2016
FINANCIAL REPORT

Michigan Technological University


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Michigan
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University

TABLE OF CONTENTS

The Michigan Tech Strategic Plan	1
Letter from the President	2
Administrative Officers	3
University Update	4
Management Discussion and Analysis	10
Report of Independent Auditors	23
Statements of Net Position	26
Statements of Revenues, Expenses and Changes in Net Position	27
Statements of Cash Flows	28
Notes to the Financial Statements	30
Required Supplementary Information	57
Supplementary Information	58

THE MICHIGAN TECH STRATEGIC PLAN

We prepare students to create the future.

VISION

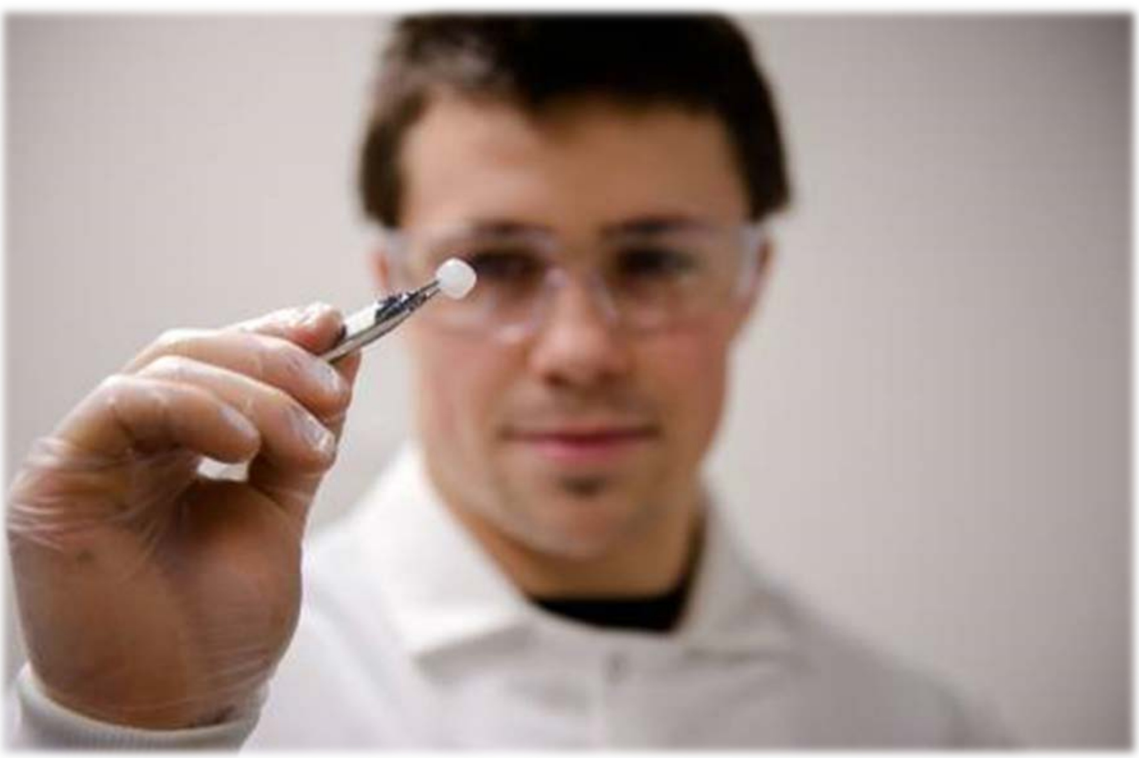
Michigan Tech will lead as a global technological university that inspires students, advances knowledge, and innovates to create a sustainable, just, and prosperous world.

MISSION

We deliver action-based undergraduate and graduate education and discover new knowledge through research and innovation. We create solutions for society's challenges through interdisciplinary education, research, and engagement to advance sustainable economic prosperity, health and safety, ethical conduct, and responsible use of resources. We attract exceptional students, faculty, and staff who understand, develop, apply, manage, and communicate science, engineering, technology, and business to attain the goal of a sustainable, just, and prosperous world. Our success is measured by accomplishments and reputation of our graduates, national and international impact of our research and scholarly activities, and investment in our University.

GOALS

1. An exceptional and diverse community of students, faculty, and staff.
2. A distinctive and rigorous action-based learning experience grounded in science, engineering, technology, sustainability, business, and an understanding of the social and cultural contexts of our contemporary world.
3. Research, scholarship, entrepreneurship, innovation, and creative work that promotes a sustainable, just, and prosperous world.



LETTER FROM THE PRESIDENT

Each year we take a moment to reflect on the state of the University. I'm pleased to report that our enrollment is strong, the diversity of our student body is improving, and our faculty continue to help our students create the future.

Our fall 2015 enrollment was 7,238, up from 7,100 in 2014. Graduate school enrollment was 1,521, up from 1,442 in 2014, and there were 1,165 international students—a record high, up from 1,093 in 2014. Our fall Career Fair was one of the largest ever, attracting companies from across the country to recruit our crazy smart students for internships, co-ops, and full-time jobs.

Many of our degree programs continued to see strong growth. Computer science, general engineering, environmental engineering, mechanical engineering technology, and forestry saw some of the largest gains. In addition, the academic profile of this year's incoming class was high, with an average ACT composite score of 26.8.

While state funding has declined, our budget and finances remained strong. We continue to invest wisely in our faculty, facilities, and staff, constantly striving to be good stewards of our resources. Our 93 percent student placement rate and seventh highest starting salaries for public universities in the US confirm our efforts have been successful.

We continue our vision for 2035 and beyond, increasing graduate student enrollment, continuing our push for a more diverse campus, and increasing our investments in people and technologies to prepare our students for their future careers.

Thank you for sharing our vision and investing in Michigan Tech.

Dr. Glenn D. Mroz
President

ADMINISTRATIVE OFFICERS

EXECUTIVE AND BOARD OFFICERS

Dr. Glenn D. Mroz
President

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Vice President for Research

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Vice President for Governmental Relations
Secretary of the Board of Trustees

Ellen S. Horsch
Vice President for Administration

Dr. Jacqueline E. Huntoon
Provost and Vice President for Academic Affairs

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

Julie Seppala
Executive Director of Financial Services and Operations
Treasurer of the Board of Trustees

UNIVERSITY UPDATE

News and Rankings

Fall 2015 enrollment at Michigan Technological University was 7,238, the highest the school has seen in more than 30 years. Female enrollment was also at a record high, with women making up 26.9 percent of the student body. Female enrollment in the College of Engineering rose to 26.7 percent, and the number of women first-year students is at an all-time high.

First-to-second-year retention – the number of first year students who return for their second year – reached a record 87 percent. The statistic is a major predictor of student success.

Michigan Tech's Graduate School also reported record growth for the seventh year in a row. Graduate enrollment was 1,521, the largest number of graduate students in the University's history. Driving the growth were 374 new master's degree students, a 23 percent increase over last year.

Finally, first-year ACT scores were among the highest the school has ever seen at 26.8.
Student diversity, including international students, was 23 percent, with domestic diversity at 8.2 percent, up from 7 percent in 2014.

In rankings, Michigan Tech was 59th nationwide, near the top third of 173 public national universities in *US News & World Report's* 2015 annual rankings of best undergraduate colleges and universities.

Tech's undergraduate engineering programs also placed in the top half of the engineering programs ranked by *US News*, moving up three points from last year to rank No. 70 of 152.

