent available partner capital account balances as reported by the partnerships to the Fund. The partnership valuations involve assumptions and methods that are reviewed by the Fund. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, private equity funds' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by custodial institutions responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment advisor to facilitate the

implementation of this policy. Asset allocations are reviewed monthly and rebalanced as necessary. The Fund's Investment Committee of the Board of Trustees provides oversight of the investment advisor and makes recommendations to the Board of Directors concerning any changes in the asset allocation. Each

month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) on nonexpendable restricted, expendable restricted, and unrestricted net position to departmental funds based on an average of each fund's beginning and ending monthly balances. Any unrealized losses on amounts invested for donor-restricted endowments are recorded as expendable restricted to the extent of unexpended earnings of the respective endowment fund. Any unrealized losses in excess of that amount are charged to unrestricted net position. Subsequent unrealized appreciation on the related investments is recorded as unrestricted up to the amount of losses previously absorbed by unrestricted net position.

Capital Assets

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

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

Goodwill

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

Revenue Recognition

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

Classification of Revenues

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

Operating Revenues

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

Nonoperating Revenues

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

Classification of Expenses

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

Operating Expenses

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

Nonoperating Expenses

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

Income Taxes

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

Net Position

The University's net position is classified as follows:

Net investment in capital assets

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

Restricted for nonexpendable purposes

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

Restricted for expendable purposes

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

Unrestricted

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

Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the University's fiscal year ending June 30, 2015. This statement will require the recognition of a net pension liability on the statement of net position, equal to the University's proportionate share of the net liability of the Michigan Public School Employees Retirement System (MPERS), as defined and calculated in accordance with the new standard. While the exact amount of this liability is not readily determinable at this time, management estimates that it may approximate \$50.2 million. This statement will require the net pension liability to be recorded for the year ending June 30, 2015, by restating beginning net position as of July 1, 2014.

Reclassification

Certain amounts as reported in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

(2) CASH AND INVESTMENTS

Authorizations

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

Interest rate risk

Neither the University nor the Fund has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Investment policies for cash and cash equivalents, as set forth by the Board of Control, authorize the University to invest, with limitations, in commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services. Investments may also be made in securities of the US Treasury and federal agencies, or in mutual funds holding securities of the US Treasury and federal agencies, and in time savings accounts. University policies regarding investments and marketable securities, as set forth by the Board of Control, authorize the University to invest in US Treasury obligations; commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services; federal agency securities; certificates of deposit issued by FDIC insured banks or an NCUA credit union member; or Eurodollar time deposits in Tier 1, 2, or 3 banks.

Custodial credit risk: deposits

For deposits, custodial credit risk is present if the University's deposits would not be covered by depository insurance or collateralized by the bank. State law does not require and the University does not have a policy for deposit custodial credit risk. Deposits were reflected in the accounts of the banks at \$9,479,775 and \$6,934,552 as of June 30, 2014 and 2013, respectively. There were no University bank deposit balances exposed to custodial credit risk because they were uninsured or uncollateralized, as of June 30, 2014 and 2013. The Fund had \$9,152 and \$881,980 exposed to custodial credit risk because the deposits were uninsured or uncollateralized, as of June 30, 2014 and 2013, respectively.

Custodial credit risk: investments

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

Concentration of credit risk

Neither the University's nor the Fund's investment policy has specific limits on concentration of credit risk. The majority of the University's and Fund's investments are in mutual funds; accordingly, concentration of credit risk is considered to be insignificant.

Foreign currency risk

The University and Fund invest in mutual funds whose underlying investments are in foreign currency; however, management of the University and Fund does not believe that there is significant risk as a result of these investments.

Investments and Investment Return

Investments, carried at fair value, at June 30, 2014 and 2013, are categorized as follows:

Investment Portfolio		
	2014	2013
Marketable securities		
Equities	\$ 615,150	\$ 438,271
Equity mutual funds	65,250,062	55,618,661
Fixed income mutual funds	39,741,789	37,920,317
Total marketable securities	105,607,001	93,977,249
Alternative investments		
Hedge funds	16,361,123	13,864,073
Private equity	914,973	5,537,416
Real estate and natural resources	5,332,107	987,449
Total alternative investments	22,608,203	20,388,938
Closely-held stock	20,000	20,000
Total investments	\$ 128,235,204	\$ 114,386,187

The University's net investment return is comprised of the following for the years ended June 30, 2014 and 2013.

Investment Return		
	2014	2013
Dividends and interest	\$ 2,480,699	\$ 2,516,937
Capital gain distributions	1,214,307	480,289
Net gain on sale of investments	2,848,941	4,305,483
Net increase in the fair value of investments	10,128,832	2,651,817
Net increase in the fair value of land held for investment	218,096	354,526
Asset-based management and administrative fees	(460,046)	(479,054)
Total investment return	\$ 16,430,829	\$ 9,829,998

(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30, 2014 and 2013.

Accounts Receivable		
	2014	2013
Student tuition and fees	\$ 1,024,215	\$ 1,675,406
State appropriations		
Operating	7,904,330	7,741,657
Capital	121	55,040
Grants and contracts	5,273,422	7,496,692
Auxiliary activities	452,040	498,168
Other	783,672	212,958
Less allowance for doubtful accounts	(101,705)	(100,837)
Accounts receivable, net	\$ 15,336,095	\$ 17,579,084

In addition, the University has student loans receivable in the amount of \$11,865,226 and \$12,141,355, recorded at June 30, 2014 and 2013, respectively. These amounts are net of an allowance for uncollectible accounts of \$169,461 for both years.

Pledges receivable of the University are summarized as follows as of June 30, 2014 and 2013.

Pledges Receivable		
	2014	2013
Pledges receivable in less than one year	\$ 3,254,675	\$ 4,914,899
Pledges receivable in one to five years	2,583,406	3,621,426
Pledges receivable in more than five years	179,665	134,025
Less:		
Allowance for uncollectible pledges	(1,666,588)	(998,441)
Present value discount	(329,272)	(407,182)
Net pledges receivable	\$ 4,021,886	\$ 7,264,727

The present value of future cash flows were estimated using .25% over the risk-adjusted rate at the date of the gift. Risk-adjusted rates range from .72% to 2.78%.



(4) CAPITAL ASSETS

The following table presents the changes in the capital asset class categories for the year ended June 30, 2014:

Changes in Capital Assets 2014				
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	\$ 9,427,942	\$ 80,000	\$ -	\$ 9,507,942
Mineral collections	5,861,639	64,531	-	5,926,170
Timber holdings	400,752	-	-	400,752
Construction in progress	2,218,052	993,250	(1,604,493)	1,606,809
Cost of nondepreciable capital assets	17,908,385	1,137,781	(1,604,493)	17,441,673
Depreciable capital assets				
Land improvements	1,645,508	-	(73,082)	1,572,426
Infrastructure	5,194,537	-	(177,084)	5,017,453
Buildings	358,066,995	2,020,803	(26,925)	360,060,873
Equipment	43,124,944	5,563,951	(9,110,163)	39,578,732
Library books	947,926	16,349	(453,757)	510,518
Cost of depreciable capital assets	408,979,910	7,601,103	(9,841,011)	406,740,002
Total cost of capital assets	426,888,295	8,738,884	(11,445,504)	424,181,675
Less: accumulated depreciation				
Land improvements	879,057	78,621	(73,082)	884,596
Infrastructure	2,449,014	251,006	(177,084)	2,522,936
Buildings	144,446,131	8,641,103	(20,531)	153,066,703
Equipment	24,599,788	5,580,462	(8,916,459)	21,263,791
Library books	715,034	97,022	(453,757)	358,299
Total accumulated depreciation	173,089,024	14,648,214	(9,640,913)	178,096,325
Capital assets, net	\$ 253,799,271	\$ (5,909,330)	\$ (1,804,591)	\$ 246,085,350



The following table presents the changes in the capital asset class categories for the year ended June 30, 2013:

Changes in Capital Assets				
2013				
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	\$ 9,229,260	\$ 216,282	\$ (17,600)	\$ 9,427,942
Mineral collections	5,844,136	17,503	-	5,861,639
Timber holdings	400,752	-	-	400,752
Construction in progress	3,170,271	3,361,013	(4,313,232)	2,218,052
Cost of nondepreciable capital assets	18,644,419	3,594,798	(4,330,832)	17,908,385
Depreciable capital assets				
Land improvements	1,645,508	-	-	1,645,508
Infrastructure	5,137,017	57,520	-	5,194,537
Buildings	353,640,282	4,426,713	-	358,066,995
Equipment	39,338,927	6,739,132	(2,953,115)	43,124,944
Library books	909,339	38,587	-	947,926
Cost of depreciable capital assets	400,671,073	11,261,952	(2,953,115)	408,979,910
Total cost of capital assets	419,315,492	14,856,750	(7,283,947)	426,888,295
Less: accumulated depreciation				
Land improvements	797,310	81,747	-	879,057
Infrastructure	2,198,008	251,006	-	2,449,014
Buildings	136,066,759	8,379,372	-	144,446,131
Equipment	20,949,389	5,143,593	(1,493,194)	24,599,788
Library books	593,349	121,685	-	715,034
Total accumulated depreciation	160,604,815	13,977,403	(1,493,194)	173,089,024
Capital assets, net	\$ 258,710,677	\$ 879,347	\$ (5,790,753)	\$ 253,799,271



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, 2014 and 2013, respectively, construction in progress consisted of several building renovation projects and the costs of one new building as detailed below.

Construction in Progress			
Project		2014	2013
Seaman Mineral Museum	\$	-	\$ 1,555,726
Student Success Center (Administration Building)		-	209,054
SDC mass notification system		-	313,979
Keweenaw Research Center building addition		776,755	-
John E. McAllister Welcome Center		301,259	-
ATDC building upgrades		142,983	-
Lakeshore Center building upgrades		203,595	-
Other projects		182,217	139,293
Total	\$	1,606,809	\$ 2,218,052

The expected sources of financing for these projects are University funds and private gifts.



(5) LINE OF CREDIT

The University has an unused line of credit arrangement with one bank, under which it may borrow up to \$20 million. This agreement is set at variable rates of interest, based on the 30-day London Interbank Offered Rate ("LIBOR") plus 150 basis points. There are no restrictive covenants associated with this line of credit. The line of credit expires on January 31, 2015.

(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30, 2014 and 2013.

Accounts Payable		
	2014	2013
Vendors for supplies and services	\$ 2,701,161	\$ 3,660,612
Employee benefits	703,323	653,857
Construction payables	1,298,559	531,815
Total accounts payable	\$ 4,703,043	\$ 4,846,284

Other Accrued Liabilities		
	2014	2013
Payroll and payroll taxes	\$ 4,734,535	\$ 4,397,907
Compensated absences	4,342,094	4,089,735
Deposits payable	822,744	701,192
Total other accrued liabilities	\$ 9,899,373	\$ 9,188,834