Princeton Review also ranked Michigan Tech among its *Best 380 Colleges* and recognized it as one of the best Midwestern colleges and green colleges nationwide.

In addition, Michigan Tech ranked first among public universities in Michigan for the mid-career salaries earned by its graduates. In Payscale.com's 2015 College Salary Report, Michigan Tech was ranked 13th nationwide for mid-career salaries of graduates of public universities and 20th in the nation for mid-career engineering salaries.

The median mid-career salary reported for Michigan Tech was $99,900. The report also listed early-career salaries, defined as earnings by graduates who have been working five years or less in their fields. Michigan Tech graduates' median early-career salary was $62,800, placing Tech seventh among public universities nationally.

Finally, *College Factual*, a website member of *USA Today's* College Partner Network ranked Michigan Tech in the top 10 in the nation for bachelor's degree programs in the general area of natural resources and conservation and fifth in the nation for its forestry programs within natural resources and conservation.

Awards and Honors

The prestigious Faculty Early Career Development (CAREER) program recognizes junior faculty across the nation. Awardees are the next generation of academic leaders. In 2015, three Michigan Tech faculty—Amy Marcarelli, an associate professor in biological sciences, Caryn Heldt, an assistant professor of chemical engineering, and Nina Mahmoudian, an assistant professor of mechanical engineering-engineering mechanics were honored with the award, which is administered by the National Science Foundation (NSF). Their projects were funded for five years, up to $500,000. For fiscal year 2015, NSF Engineering granted 146 CAREER awards to 81 institutions in 36 states.

Michigan Tech researchers Jennifer Becker and Eric Seagren earned a Water Environment Research Foundation (WERF) award for their project: "High-Tech Analysis of Low-Tech Methods for Sustainable Class A Biosolids Production." Becker, an associate professor of civil and environmental engineering, and Seagren, a professor of civil and environmental engineering, will lead a team to establish a pilot-scale field test at the Portage Lake Water and Sewer Authority (PLWSA) in Houghton.

The Forest Stewards Guild named several Michigan Tech lands a Model Forest. Healthy forests support robust ecosystems across a region, and they are also important spaces for play, research and collaboration. The designated forestlands include 620 acres of the Michigan Tech Trails and Recreation Forest on campus and 3,597 acres of the Ford Center and Research Forest farther south in Alberta, Michigan.

The Biomedical Engineering Society (BMES) recognized Feng Zhao, assistant professor of biomedical engineering, with a Rising Star Award for her heart tissue research. She was one of six researchers in the nation to receive the honor.

Michigan Tech's Concrete Canoe and Steel Bridge teams both took first place in the American Society of Civil Engineers' 2016 North Central student competition at Michigan State University in March.

Les Cook, vice president for student affairs and advancement at Michigan Tech, was named one of the NASPA Foundation's 2016 Pillars of the Profession.

Diversity in Focus

Michigan Tech's focus on expanding our diverse student body, faculty, and staff is paying dividends.

We are committed to the inclusion of populations in our educational institution who have been traditionally underrepresented or otherwise disadvantaged, whether through economic or structural barriers.

And, a diverse student body is a consummate demand from the employer market. Employers of Michigan Tech students, and students nationwide, want to recruit from a talent pool well versed and experienced with diverse populations.

To them, it's simple business math. A diverse set of employees means a diverse set of solutions to problems. A diverse set of solutions increases the probability in finding the most profitable one.

Many of our programs are run by the Office of Institutional Equity and the Center for Diversity and Inclusion. They support our community through a variety of efforts:

- Promoting "all gender" restroom signs and the gender neutral locker room in the SDC
- High school outreach and education on supporting trans and non-binary students
- Collaborating with GEAR UP to bring social justice speakers to the Dollar Bay School to do workshops with students
- Supporting diverse students in the classroom: Lunch and Learn with the videos we created and the presentation on microaggressions
- Promoting Inclusive Classrooms workshops
- Cultural Competency workshops
- Safe Place Training

- Social Justice Lecture Series

- CDI Women's Open House and working to more holistically support women students with further resources for pregnant/parenting women

- LGBT education will be provided to Corporate Advisory Board

- Sustained dialogue program open to any interested students, focusing on discussing intersecting identities and how it relates to living/learning on the Tech campus

- Developing a 3D's Series: Diversity, Dialogue and Dignity. This will be an interdisciplinary and interdepartmental program to bring weekly events surrounding diversity to the campus

- Heritage Programming Committee: For 2016-17 the CDI Heritage Programming Committee will take a different approach to our large-scale campus events. For the next academic year our heritage events will be co-sponsored by a major college or school at Michigan Tech

- CDI has been collaborating with the Grad School on the AGEP Grant: Underrepresented and Minority students now have monthly socials where a sense of community is fostered

- Collaborating on The Indigenous Peoples' Day Campaign. The Indigenous Peoples' Day Campaign committee consists of members of the nearby Keweenaw Bay Indian Community (KBIC), and the Keweenaw Bay Ojibwe Community College (KBOCC), as well as community members from the towns of Houghton and Hancock, the Center for Diversity and Inclusion and students and faculty from Michigan Tech. The aim is to promote the cultures of Indigenous peoples, and the establishment of an Indigenous Peoples' Day locally on the second Monday of October to promote Native American culture and commemorate the history of Native American peoples

- Collaborating with Corporate Sponsor to bring support to student organizations

Research

Alex Mayer, the Charles and Patricia Nelson Presidential Professor in the Department of Civil and Environmental Engineering, studies water resources. His impact in the field earned him Michigan Tech's 2015 Research Award. The Award offers an opportunity for an individual to be recognized for outstanding achievement in research. Noting his dedication to water quality and scarcity research, Mayer's colleagues nominated him for the award.

Tarun Dam, associate professor of chemistry, and graduate student, Melanie Talaga, won the 2016 Bhakta Rath Award for their glycobiology research. The award is given to an exceptional doctoral student and advisor pair at Michigan Tech making a difference with their research. The award was established in 2010 by an endowment from Bhakta B. Rath and his wife, Sushama Rath, to promote and reward excellence in scientific and engineering research at Michigan Tech.

Colleen Mouw, assistant professor, Geological and Mining Engineering and Sciences, won a prestigious Presidential Early Career Awards for Scientists and Engineers (PECASE) this spring. Mouw helped bring oceanography to the Great Lakes, work for which the National Aeronautics and Space Administration (NASA) nominated her for the PECASE Award. The award is the government's highest honor given to researchers. The National Science Foundation says, the awards are granted to "a cadre of outstanding scientists and engineers who will broadly advance science and the missions important to the participating agencies."

Dana Richter, a research scientist and adjunct professor in Michigan Tech's School of Forest Resources and Environmental Science, was named the SFRES Researcher of the Year. For over 26 years, Richter has been a part of the SFRES and has served in many capacities, from classroom teacher to researcher and advisor.

A project called Michigan Science Teaching and Assessment Reform (Mi-STAR) is developing a curriculum that engages students in applying science to real-world problems, while connecting science subjects around unifying themes: Cycles and Interrelationships for sixth graders, Life Cycles of Materials for those in seventh grade, and Human Impacts and Solutions for grade eight. Over the past year, 49 school teachers and 39 faculty members, researchers, and graduate students at five Michigan universities—Michigan Tech, Eastern Michigan, Grand Valley State, Saginaw Valley State, and Western Michigan—have been laying the foundation for the Mi-STAR curriculum. Through a professional development component, Mi-STAR is providing training for teachers to develop and implement this new curriculum. To date, middle-school teachers from 29 schools in 18 school districts—from Detroit to the Upper Peninsula—have worked on the curriculum and learned to use it in their classrooms. The work is made possible through a $5 million grant from the Herbert H. and Grace A. Dow Foundation and is being led by Michigan Tech Provost Jackie Huntoon.

Michigan Tech researchers from the School of Forest Resources and Environmental Science (SFRES), the Department of Mechanical Engineering–Engineering Mechanics, and the Department of Visual and Performing Arts joined together to bring natural sounds to the U.J. Noblet Forestry Building atrium. Using sound to create different feelings and awareness of the space, they've created a soundscape, a combination of sounds that form an immersive environment, an acoustic ecology.

Elena Semouchkina, an associate professor of electrical and computer engineering, and her graduate students have developed several novel approaches to making an "invisibility cloak." Making objects invisible comes down to manipulating light, in other words, bending beams of light around an area to hide the object. Semouchkina and her team started beam bending with metamaterials—periodic structures comprised of metallic resonators, which can speed up electromagnetic waves.

Wayne Weaver, an associate professor of electrical engineering, is working on smart power systems that use adaptive, predictive, and decision-making algorithms that can learn system behavior. These technologies allow reliable use of energy storage and renewables in small grids, and allow the power grid to grow through the ability to chain multiple microgrids together. This enables distributed control over a larger power network for vastly improved reliability of the power supply and significant fuel consumption reduction.

Athletics

Michigan Tech hockey had another successful season, capturing the MacNaughton Cup for the first time since the 1975-76 season. Alex Petan was named the WCHA Player of the Year, while goalie Jamie Phillips was the WCHA Outstanding Student-Athlete of the Year. The Huskies were Desert Hockey Classic champions, made a Final Five appearance, and head coach Mel Pearson was recognized as the WCHA Coach of the Year for the second time. In addition, Tech alumnus and former Husky, John Scott '10 was named NHL All-Star Game MVP.

The volleyball team started the season with a school-record 10 wins in a row. Jacqueline Aird set Tech's career digs record, while Rachel Pohlod had 101 assists on the season. The team completed the season with a 19-12 record and an appearance in the GLIAC Tournament.

Tech's football team finished the season 7-3 after a 5-0 start. Brett Gervais was named to the CoSIDA Academic All-American Second Team, won the GLIAC Commissioner's Award, and McFarland Award as the top NCAA Division II football scholar-athlete in Michigan. Ryan VanGoethem was named to the CoSIDA Academic All-American First Team, while Paul Kuoppala and Alex Sherbinow were named All-Region. The Huskies played before 3,918 fans in their game against Northern Michigan University—the third biggest crowd in Husky football history—preserving a thrilling 24-23 victory with a blocked field goal attempt as time expired.

Tech's Nordic teams hosted the US National Cross Country Championships for the second straight year, where Didrik Fjeld Elset placed third in the classic sprint to reach the podium. Elset and three other Huskies—Andrea Lee, Gaspard Cuenot, and Kyle Hanson—also qualified for the NCAA Championships with Cuenot finishing third in the Freestyle.

Michigan Tech's women's basketball team enjoyed another successful campaign, capturing their 14th GLIAC title in school history, and finishing 19-8. Danielle Blake and Kylie Moxley were named All-GLIAC First Team. The men's team finished 11-15. Kyle Monroe started his Husky career in successful fashion, scoring 485 points, the most-ever for a freshman. He was named GLIAC Freshman of the Year, while Kyle Stankowski was named CoSIDA Academic All-District.

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis section of the Michigan Technological University ("University") annual financial report provides an overview of its financial activities during the fiscal years ended June 30, 2016, 2015, and 2014. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with University management.

USING THE ANNUAL REPORT

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

REPORTING ENTITY

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

CONDENSED STATEMENTS OF NET POSITION

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

CONDENSED STATEMENTS OF NET POSITION
AS OF JUNE 30

	2016	2015	2014
Assets			
Current assets	$ 45,336,612	$ 38,913,017	$ 31,279,027
Noncurrent assets:			
Capital assets, net	236,692,525	237,368,906	246,085,350
Other	201,738,105	188,913,205	159,928,739
Total assets	**483,767,242**	**465,195,128**	**437,293,116**
Deferred outflows of resources	**4,642,730**	**3,794,381**	**-**
Liabilities			
Current liabilities	32,011,033	26,605,427	22,323,408
Noncurrent liabilities	159,530,420	144,519,240	85,944,459
Total liabilities	**191,541,453**	**171,124,667**	**108,267,867**
Deferred inflows of resources	**349,518**	**3,479,753**	**-**
Net position			
Net investment in capital assets	155,579,540	158,566,029	164,399,706
Restricted			
Nonexpendable	87,220,187	80,686,142	72,488,002
Expendable	71,205,756	71,916,608	76,264,509
Unrestricted (deficit)	(17,486,482)	(16,783,690)	15,873,032
Total net position	**$ 296,519,001**	**$ 294,385,089**	**$ 329,025,249**

Changes from 2015 to 2016

Current assets increased by $6.4 million. Within current assets, cash increased by $7.0 million, accounts receivable and pledges receivable decreased by $660,000, and other assets increased by $106,000.

Capital assets, net decreased by $676,000. Capital asset additions were greater than capital assets disposals by $13.6 million and the depreciation charge for the year was $14.3 million. Capital additions for fiscal 2016 included $6.5 million for academic and research equipment and $10.6 million for additional construction costs and renovation of facilities and additions to infrastructure.

Other noncurrent assets increased by $12.8 million, due to a decrease in unspent bond proceeds of $4.4 million, an increase in investments of $18.1 million, and a decrease of the rest of the noncurrent assets of $885,000.

Current liabilities increased by $5.4 million, which was primarily due to accounts payable and other accrued liabilities increasing by $3.5 million, unearned revenue increasing by $1.7 million, and the current portion of long-term debt increasing by $424,000.

Noncurrent liabilities increased by $15.0 million. Net pension liability caused $18.7 million of the increase, whereas long-term debt drove a $3.6 million decrease.

Total net position increased by $2.1 million. The University's net investment in capital assets decreased by $3.0 million. Expendable restricted net position decreased by $711,000 and nonexpendable restricted net position increased by $6.5 million. Unrestricted net deficit decreased by $703,000.

Changes from 2014 to 2015

Current assets increased by $7.6 million. Within current assets, cash increased by $4.4 million, accounts receivable and pledges receivable increased by $2.8 million, and other assets increased by $400,000.

Capital assets, net decreased by $8.7 million. Capital asset additions ($9.1 million), net of the book value of capital asset disposals ($3.2 million), were $5.9 million, and the depreciation charge for the year was $14.6 million. Capital additions for fiscal 2015 included $4.7 million for academic and research equipment, and mineral collections, and $4.4 million for the additional construction costs and renovation of facilities and additions to infrastructure.

Other noncurrent assets increased by $29.0 million, primarily due to the unspent bond proceeds of $25.1 million, increase in investments of $3.4 million, and an increase of the rest of the noncurrent assets of $500,000.