(7) NONCURRENT LIABILITIES

Noncurrent Liabilities					
As of June 30, 2014					
General revenue bonds	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds, 2004A	\$ 785,000	\$ -	\$ 785,000	\$ -	\$ -
General revenue bonds, 2006	210,000	-	65,000	145,000	70,000
General revenue bonds, 2008	5,465,000	-	125,000	5,340,000	125,000
General revenue bonds, 2009A/2009B	17,160,000	-	375,000	16,785,000	385,000
General revenue bonds, 2010A	10,230,000	-	660,000	9,570,000	670,000
General revenue bonds, 2012A	32,800,000	-	325,000	32,475,000	1,155,000
General revenue bonds, 2013A	14,265,000	-	155,000	14,110,000	115,000
Total bonds payable	80,915,000	-	2,490,000	78,425,000	2,520,000
Bond premium	3,540,886	-	147,671	3,393,215	-
Capital leases	1,256,050	-	319,601	936,449	324,399
Total debt	85,711,936	-	2,957,272	82,754,664	2,844,399
Other liabilities					
Insurance and postemployment benefits	1,810,640	2,054,592	2,591,826	1,273,406	1,273,406
Funds held for others	670,950	198,599	191,500	678,049	-
Postemployment benefit health care	770,036	468,098	694,553	543,581	-
Annuity and pooled income obligations	4,473,344	1,093,289	401,366	5,165,267	352,703
Total	\$ 93,436,906	\$ 3,814,578	\$ 6,836,517	90,414,967	\$ 4,470,508
Due within one year				(4,470,508)	
Total noncurrent liabilities				\$ 85,944,459	
Noncurrent Liabilities					
As of June 30, 2013					
General revenue bonds	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds, 2003	\$ 115,000	\$ -	\$ 115,000	\$ -	\$ -
General revenue bonds, 2004A	1,545,000	-	760,000	785,000	785,000
General revenue bonds, 2006	2,740,000	-	2,530,000	210,000	65,000
General revenue bonds, 2008	15,560,000	-	10,095,000	5,465,000	125,000
General revenue bonds, 2009A/2009B	17,525,000	-	365,000	17,160,000	375,000
General revenue bonds, 2010A	10,770,000	-	540,000	10,230,000	660,000
General revenue bonds, 2012A	33,070,000	-	270,000	32,800,000	325,000
General revenue bonds, 2013A	-	14,265,000	-	14,265,000	155,000
Total bonds payable	81,325,000	14,265,000	14,675,000	80,915,000	2,490,000
Bond premium	3,191,392	758,022	408,528	3,540,886	-
Capital lease	-	1,576,200	320,150	1,256,050	312,764
Total debt	84,516,392	16,599,222	15,403,678	85,711,936	2,802,764
Other liabilities					
Insurance and postemployment benefits	2,878,821	2,120,992	3,189,173	1,810,640	1,810,640
Funds held for others	680,450	219,900	229,400	670,950	-
Postemployment benefit health care	942,704	-	172,668	770,036	-
Annuity and pooled income obligations	4,529,731	292,483	348,870	4,473,344	339,351
Total	\$ 93,548,098	\$ 19,232,597	\$ 19,343,789	\$ 93,436,906	\$ 4,952,755
Due within one year				(4,952,755)	
Total noncurrent liabilities				\$ 88,484,151	

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.

Outstanding Balances on University Issued Bonds			
As of June 30			
	Total issued	Outstanding	
		2014	2013
General revenue bond series 2004, (2% – 4.49%) final maturity 2034	\$ 32,850,000	\$ -	\$ 785,000
General revenue bond series 2006, (4% – 5%) final maturity 2036	2,990,000	145,000	210,000
General revenue bond series 2008, (3% – 5.25%) final maturity 2038	15,880,000	5,340,000	5,465,000
General revenue bond series 2009A/2009B, (2.58%-6.69%), final maturity 2039	18,235,000	16,785,000	17,160,000
General revenue bond series 2010A, (1.37%-6.55%), final maturity 2040	10,975,000	9,570,000	10,230,000
General revenue bond series 2012A, (3%-5%), final maturity 2034	33,070,000	32,475,000	32,800,000
General revenue bond series 2013A, (2%-5%), final maturity 2036	14,265,000	14,110,000	14,265,000
Total bonds payable	128,265,000	78,425,000	80,915,000
Plus: unamortized net premium	4,643,640	3,393,215	3,540,886
Bonds payable, net	\$ 132,908,640	\$ 81,818,215	\$ 84,455,886

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

During fiscal year 2004, the University's Board of Control approved the renovation of Wadsworth Hall. In conjunction with this approval, the University issued \$32.9 million of General Revenue Bonds to facilitate this project. These bonds bear interest at 2% to 4.49% and mature at various dates from October 2006 through October 2034. The bonds are rated Aaa by Moody's and Aaa by Standard & Poor's due to a municipal bond insurance policy. Outstanding principal of \$27,150,000 was refunded with the Series 2012A bonds. At June 30, 2013, no amounts remain in escrow.

During fiscal year 2006, the University's Board of Control approved the issuance of bonds for the general campus renovation project and the addition of a child care center. On July 19, 2006, the University issued \$2.99 million of General Revenue Bonds, Series 2006. These bonds bear interest at an average rate of 4.7% and mature at various dates from October 2007 through October 2036. These General Revenue Bonds are limited obligations of the bond payable from and secured solely by an irrevocable pledge of General Revenues as provided in the Indenture. These bonds are rated Aaa by Moody's due to a municipal bond insurance policy. Outstanding principal of \$2.715 million was refunded with the Series 2013A bonds.

During fiscal year 2009, the University's Board of Control approved the issuance of General Revenue Bonds, Series 2008 in the amount of \$15.88 million. The proceeds of this bond issue were used to refund the \$10 million of Series 1998 bonds outstanding with the remainder funding the remodeling of the Michigan Tech Lakeshore Center building, remodeling of the Memorial Union ballroom and providing initial construction funds for the Keweenaw Research Center. These bonds bear fixed interest rates at 3.0% to 5.25% and mature at various dates from October 2009 through October 2038. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture. Outstanding principal of \$11.550 million was refunded with the series 2013A bonds.

During fiscal year 2010, the University's Board of Control 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, thirty-five percent 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 matures October 2010 and bears an interest rate of 3.0%. 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 Control 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 Control approved the issuance of General Revenue and Refunding Bonds, Series 2012A in the amount of \$33,070,000. 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 to be refunded will be called for redemption on April 1, 2013 and the Series 2004 bonds to be refunded will be called for redemption on October 1, 2013 each at a redemption price to equal 100% of the principal amount plus accrued interest. The refunding resulted in a net present value interest savings of \$1.3 million and an economic gain of \$731,000. 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 Control approved the issuance of General Revenue Refunding Bonds, Series 2013A in the amount of \$14,265,000. 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 will be 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. As a result, the certificates are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in an additional interest cost of \$1,099,910. The 2013A bond series consists

of serial bonds in the amount of \$8.325 million with maturities of October 2013 through October 2026 and interest rates ranging from 2.0% to 5.0%. The issue also included three term bonds totaling \$5.940 million. The first term bond in the amount of \$2.200 million matures in October 2025 and bears an interest rate of 3.0%. The second term bond in the amount of \$2.470 million matures in October 2028 and bears an interest rate of 3.25%. The third term bond in the amount of \$1.270 million matures in October 2036 and bears an interest rate of 4.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as A1 by Moody's. At June 30, 2014, the amount that remains in escrow to refund Series 2006 bonds and partially refund Series 2008 bonds was \$14,305,673.