Current liabilities increased by $4.2 million, which was due to accounts payable and other accrued liabilities increasing by $1.6 million and unearned revenue increasing by $2.6 million.

Noncurrent liabilities increased by $58.6 million. Net pension liability, which is presented for the first time in fiscal year 2015, caused $36.2 million of the increase, and a bond issuance caused $25 million of the increase. Scheduled debt payments of $2.6 million decreased noncurrent liabilities.

Total net position decreased by $34.7 million. The implementation of the new accounting pronouncement regarding net pension liability, which is discussed later in this document in the notes to the financial statements, accounted for a $35.9 million decrease, whereas the net results before any pension adjustments for the fiscal year increased net position by $1.2 million. The University's net investment in capital assets decreased by $5.8 million. Expendable restricted net position decreased by $4.4 million and nonexpendable restricted net position increased by $8.2 million. Unrestricted net position decreased by $32.7 million, resulting in a net deficit of $16.7 million. The deficit was caused by the aforementioned implementation of the new accounting pronouncement and did not impact the cash position of the University or its ability to repay its obligations.

NET POSITION

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

NET POSITION SUMMARY
AS OF JUNE 30

	2016	2015	2014
Net investment in capital assets	**$ 155,579,540**	**$ 158,566,029**	**$ 164,399,706**
Restricted-nonexpendable net position			
Corpus of permanent endowment funds	81,675,297	74,536,156	67,298,821
Remainder interests in split-interest agreements	5,544,890	6,149,986	5,189,181
Total restricted-nonexpendable net position	**87,220,187**	**80,686,142**	**72,488,002**
Restricted-expendable net position			
Gifts and sponsored programs	27,589,845	23,889,120	24,093,337
Capital projects and debt service	1,479,272	1,112,981	1,078,879
Student loans	14,766,464	14,558,294	14,378,688
Net appreciation on permanent endowment funds and land held for investment	27,370,175	32,356,213	36,713,605
Total restricted-expendable net position	**71,205,756**	**71,916,608**	**76,264,509**
Unrestricted net position (deficit)			
Capital projects and repairs	3,197,611	1,699,691	(645,111)
Auxiliary enterprises	7,706,459	8,481,985	7,882,472
Designated for departmental use	18,412,487	17,617,315	17,207,640
Multiple employer cost sharing pension plan	(44,586,834)	(35,879,613)	-
Compensated absences and insurance claims	(106,807)	(116,099)	(274,138)
Uncommitted	(2,109,398)	(8,586,969)	(8,297,831)
Total unrestricted net position (deficit)	**(17,486,482)**	**(16,783,690)**	**15,873,032**
Total net position	**$ 296,519,001**	**$ 294,385,089**	**$ 329,025,249**

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

Restricted nonexpendable net position represents the historical value (corpus) of gifts to the University's permanent endowment funds. Restricted expendable net position is restricted by a party independent of the University or by law. This includes restrictions related to gifts, research contracts, grants, outstanding debt, student-loan programs, and net appreciation of permanent 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 Trustees and management have designated for specific purposes, such as public service activities or academic and research initiatives. Unrestricted net position also includes amounts that have been contractually committed for goods and services that have not been received by fiscal year-end.

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

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

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

	2016	2015	2014
Operating revenues			
Tuition and fees, net	$ 91,129,651	$ 86,156,727	$ 83,509,973
Grants and contracts	46,214,882	45,592,012	45,314,575
Educational activities	5,603,375	5,140,185	5,109,812
Auxiliary and departmental activities, net	28,176,653	27,683,666	26,348,530
Total operating revenues	**171,124,561**	**164,572,590**	**160,282,890**
Operating expenses	239,045,324	235,202,999	226,948,308
Operating loss	**(67,920,763)**	**(70,630,409)**	**(66,665,418)**
Nonoperating revenues (expenses)			
Federal Pell grants	5,701,124	5,653,714	5,715,100
State appropriations	46,912,320	46,532,519	43,785,501
Capital grants and gifts for all purposes	21,303,432	20,596,628	11,452,168
Other nonoperating revenues and expenses, net	(3,862,201)	(1,347,547)	13,455,344
Net nonoperating revenues	**70,054,675**	**71,435,314**	**74,408,113**
Net increase in net position	2,133,912	804,905	7,742,695
Net position			
Beginning of year	294,385,089	329,025,249	321,282,554
Implementation of GASB 68	-	(35,445,065)	-
Beginning of year, adjusted	-	293,580,184	-
End of year	**$ 296,519,001**	**$ 294,385,089**	**$ 329,025,249**

Changes from 2015 to 2016

Operating revenues increased by a total of $6.6 million. Tuition and fees, net of scholarship allowance, increased by $5.0 million due to increases in student enrollment and increases in tuition of 3.1% for undergraduate students (on average) and 5% for graduate students. Grant and contract revenues increased by $623,000, educational increased by $463,000, and auxiliary and departmental activities revenues, net of scholarship allowance, increased by $493,000.

Operating expenses increased by $3.8 million. Whereas compensation increased by $4.6 million and fringe benefits increased by $1.4 million, supplies and services, student financial support, utilities and depreciation each decreased, which totaled $2.2 million.

Net nonoperating revenues and expenses decreased by $1.4 million. Poor investment performance caused a $2.1 million decrease, State appropriations increased by $380,000, capital grants and gifts to the University, including gifts for capital and endowment purposes, increased by $707,000, and interest expense increased by $474,000.

Overall, the net financial result for fiscal year 2016 was approximately $1.3 million more than the net result for fiscal year 2015.

Changes from 2014 to 2015

Operating revenues increased by a total of $4.3 million. Tuition and fees, net of scholarship allowance, increased by $2.7 million due to an increase in enrollment of around 120 students and to average increases in tuition of 2% for undergraduate students and 4% for graduate students. Grant and contract revenues increased by $277,000, educational activities revenues increased by $30,000, and auxiliary activities revenues, net of scholarship allowance, increased by $1.3 million.

Operating expenses increased by $8.3 million. The major drivers of the increase were a $4 million increase in compensation and a $3.5 million increase in fringe benefits. Supplies and services increased by $1 million, whereas student financial support, utilities and depreciation experienced a decrease of around $200,000.