Principal and Interest Amounts Due on Bonded Debt For Fiscal Years Ending June 30			
Fiscal Year	Principal	Interest	Total
2015	\$ 2,520,000	\$ 3,749,203	\$ 6,269,203
2016	2,590,000	3,669,769	6,259,769
2017	2,580,000	3,590,523	6,170,523
2018	2,660,000	3,500,243	6,160,243
2019	2,760,000	3,393,417	6,153,417
Total 5 years	13,110,000	17,903,155	31,013,155
2020 to 2024	15,610,000	14,932,474	30,542,474
2025 to 2029	19,260,000	10,836,394	30,096,394
2030 to 2034	17,340,000	6,396,742	23,736,742
2035 to 2039	11,030,000	2,167,504	13,197,504
2040 to 2041	2,075,000	103,075	2,178,075
Total bonds	\$ 78,425,000	\$ 52,339,344	\$ 130,764,344

Capital and Operating Lease Obligations

At June 30, 2014, the capitalized cost of equipment purchased under capital leases was \$1.576 million, and its net book value was \$822,618.

Commitments and related rental expenses for the University under operating leases with initial or remaining noncancelable lease terms in excess of one year as of and for the years ended June 30, 2014 and 2013 are insignificant.

Scheduled Maturities of Capital Leases For Fiscal Years Ending June 30			
Fiscal Year	Principal	Interest	Total
2015	\$ 324,399	\$ 10,839	\$ 335,238
2016	308,865	18,828	327,693
2017	303,185	9,421	312,606
Total lease payments	\$ 936,449	\$ 39,088	\$ 975,537

(8) 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 the employees' health benefits. Liabilities for estimates of losses retained by the University under self-insurance programs have been determined and accrued for and included in insurance and benefit reserves on the accompanying statements of net position. Changes in the estimated liability for self-insured plans during the past two fiscal years are as follows:

Self-Insured Claims Liability				
	Medical Benefits	Unemployment Compensation	Workers' Compensation	Total
Claims liability, June 30, 2012	\$ 1,750,000	\$ 208,265	\$ 272,000	\$ 2,230,265
Claims incurred, including changes in estimates	14,107,991	(27,737)	140,696	14,220,950
Less: claims paid	(14,377,991)	(130,528)	(211,850)	(14,720,369)
Claims liability, June 30, 2013	1,480,000	50,000	200,846	1,730,846
Claims incurred, including changes in estimates	11,828,807	159,377	643,850	12,632,034
Less: claims paid	(12,498,807)	(159,377)	(453,191)	(13,111,375)
Claims liability, June 30, 2014	\$ 810,000	\$ 50,000	\$ 391,505	\$ 1,251,505

Health Care Plan

Plan Description

The University offers active employees a choice between a self-funded preferred provider health care plan (Husky Care PPO) and a self-funded high deductible health savings account (Husky Care HSA). Both plans are administered by Blue Cross Blue Shield of Michigan with health savings account deposits managed at The Bancorp Bank.

Funding Policy

For participants choosing Husky Care PPO, the contribution requirements of the plan participants are established annually by the University. Illustrative premiums are established which estimate the annual costs on a pay-as-you-go funding basis. As of January 1, 2013, plan participants are required to pay a portion of the illustrative premium on a per adult/per child rate as determined annually by the University administration.

Participants in the Husky Care HSA are covered for catastrophic medical expenses by a high-deductible PPO health care plan. To fund the out-of-pocket medical costs of this type of plan, employees may deposit pre-tax earnings into a health savings account. Funds deposited into a health savings account are owned exclusively by the employee, even after the employee is no longer employed by the University. The cost of the high-deductible health care policy is paid by the University.

Liability and Property Insurance

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

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

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

(9) POSTEMPLOYMENT BENEFITS

Retirement Plans

The University has established retirement plans for all qualified employees.

The Michigan Public School Employees' Retirement System (MPSERS) plan is a contributory defined benefit cost-sharing multiple-employer retirement plan. Benefit provisions and contribution requirements of MPSERS 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 University utilizes the funding policy finalized by MPSERS. An actuarial valuation was prepared for MPSERS that separated the plan into two components—University members and all other members. The valuation determined the University members' portion of plan assets and unfunded actuarial accrued liability (UAAL).

Beginning October 1, 2013, the University is required to contribute 3.00% (3.21% during the period of October 1, 2011 through September 30, 2013) of MPSERS covered payroll for normal pension costs and 16.61% (13.41% during the period of October 1, 2011 through September 30, 2013) for the unfunded pension liability. University costs of the MPSERS pension contributions are summarized in the Retirement Plan Contributions table.

The University also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating universities. Participating universities are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS. The University's contributions to the MPSERS healthcare plan are summarized in the Retirement Plan Contributions table.

Additional pension data for MPSERS is contained in MPSERS' Comprehensive Annual Financial Report, which may be obtained by writing to the Office of Retirement Systems, P.O. Box 30170, Lansing, MI 48901.

The University has a defined contribution plan with Teachers Insurance and Annuities Association College Retirement Equities Fund (TIAA-CREF) and Fidelity. All employees who work at least three-quarter time are eligible to participate in the defined contribution plan. For employees hired between December 31, 1995 and December 31, 2007, employer contributions began two years after date of hire or age 35 whichever was sooner. For employees hired on or after January 1, 2008, employer contributions begin immediately and employee benefits vest immediately. Plan participants maintain individual investment accounts with TIAA-CREF and/or with Fidelity Investments. At June 30, 2014, the University had approximately 3,070 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 and has no liability beyond its own contribution. University contributions to this program are summarized in the Retirement Plan Contributions table.

Prior to January 1, 2010, the University would contribute 10.55% of participating employee's salary to the employee's investment account and would then match up to an additional 2% of employee's voluntary contribution. On January 1, 2010, participating employees were given a choice between a 5-5-5 plan and a 0-7.5-7.5 plan. Under the 5-5-5 plan, the University would contribute 5% of an employee's base salary and will then match up to 5% of base salary contributed by a participating employee. Employees who chose this plan also received a 2% salary increase. Employees who chose the 0-7.5-7.5 plan received no base contribution from the University but received a matching contribution of up to 7.5% of base salary along with a 4.5% increase in base salary. Employees hired after January 1, 2010 will participate in the 0-7.5-7.5 plan.

Retirement Plan Contributions			
	2014	2013	2012
MPSERS normal pension costs	\$ 1,608,549	\$ 1,657,941	\$ 1,593,797
MPSERS unfunded pension costs	1,228,088	1,368,423	1,338,958
MPSERS retiree health insurance	2,500,742	2,698,154	2,825,147
Total University contributions to MPSERS	\$ 5,337,379	\$ 5,724,518	\$ 5,757,902
Payroll covered under MPSERS	\$ 9,182,800	\$ 9,535,227	\$ 10,019,130
University contributions to TIAA-CREF/Fidelity	\$ 5,748,143	\$ 5,565,592	\$ 6,146,435
Payroll covered under TIAA-CREF/Fidelity	\$ 81,443,319	\$ 78,809,697	\$ 75,768,201

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. The value of the RSVP liability was approximately \$22,000 and \$62,000 at June 30, 2014 and 2013, respectively.

Health Care Plan

Plan Description

The University currently offers retirees a self-funded preferred provider health care plan (MTU-PPO) administered by Blue Cross Blue Shield of Michigan. The University follows the COBRA regulations for its terminated employee's health care plan. MTU-PPO provides medical, dental, and vision insurance benefits to eligible participants in the TIAA-CREF plan.

Funding Policy

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 beginning January 1, 2014 retiree contributions will be established on the expected full cost of the retiree medical and dental plans (pre-Medicare and Medicare eligible populations).

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the years ending June 30, 2014 and 2013 respectively:

OPEB Cost and Obligation			
		2014	2013
Annual required contribution	\$	481,828	\$ 498,637
Interest on net OPEB obligation		30,801	37,708
Adjustment to annual required contribution		(44,531)	(54,517)
Annual OPEB cost		468,098	481,828
Contributions made		-	-
Total benefits paid (pay-as-you go)		(694,553)	(654,496)
Decrease in net OPEB obligation		(226,455)	(172,668)
Net OPEB obligation - beginning of year		770,036	942,704
Net OPEB obligation, end of year	\$	543,581	\$ 770,036

The University's historical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Historical Annual OPEB Cost and Net OPEB Obligation			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 539,796	112%	\$ 942,704
June 30, 2013	\$ 481,828	136%	\$ 770,036
June 30, 2014	\$ 468,098	148%	\$ 543,581



Funded Status and Funding Progress

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, 2014, the most recent actuarial valuation date, the Plan was 0% funded.

Schedule of Funding Progress							
Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Unit Credit		Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b)-(a))/(c)
		(b)					
June 30, 2012	\$ -	\$ 9,789,029		\$ 9,789,029	0.0%	\$ 59,243,846	16.5%
June 30, 2013	\$ -	\$ 8,957,775		\$ 8,957,775	0.0%	\$ 74,643,945	12.0%
June 30, 2014	\$ -	\$ 8,608,363		\$ 8,608,363	0.0%	\$ 73,148,829	11.8%

***Actuarial value of assets are \$0 because the University has not prefunded this OPEB liability.**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuations performed for the University use the unit credit actuarial cost method. The initial valuations included an annual health care cost trend rate of 11% which was then reduced by 1% per year to an ultimate rate of 5% by fiscal year 2014. The trend rate assumption was reset to an initial rate of 11% for medical (7% for dental) in 2010 grading down by 1% per year to an ultimate rate of 5% for medical (4% for dental). The assumptions also included a 4% salary scale assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. For actuarial purposes, the University has chosen a thirty year amortization period, so the remaining amortization period at June 30, 2014, was twenty-three years. However, with the implementation of the seven year phased elimination of the retiree health care subsidy, the University's actual amortization period decreases accordingly.

(10) COMMITMENTS AND CONTINGENCIES

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

In the normal course of business, the University is named party to various legal actions. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal

counsel's evaluation of pending actions, management believes the resolution of these matters will not have a material adverse effect on the University's financial position or results of operations. Certain employees of the University are covered under the MPSERS retirement plan. As of June 30, 2014 and June 30, 2013 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is estimated to be \$50.2 million, as described in Note 1 under "Upcoming Accounting Pronouncements". While the University has continued to pay the required monthly payments as determined by MPSERS, it is management's position that the University is not responsible for any shortfall in the fund as a result of changes in benefits made by MPSERS.

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

The University has an arrangement with the State of Michigan and the State Building Authority (the "SBA") to finance a large portion of the Great Lakes Research Center currently under construction on the campus of the University. 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.