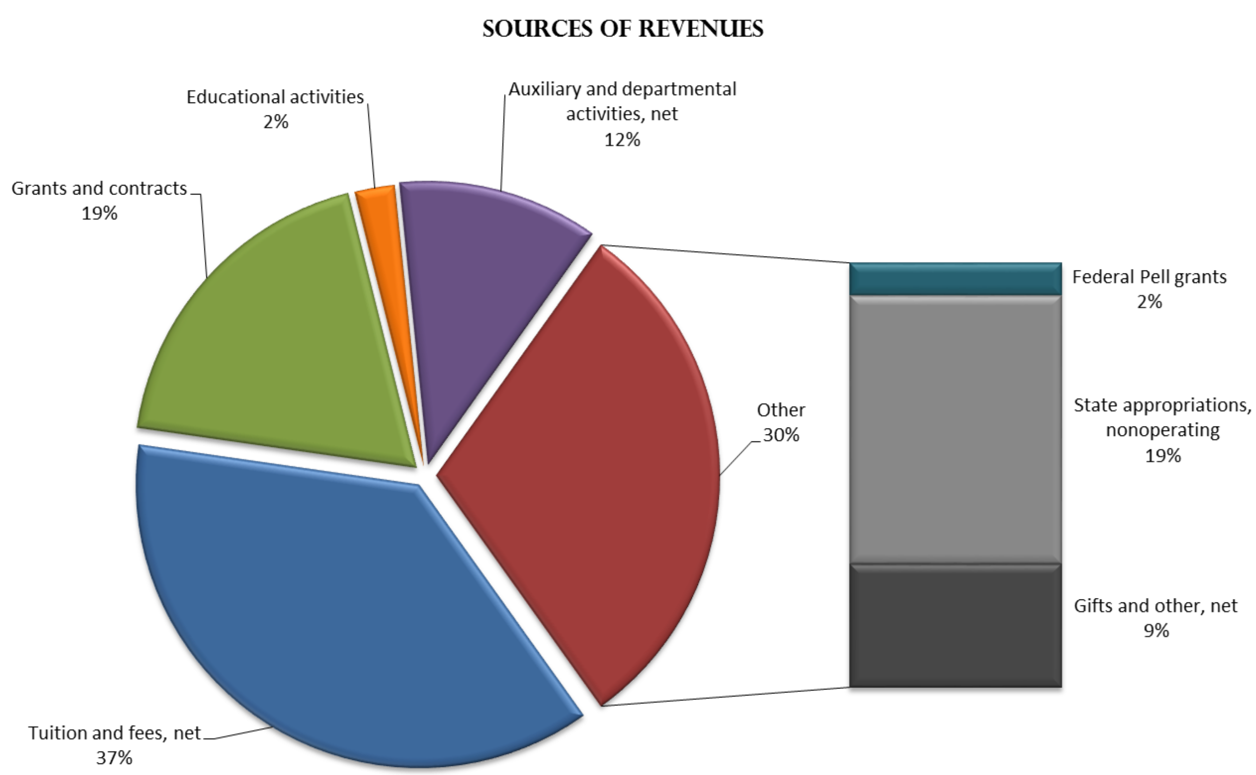
Net nonoperating revenues decreased by $3.1 million. Poor investment performance for the fiscal year is the primary cause of the decrease. State appropriations increased by $2.7 million, capital grants and gifts to the University, including gifts for capital and endowment purposes, increased by $9.1 million, investment return decreased by $14.7 million and all other net nonoperating revenues decreased by $200,000.

The net financial result for fiscal year 2015 was approximately $6.8 million less than the net result for fiscal year 2014.

Revenue Diversification

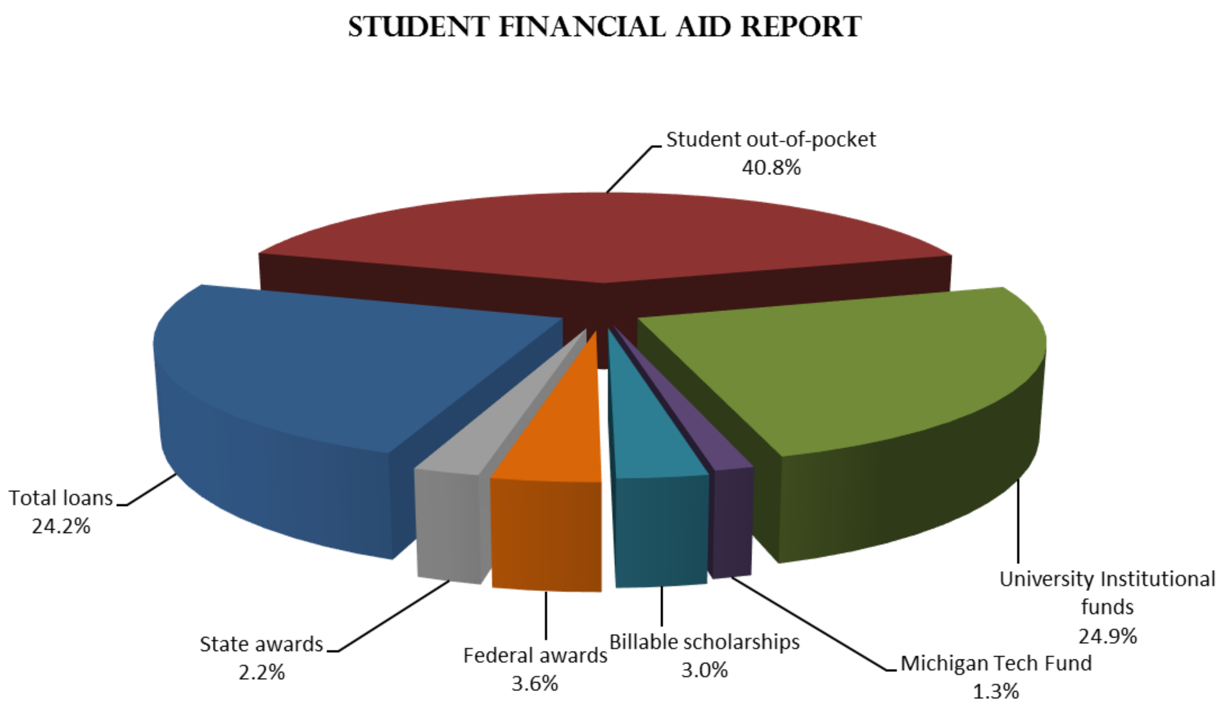
The University relies on multiple sources of revenues to supplement student tuition. The University continues to aggressively increase funding from other sources consistent with its mission.

The following graph illustrates the fiscal year 2016 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 2016, the University implemented a 3.1% average increase in tuition and mandatory fees for Michigan resident undergraduates. Graduate students saw a 5% increase in tuition and mandatory fees. The following graph identifies the source of funds used to pay student tuition and fees for the fiscal year ended June 30, 2016. The graph shows that 35% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.



GRANT AND CONTRACT REVENUE

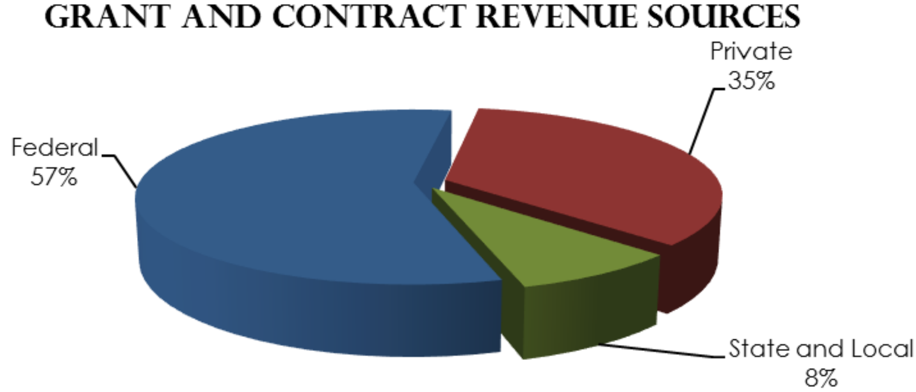
The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were $51.3 and $58.7 million of research and sponsored programs awarded to the University in fiscal years 2016 and 2015, 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

	2016	2015	2014
Federal sources:			
Department of Agriculture	$ 1,822,976	$ 1,809,348	$ 1,980,767
Department of Defense	8,493,232	8,554,335	9,024,707
Department of Education	571,506	602,647	709,459
Department of Energy	704,017	1,073,904	822,227
Department of Interior	491,253	618,004	836,327
Department of Transportation	585,467	1,070,790	1,319,838
Environmental Protection Agency	285,930	377,908	578,148
National Aeronautics and Space Administration	1,388,561	1,917,263	2,450,124
National Science Foundation	10,198,268	9,784,932	10,508,728
Health and Human Services	1,504,435	781,362	706,210
Other federal sources	276,332	303,240	218,274
Total federal sources	**26,321,977**	**26,893,733**	**29,154,809**
Non-federal sources:			
State and local	3,912,193	3,644,029	3,201,394
Private	15,980,712	15,054,250	12,958,372
Total non-federal sources	**19,892,905**	**18,698,279**	**16,159,766**
Total all sources	**$ 46,214,882**	**$ 45,592,012**	**$ 45,314,575**

The following graph illustrates the fiscal year 2016 grant and contract revenue by source.