(11) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

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

Operating Expenses by Natural Classification		
	2014	2013
Instruction	\$ 62,340,302	\$ 61,942,848
Research	51,389,065	53,719,135
Public service	9,254,420	9,483,731
Academic support	18,383,408	15,294,880
Student services	13,200,759	13,586,040
Institutional support	17,450,550	16,022,546
Operations and maintenance of plant	16,517,027	17,514,642
Student financial support	322,362	970,339
Departmental activities	5,218,935	5,920,439
Student residents	18,223,266	15,829,934
Depreciation	14,648,214	13,977,403
	\$ 226,948,308	\$ 224,261,937

SUPPLEMENTARY INFORMATION



Michigan Technological University
Schedule of Net Position by Fund as of June 30, 2014

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Michigan Tech Fund	Eliminations	Combined Total 2014	Combined Total 2013
Assets													
Current assets:													
Cash and cash equivalents	\$ (14,831,705)	\$ 17,078,072	\$ 6,640,403	\$ (8,247,578)	\$ 1,514,940	\$ 2,154,132	\$ 2,421,744	\$ 2,180,390	\$ 1,718,666	\$ 3,975,050	\$ -	\$ 12,449,982	\$ 7,830,318
Accounts receivable, net	8,902,492	445,496	430,540	200,273	5,614,993	15,593,794	-	121	67,887	-	(325,707)	15,336,095	17,579,084
Pledges receivable, net	-	-	-	-	-	-	-	-	-	1,588,087	-	1,588,087	3,916,458
Other assets	181,200	13,525	1,336,014	231,327	-	1,762,066	-	-	-	142,797	-	1,904,863	1,970,702
Total current assets	(5,748,013)	17,537,093	8,406,957	(7,815,978)	7,129,933	19,509,992	2,421,744	2,180,511	1,786,553	5,705,934	(325,707)	31,279,027	31,296,562
Noncurrent assets:													
Student loans receivable, net	-	-	-	-	-	-	11,865,226	-	-	-	-	11,865,226	12,141,355
Pledges receivable, net	-	-	-	-	-	-	-	-	-	2,433,799	-	2,433,799	3,348,269
Investments	-	-	-	14,404,244	-	14,404,244	-	-	-	113,830,960	-	128,235,204	114,386,187
Beneficial interest in charitable remainder trusts	-	-	-	-	-	-	-	-	-	5,349,710	-	5,349,710	4,854,847
Land held for investment	-	-	-	-	-	-	-	9,784,397	-	308,800	-	10,093,197	9,926,541
Capital assets, net	-	-	-	-	-	-	-	246,085,350	-	-	-	246,085,350	253,799,271
Other assets	-	-	-	-	-	-	-	978,544	-	973,059	-	1,951,603	1,940,810
Total noncurrent assets	-	-	-	14,404,244	-	14,404,244	11,865,226	256,848,291	-	122,896,328	-	406,014,089	400,397,280
Total assets	\$ (5,748,013)	\$ 17,537,093	\$ 8,406,957	\$ 6,588,266	\$ 7,129,933	\$ 33,914,236	\$ 14,286,970	\$ 259,028,802	\$ 1,786,553	\$ 128,602,262	\$ (325,707)	\$ 437,293,116	\$ 431,693,842
Liabilities													
Current liabilities													
Accounts payable	\$ 1,225,963	\$ 329,452	\$ 407,120	\$ 703,323	\$ 620,485	\$ 3,286,343	\$ 4,081	\$ 1,298,559	\$ 5,922	\$ 433,845	\$ (325,707)	\$ 4,703,043	\$ 4,846,284
Other accrued liabilities	3,664,370	-	110,821	4,342,094	-	8,117,285	-	1,458	1,780,630	-	-	9,899,373	9,188,834
Unearned revenue	237,183	-	-	-	2,657,051	2,894,234	-	356,250	-	-	-	3,250,484	2,939,264
Annuity obligations, current portion	-	-	-	-	-	-	-	-	-	352,703	-	352,703	339,351
Insurance and benefit reserves, current portion	-	-	-	1,273,406	-	1,273,406	-	-	-	-	-	1,273,406	2,802,764
Long-term debt, current portion	-	-	-	-	-	-	-	2,844,399	-	-	-	2,844,399	1,810,640
Total current liabilities	5,127,516	329,452	517,941	6,318,823	3,277,536	15,571,268	4,081	4,500,666	1,786,552	786,548	(325,707)	22,323,408	21,927,137
Noncurrent liabilities													
Funds held for others	678,049	-	-	-	-	678,049	-	-	-	-	-	678,049	670,950
Annuity obligations, net of current portion	-	-	-	-	-	-	-	-	-	4,812,564	-	4,812,564	4,133,993
Insurance and benefit reserves, net of current port	-	-	-	543,581	-	543,581	-	-	-	-	-	543,581	770,036
Long-term debt, net of current portion	-	-	-	-	-	-	-	79,910,265	-	-	-	79,910,265	82,909,172
Total noncurrent liabilities	678,049	-	-	543,581	-	1,221,630	-	79,910,265	-	4,812,564	-	85,944,459	88,484,151
Total liabilities	\$ 5,805,565	\$ 329,452	\$ 517,941	\$ 6,862,404	\$ 3,277,536	\$ 16,792,898	\$ 4,081	\$ 84,410,931	\$ 1,786,552	\$ 5,599,112	\$ (325,707)	\$ 108,267,867	\$ 110,411,288
Net position													
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,399,706	\$ -	\$ -	\$ -	\$ 164,399,706	\$ 169,009,147
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	-	-	72,488,002	-	72,488,002	68,536,641
Expendable	-	-	6,546	-	3,852,396	3,858,942	14,372,142	10,863,276	-	47,170,149	-	76,264,509	72,263,098
Unrestricted	(11,553,577)	17,207,640	7,882,472	(274,138)	-	13,262,397	(89,253)	(645,111)	-	3,344,999	-	15,873,032	11,473,668
Total net position	\$ (11,553,577)	\$ 17,207,640	\$ 7,889,018	\$ (274,138)	\$ 3,852,396	\$ 17,121,339	\$ 14,282,889	\$ 174,617,871	\$ -	\$ 123,003,150	\$ -	\$ 329,025,249	\$ 321,282,554

Financial Report 2014

Michigan Technological University												
Schedule of Revenues, Expenses and Changes in Net Position by Fund by Object												
For the Year Ended June 30, 2014												
	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2014	2013
Revenues												
Operating revenues												
Student tuition and fees, net	\$ 115,888,794	\$ 1,058	\$ 912,212	\$ -	\$ -	\$ 116,802,064	\$ -	\$ -	\$ -	\$ (33,292,091)	\$ 83,509,973	\$ 78,187,511
Federal grants and contracts	138,105	-	-	-	29,071,174	29,209,279	(54,470)	-	-	-	29,154,809	31,367,914
State and local grants and contracts	-	-	-	-	3,201,394	3,201,394	-	-	-	-	3,201,394	2,445,292
Nongovernmental grants and contracts	-	-	-	-	12,908,372	12,908,372	-	50,000	-	-	12,958,372	13,001,201
Indirect cost recoveries	11,597,063	-	-	-	(11,597,063)	-	-	-	-	-	-	-
Educational activities	351,077	3,497,882	910,612	169,848	156,364	5,085,783	1,274	22,755	-	-	5,109,812	4,706,789
Departmental activities	6,883	76,305	9,269,419	-	29,613	9,382,220	-	65,706	-	(579,146)	8,868,780	9,238,144
Student residence fees, net	-	-	23,567,437	-	-	23,567,437	-	89,303	-	(6,176,990)	17,479,750	16,500,621
Total operating revenues	127,981,922	3,575,245	34,659,680	169,848	33,769,854	200,156,549	(53,196)	227,764	-	(40,048,227)	160,282,890	155,447,472
Expenses												
Operating expenses												
Salaries and wages-non-faculty	30,446,565	5,857,473	8,253,092	1,910,205	9,088,062	55,555,397	-	-	-	-	55,555,397	53,664,876
Salaries and wages-faculty	39,662,392	686,343	41,683	103,474	3,324,599	43,818,491	-	-	-	-	43,818,491	43,624,309
Salaries and wages-graduate students	4,496,841	674,211	464,791	-	3,746,647	9,382,490	-	-	-	-	9,382,490	8,862,928
Salaries and wages-undergrad students	1,612,462	578,002	1,400,560	-	934,674	4,525,698	-	-	-	-	4,525,698	4,736,821
Fringe benefits	27,278,061	1,750,045	2,797,651	(675,910)	2,740,021	33,889,868	-	-	-	-	33,889,868	34,740,933
Supplies and services	17,194,938	9,306,720	12,002,968	921,598	12,429,056	51,855,280	97,581	6,394,934	12,146,303	(19,670,900)	50,823,198	50,054,815
Student financial support	33,075,905	518,068	346,887	-	12,839,935	46,780,795	-	-	3,903,293	(43,951,519)	6,732,569	7,115,958
Utilities	4,242,653	240,244	3,044,399	-	45,087	7,572,383	-	-	-	-	7,572,383	7,483,914
Depreciation	-	-	-	-	-	-	-	14,645,267	2,947	-	14,648,214	13,977,403
Total operating expenses	158,009,817	19,611,106	28,352,031	2,259,367	45,148,081	253,380,402	97,581	21,040,201	16,052,543	(63,622,419)	226,948,308	224,261,937
Operating (loss) income	(30,027,895)	(16,035,861)	6,307,649	(2,089,519)	(11,378,227)	(53,223,853)	(150,777)	(20,812,437)	(16,052,543)	23,574,192	(66,665,418)	(68,814,465)
Net transfers (out) in	(13,542,319)	10,187,917	(8,547,759)	1,887,245	2,422,802	(7,592,114)	-	7,592,114	-	-	-	-
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,715,100	5,715,100	-	-	-	-	5,715,100	5,836,503
Federal grants, other	-	-	-	-	-	-	-	523,687	-	-	523,687	577,721
State appropriations	43,785,501	-	-	-	-	43,785,501	-	-	-	-	43,785,501	42,633,969
Gifts	663,166	7,004,147	529,966	-	4,497,881	12,695,160	-	-	6,499,056	(12,683,960)	6,510,256	12,802,560
Investment return	-	-	-	2,519,555	7,404	2,526,959	328,434	218,096	13,357,340	-	16,430,829	9,829,998
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,689,272)	-	-	(3,689,272)	(4,128,952)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(200,098)	(200,098)	(1,477,521)
Net nonoperating revenues (expenses)	44,448,667	7,004,147	529,966	2,519,555	10,220,385	64,722,720	328,434	(2,947,489)	19,856,396	(12,884,058)	69,076,003	66,074,276
Income (loss) before other revenues	878,453	1,156,203	(1,710,144)	2,317,281	1,264,960	3,906,753	177,657	(16,167,812)	3,803,853	10,690,134	2,410,585	(2,740,187)
Other revenues												
Capital appropriations	-	-	-	-	-	-	-	210,482	-	-	210,482	1,691,591
Capital grants and gifts	-	20,000	-	-	-	20,000	-	3,028,324	177,655	(2,235,428)	990,551	1,337,663
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	3,951,361	-	3,951,361	2,466,921
Other nonoperating revenues	-	-	-	-	-	-	-	-	179,716	-	179,716	245,588
Fund additions	-	-	-	-	-	-	-	8,454,706	-	(8,454,706)	-	-
Total other revenues	-	20,000	-	-	-	20,000	-	11,693,512	4,308,732	(10,690,134)	5,332,110	5,741,763
Net increase (decrease) in net position	878,453	1,176,203	(1,710,144)	2,317,281	1,264,960	3,926,753	177,657	(4,474,300)	8,112,585	-	7,742,695	3,001,576
Net position, beginning of year	(12,432,030)	16,031,437	9,599,162	(2,591,419)	2,587,436	13,194,586	14,105,232	179,092,171	114,890,565	-	321,282,554	318,280,978
Net position, end of year	\$ (11,553,577)	\$ 17,207,640	\$ 7,889,018	\$ (274,138)	\$ 3,852,396	\$ 17,121,339	\$ 14,282,889	\$ 174,617,871	\$ 123,003,150	\$ -	\$ 329,025,249	\$ 321,282,554



Michigan Technological University
 Schedule of Revenues, Expenses and Changes in Net Position by Fund by Function
 For the Year Ended June 30, 2014