GRANT AND CONTRACT REVENUE SOURCES



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

	2016	2015	2014
Cash (used in) provided by			
Operating activities	$ (48,740,755)	$ (52,152,113)	$ (49,004,478)
Noncapital financing activities	77,512,648	60,311,823	57,319,600
Capital and related financing activities	(13,194,009)	22,799,036	(8,871,107)
Investing activities	(12,978,036)	(1,415,400)	5,175,649
Net increase in cash and cash equivalents	**2,599,848**	**29,543,346**	**4,619,664**
Cash and cash equivalents, beginning of the year	41,993,328	12,449,982	7,830,318
Cash and cash equivalents, end of the year	**$ 44,593,176**	**$ 41,993,328**	**$ 12,449,982**

Changes from 2015 to 2016

Cash from operations increased by $3.4 million. Tuition and student residence fees increased cash provided by operations by $4.7 million, as did an increase of grants and contracts revenue of $936,000. Significant changes in cash used in operations include an increase in payments to employees and for employee benefits of $4.7 million. The other components of operating activities contributed $2.5 million to cash.

Cash from noncapital financing activities increased by $17.2. That was primarily due to a $12.0 million refund received from the State retirement system. Gifts income increased by $4.1 million, State appropriations increased by $1.0 million and other receipts increased by $100,000.

Cash from capital and related financing activities decreased by $36.0 million compared to the previous year. That was mostly due to the $25.3 million bond issuance that was done during fiscal year 2015. During fiscal year 2016, $7.0 million more cash was used to purchase capital assets (net of cash received for disposals) and $2.9 million less was received in capital gifts and grants. Also decreasing cash was the $909,000 more paid for interest on capital debt.

Cash from investing activities decreased by $11.6 million primarily due to the net purchase of investments. The refund received from the State retirement system was invested.

Overall, cash and cash equivalents, including restricted cash, increased by $2.6 million for the fiscal year ended June 30, 2016.

Changes from 2014 to 2015

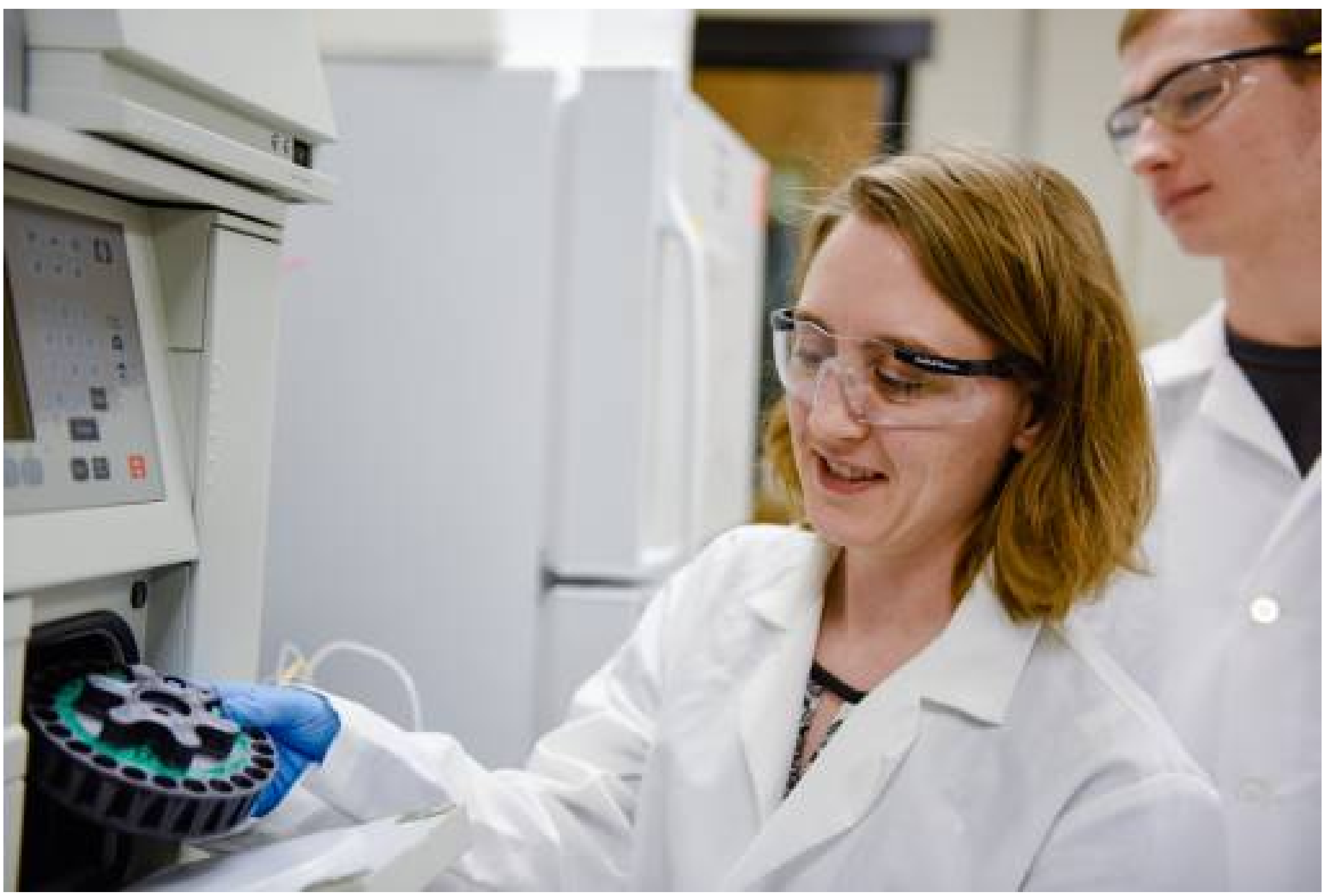
Cash from operations increased by $3.2 million. Significant changes in cash used in operations include an increase in payments to employees and for employee benefits of $5.7 million. A decrease in grants and contracts revenue of $1.2 million and a decrease in collections of student loans of $300,000 also contributed to the increase in cash used in operations. Tuition and student residence fees increased cash provided by operations by $3.2 million, as did a reduction of payments to suppliers and payments for utilities of $817,000.

Cash from noncapital financing activities increased by $3.0 million. That was primarily due to an increase in state appropriations of $2.6 million and an increase in gifts of around $400,000.

Cash from capital and related financing activities increased by $31.6 million. During fiscal year 2015, the University received $25.3 million from the issuance of general revenue bonds. In addition, cash gifts received increased by $5.9 million, cash used for the purchase of capital assets decreased by $600,000, and cash received for capital appropriations decreased by $200,000.