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	Combined Total 2014	2013
Revenues												
Operating revenues												
Student tuition and fees, net	\$ 115,888,794	\$ 1,058	\$ 912,212	\$ -	\$ -	\$ 116,802,064	\$ -	\$ -	\$ -	\$ (33,292,091)	\$ 83,509,973	\$ 78,187,511
Federal grants and contracts	138,105	-	-	-	29,071,174	29,209,279	(54,470)	-	-	-	29,154,809	31,367,914
State and local grants and contracts	-	-	-	-	3,201,394	3,201,394	-	-	-	-	3,201,394	2,445,292
Nongovernmental grants and contracts	-	-	-	-	12,908,372	12,908,372	-	50,000	-	-	12,958,372	13,001,201
Indirect cost recoveries	11,597,063	-	-	-	(11,597,063)	-	-	-	-	-	-	-
Educational activities	351,077	3,497,882	910,612	169,848	156,364	5,085,783	1,274	22,755	-	-	5,109,812	4,706,789
Departmental activities	6,883	76,305	9,269,419	-	29,613	9,382,220	-	65,706	-	(579,146)	8,868,780	9,238,144
Student residence fees, net	-	-	23,567,437	-	-	23,567,437	-	89,303	-	(6,176,990)	17,479,750	16,500,621
Total operating revenues	127,981,922	3,575,245	34,659,680	169,848	33,769,854	200,156,549	(53,196)	227,764	-	(40,048,227)	160,282,890	155,447,472
Expenses												
Operating expenses												
Instruction	58,577,540	3,469,903	-	825,245	175,733	63,048,421	-	-	-	(708,119)	62,340,302	61,942,848
Research	16,592,164	9,517,568	-	625,185	27,248,550	53,983,467	-	-	-	(2,594,402)	51,389,065	53,719,135
Public service	815,168	1,162,774	-	75,022	7,218,678	9,271,642	-	-	-	(17,222)	9,254,420	9,483,731
Academic support	16,911,019	1,404,052	-	225,067	4,746	18,544,884	-	-	-	(161,476)	18,383,408	15,294,880
Student services	6,805,185	1,825,509	4,281,853	150,045	173,382	13,235,974	-	-	-	(35,215)	13,200,759	13,586,040
Institutional support	15,315,666	1,197,238	-	(369,138)	9,664	16,153,430	-	558,877	12,146,303	(11,408,060)	17,450,550	16,022,546
Student financial support	29,955,679	-	-	-	10,317,328	40,273,007	97,581	-	3,903,293	(43,951,519)	322,362	970,339
Operations and maintenance of plant	13,037,396	1,034,062	-	577,896	-	14,649,354	-	5,836,057	-	(3,968,384)	16,517,027	17,514,642
Sales and services of dept activities	-	-	24,070,178	150,045	-	24,220,223	-	-	-	(19,001,288)	5,218,935	5,920,439
Student residents	-	-	-	-	-	-	-	-	-	18,223,266	18,223,266	15,829,934
Depreciation	-	-	-	-	-	-	-	14,645,267	2,947	-	14,648,214	13,977,403
Total operating expenses	158,009,817	19,611,106	28,352,031	2,259,367	45,148,081	253,380,402	97,581	21,040,201	16,052,543	(63,622,419)	226,948,308	224,261,937
Operating (loss) income	(30,027,895)	(16,035,861)	6,307,649	(2,089,519)	(11,378,227)	(53,223,853)	(150,777)	(20,812,437)	(16,052,543)	23,574,192	(66,665,418)	(68,814,465)
Transfers												
Net transfers (out) in	(13,542,319)	10,187,917	(8,547,759)	1,887,245	2,422,802	(7,592,114)	-	7,592,114	-	-	-	-
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,715,100	5,715,100	-	-	-	-	5,715,100	5,836,503
Federal grants, other	-	-	-	-	-	-	-	523,687	-	-	523,687	577,721
State appropriations	43,785,501	-	-	-	-	43,785,501	-	-	-	-	43,785,501	42,633,969
Gifts	663,166	7,004,147	529,966	-	4,497,881	12,695,160	-	-	6,499,056	(12,683,960)	6,510,256	12,802,560
Investment return	-	-	-	2,519,555	7,404	2,526,959	328,434	218,096	13,357,340	-	16,430,829	9,829,998
Interest on capital asset-related debt	-	-	-	-	-	-	-	(3,689,272)	-	-	(3,689,272)	(4,128,952)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(200,098)	(200,098)	(1,477,521)
Net nonoperating revenues (expenses)	44,448,667	7,004,147	529,966	2,519,555	10,220,385	64,722,720	328,434	(2,947,489)	19,856,396	(12,884,058)	69,076,003	66,074,278
Income (loss) before other revenues	878,453	1,156,203	(1,710,144)	2,317,281	1,264,960	3,906,753	177,657	(16,167,812)	3,803,853	10,690,134	2,410,585	(2,740,187)
Other revenues												
Capital appropriations	-	-	-	-	-	-	-	210,482	-	-	210,482	1,691,591
Capital grants and gifts	-	20,000	-	-	-	20,000	-	3,028,324	177,655	(2,235,428)	990,551	1,337,663
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	3,951,361	-	3,951,361	2,466,921
Other nonoperating revenues	-	-	-	-	-	-	-	-	179,716	-	179,716	245,588
Fund additions	-	-	-	-	-	-	-	8,454,706	-	(8,454,706)	-	-
Total other revenues	-	20,000	-	-	-	20,000	-	11,693,512	4,308,732	(10,690,134)	5,332,110	5,741,763
Net increase (decrease) in net position	878,453	1,176,203	(1,710,144)	2,317,281	1,264,960	3,926,753	177,657	(4,474,300)	8,112,585	-	7,742,695	3,001,576
Net position, beginning of year	(12,432,030)	16,031,437	9,599,162	(2,591,419)	2,587,436	13,194,586	14,105,232	179,092,171	114,890,565	-	321,282,554	318,280,978
Net position, end of year	\$ (11,553,577)	\$ 17,207,640	\$ 7,889,018	\$ (274,138)	\$ 3,852,396	\$ 17,121,339	\$ 14,282,889	\$ 174,617,871	\$ 123,003,150	\$ -	\$ 329,025,249	\$ 321,282,554

2014 Financial Report



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