Cash from investing activities increased by $6.6 million primarily due to the net purchase of investments, whereas in the prior year, there were net sales of investments.

Overall, cash and cash equivalents, including restricted cash, increased by $29.5 million for the fiscal year ended June 30, 2015.



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 31% of accepted students enroll at the University. Michigan residents account for 64% of the University's enrollment. Enrollment has been a priority of the University and is a part of its Strategic Plan.

ACCEPTED STUDENTS
SUMMER AND FALL TERMS

	2015	2014	2013	2012	2011
First-Year Students	4,063	3,859	3,815	3,462	3,441
Transfer Students	345	365	326	400	401
Graduate Students	1,665	1,629	1,499	1,306	1,258
Total	**6,073**	**5,853**	**5,640**	**5,168**	**5,100**

AVERAGE ACT SCORES FOR
INCOMING FIRST-YEAR STUDENTS, FALL

	Michigan Tech	National
2015	26.8	21.0
2014	27.0	21.0
2013	26.7	20.9
2012	26.3	21.1
2011	26.4	21.1

SELECTED ENROLLMENT DATA*
SUMMER AND FALL TERMS

	2015	2014	2013	2012	2011
First-Year Students	1,277	1,199	1,253	1,153	1,161
New Transfer Students	184	207	195	257	219
Graduate Students	468	394	404	359	357
Total	**1,929**	**1,800**	**1,852**	**1,769**	**1,737**

ENROLLMENT BY RESIDENCY*

	2015	2014	2013	2012	2011
Resident	4,544	4,487	4,374	4,408	4,511
Non-Resident	1,455	1,455	1,471	1,426	1,404
International	1,156	1,084	1,057	1,018	1,011
Total	**7,155**	**7,026**	**6,902**	**6,852**	**6,926**

**Does not include Distance Learning*

FULL-TIME EQUIVALENT STUDENTS BY RESIDENCY*

	2015	2014	2013	2012	2011
Resident	4,270	4,189	4,069	4,079	4,200
Non-Resident	1,372	1,370	1,386	1,349	1,319
International	1,068	1,005	988	953	962
Total	**6,710**	**6,564**	**6,443**	**6,381**	**6,481**

**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**

	2015	2014	2013	2012	2011
Associate	0	0	1	0	3
Bachelor's	1,158	1,084	1,156	1,222	1,065
Master's	358	325	282	289	269
Doctoral	75	73	75	63	55
Total	**1,591**	**1,482**	**1,514**	**1,574**	**1,392**

**Includes Degrees in Second Major

Report of Independent Auditors

Board of Trustees
Michigan Technological University
Houghton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Technological University, a component unit of the State of Michigan, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Technological University as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 9 to the financial statements, in 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the University to report its net pension obligation and associated deferred outflows of resources, deferred inflows of resources, and pension expense. The University recorded a cumulative effect adjustment to the 2015 financial statements. Our opinion is not modified with respect to these matters.

Prior Period Financial Statements

The financial statements of Michigan Technological University as of and for the year ended June 30, 2015, were audited by other auditors whose report dated November 13, 2015, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

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

The introductory section listed in the table of contents on pages 1 through 9 have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of Michigan Technological University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan Technological University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Bay City, Michigan
October 13, 2016

Michigan Technological University

MICHIGAN TECHNOLOGICAL UNIVERSITY

STATEMENTS OF NET POSITION

	June 30 2016	June 30 2015
Assets		
Current assets		
Cash and cash equivalents	$ 23,850,247	$ 16,872,417
Accounts receivable, net	18,628,710	17,463,885
Pledges receivable, net	479,668	2,304,857
Other assets	2,377,987	2,271,858
Total current assets	**45,336,612**	**38,913,017**
Noncurrent assets		
Student loans receivable, net	11,780,464	12,085,485
Pledges receivable, net of allowance and current portion	2,215,007	2,278,234
Restricted cash for capital projects - unspent bond proceeds	20,742,929	25,120,911
Investments	149,927,774	131,839,618
Beneficial interest in charitable remainder trusts	5,181,700	5,586,394
Land held for investment	9,950,597	10,014,197
Capital assets, net	236,692,525	237,368,906
Other assets	1,939,634	1,988,366
Total noncurrent assets	**438,430,630**	**426,282,111**
Total assets	**483,767,242**	**465,195,128**
Deferred outflows of resources		
Deferred pension amounts	4,642,730	3,794,381
Liabilities		
Current liabilities		
Accounts payable	8,160,436	5,534,027
Other accrued liabilities	11,483,811	10,648,711
Unearned revenue	7,483,737	5,809,354
Annuity obligations, current portion	465,401	426,094
Insurance and benefit reserves, current portion	1,109,463	1,303,193
Long-term debt, current portion	3,308,185	2,884,048
Total current liabilities	**32,011,033**	**26,605,427**
Noncurrent liabilities		
Funds held for others	724,700	691,500
Annuity obligations, net of current portion	4,838,075	4,920,740
Insurance and benefit reserves, net of current portion	499,512	539,888
Long-term debt, net of current portion	98,579,586	102,172,871
Net pension liability	54,888,547	36,194,241
Total noncurrent liabilities	**159,530,420**	**144,519,240**
Total liabilities	**191,541,453**	**171,124,667**
Deferred inflows of resources		
Deferred pension amounts	349,518	3,479,753
Net position		
Net investment in capital assets	155,579,540	158,566,029
Restricted:		
Nonexpendable	87,220,187	80,686,142
Expendable	71,205,756	71,916,608
Unrestricted (deficit)	(17,486,482)	(16,783,690)
Total net position	**$ 296,519,001**	**$ 294,385,089**

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 2016	2015
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $36,498,154 and $34,510,488 in 2016 and 2015, respectively)	$ 91,129,651	$ 86,156,727
Federal grants and contracts	26,321,977	26,893,733
State and local grants and contracts	3,912,193	3,644,029
Nongovernmental grants and contracts	15,980,712	15,054,250
Educational activities	5,603,375	5,140,185
Departmental activities	9,645,896	9,335,561
Student residence fees (net of scholarship allowances of $7,312,176 and $6,983,425 in 2016 and 2015, respectively)	18,530,757	18,348,105
Total operating revenues	**171,124,561**	**164,572,590**
Expenses		
Operating expenses		
Compensation and benefits	160,685,451	154,670,598
Supplies and services	50,826,898	51,863,016
Student financial support	6,438,047	6,545,747
Utilities	6,821,070	7,497,312
Depreciation	14,273,858	14,626,326
Total operating expenses	**239,045,324**	**235,202,999**
Operating loss	**(67,920,763)**	**(70,630,409)**
Nonoperating revenues (expenses)		
Federal Pell grants	5,701,124	5,653,714
Federal grants, other	508,799	517,635
State appropriations	46,912,320	46,532,519
Gifts	13,832,405	9,860,476
Investment return	(149,603)	1,923,865
Interest on capital asset-related debt	(4,262,895)	(3,789,016)
Loss on disposal of capital assets	(252,201)	(164,634)
Net nonoperating revenues	**62,289,949**	**60,534,559**
Loss before other revenues	**(5,630,814)**	**(10,095,850)**
Other revenues		
Capital grants and gifts	1,080,090	2,538,012
Gifts for permanent endowment purposes	6,390,937	8,198,140
Other nonoperating revenues	293,699	164,603
Total other revenues	**7,764,726**	**10,900,755**
Change in net position	**2,133,912**	**804,905**
Net position		
Beginning of year	294,385,089	293,580,184
End of year	**$ 296,519,001**	**$ 294,385,089**

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

Michigan Technological University 1885

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2016	**2015**
Cash flows from operating activities		
Student tuition and fees	$ 91,279,062	$ 86,620,651
Grants and contracts	47,191,394	46,255,425
Payments to employees	(121,282,490)	(116,789,808)
Payments for benefits	(36,428,782)	(36,256,688)
Payments to suppliers	(49,925,682)	(50,180,250)
Payments for utilities	(6,664,030)	(7,494,580)
Payments for financial aid	(6,438,047)	(6,545,747)
Loans issued to students	(1,913,963)	(2,285,576)
Collection of loans to students	2,218,884	2,065,318
Departmental activities	10,222,326	9,151,249
Educational activities	4,687,036	4,939,820
Student residence fees	18,387,707	18,374,643
Other disbursements	(74,170)	(6,570)
Net cash from operating activities	**(48,740,755)**	**(52,152,113)**
Cash flows from noncapital financing activities		
Federal Pell grants	5,703,363	5,660,723
Federal grants, other	508,799	517,635
State appropriations	47,110,635	46,087,192
Refund from defined benefit pension plan	12,036,386	-
Gifts and grants for other than capital purposes	12,366,017	8,234,455
Payments to annuitants	(429,681)	(379,889)
Other receipts	293,699	131,737
William D. Ford direct lending cash received	28,790,435	29,041,667
William D. Ford direct lending cash disbursed	(28,867,005)	(28,981,697)
Net cash from noncapital financing activities	**77,512,648**	**60,311,823**
Cash flows from capital and related financing activities		
Grants and gifts received for capital and endowment purposes	7,236,869	10,136,678
Proceeds from sale of capital assets	612,502	41,211
Purchases of capital assets	(13,639,695)	(6,070,018)
Proceeds from issuance of debt	-	25,309,141
Principal paid on capital debt and leases	(2,884,048)	(3,006,886)
Interest paid on capital debt and leases	(4,519,637)	(3,611,090)
Net cash from capital and related financing activities	**(13,194,009)**	**22,799,036**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	44,134,736	36,402,067
Purchase of investments	(61,099,298)	(39,962,861)
Income on investments	3,986,526	2,145,394
Net cash from investing activities	**(12,978,036)**	**(1,415,400)**
Net increase in cash and cash equivalents	2,599,848	29,543,346
Cash and cash equivalents, beginning of year	41,993,328	12,449,982
Cash and cash equivalents, end of year	**$ 44,593,176**	**$ 41,993,328**
Cash and cash equivalents per statement of net position	$ 23,850,247	$ 16,872,417
Restricted cash for capital projects - unspent bond proceeds	20,742,929	25,120,911
Total cash and cash equivalents per statement of net position	**$ 44,593,176**	**$ 41,993,328**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended June 30	
	2016	**2015**
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (67,920,763)	$ (70,630,409)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	14,273,858	14,626,326
Noncash gifts	(2,512,824)	(205,058)
Changes in operating assets and liabilities:		
Receivables, net	(63,907)	153,950
Other assets	(70,461)	(652,589)
Student loans receivable	305,021	(220,259)
Accounts payable	2,609,926	1,053,595
Other accrued liabilities	835,100	749,338
Unearned revenue	1,674,383	2,498,900
Funds held for others	33,200	13,451
Insurance and benefit reserves	(234,106)	26,094
Change in net pension liability and deferred amounts	2,329,818	434,548
Net cash from operating activities	**$ (48,740,755)**	**$ (52,152,113)**

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

NOTES TO THE FINANCIAL STATEMENTS

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

BASIS OF PRESENTATION

Reporting Entity

Michigan Technological University ("University") is an institution of higher education and is considered to be a component unit of the State of Michigan because its Board of Trustees is appointed by the Governor of the State of Michigan. Accordingly, the University is included in the State's financial statements as a discretely presented component unit. Transactions with the State of Michigan relate primarily to appropriations for operations, grants from various state agencies, State Building Authority (SBA) revenues, and payments to the state retirement 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 ("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, 2016, audited financial statements of the Fund can be obtained from its office at 1400 Townsend Drive, Houghton, MI 49931.

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

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

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

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

	2016	2015
Assets		
Current assets	$ 3,180,451	$ 4,797,197
Noncurrent assets:		
Investments	122,541,653	117,068,482
Other	8,449,497	9,029,750
Total assets	**134,171,601**	**130,895,429**
Liabilities		
Current liabilities:		
Accounts payable to University	405,092	400,317
Other	521,518	517,605
Noncurrent liabilities	4,838,075	4,920,740
Total liabilities	**5,764,685**	**5,838,662**
Net position		
Restricted		
Nonexpendable	87,220,187	80,686,142
Expendable	41,047,397	42,289,305
Unrestricted	139,332	2,081,320
Total net position	**$ 128,406,916**	**$ 125,056,767**

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

	2016	2015
Operating expenses		
Supplies and services	$ 13,735,318	$ 16,125,093
Student financial support	2,548,167	2,933,865
Total operating expenses	**16,283,485**	**19,058,958**
Operating loss	**(16,283,485)**	**(19,058,958)**
Nonoperating revenues and expenses		
Gifts	13,832,155	9,860,476
Investment return	(1,220,787)	748,247
Gifts for capital and permanent endowment purposes	6,728,567	10,372,115
Other nonoperating revenues	293,699	131,737
Net nonoperating revenues	**19,633,634**	**21,112,575**
Change in net position	3,350,149	2,053,617
Net position		
Beginning of year	125,056,767	123,003,150
End of year	**$ 128,406,916**	**$ 125,056,767**

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

	2016	2015
Cash flows from		
Operating activities	$ (19,159,049)	$ (17,514,453)
Noncapital financing activities	13,566,383	7,986,303
Capital and related financing activities	7,218,676	10,058,624
Investing activities	(1,434,233)	(2,241,415)
Net (decrease) increase in cash and cash equivalents	**191,777**	**(1,710,941)**
Cash and cash equivalents, beginning of year	2,264,109	3,975,050
Cash and cash equivalents, end of year	**$ 2,455,886**	**$ 2,264,109**

Basis of Presentation

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Capital Assets

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

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

Goodwill

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

Revenue Recognition

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

Classification of Revenues

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

Operating Revenues

Operating revenues of the University include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) auxiliary enterprises net; and (3) most federal, state, and local grants and contracts 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, unspent bond proceeds, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Pension

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

New Accounting Pronouncements

As of July 1, 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This statement requires that the University recognize a net pension liability on the statement of net position, equal to the University's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 9. As a result of this change, the University recognized a net pension liability of $37,860,467 and deferred outflows of resources of $2,415,402, which resulted in a decrease in net position of $35,455,065 as of July 1, 2014.

Reclassification

Certain amounts as reported in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

(2) CASH AND INVESTMENTS

Authorizations

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

Interest rate risk

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

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment policies for cash and cash equivalents, as set forth by the Board of Trustees, authorize the University to invest, with limitations, in commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services. Investments may also be made in securities of the US Treasury and federal agencies, or in mutual funds holding securities of the US Treasury and federal agencies, and in time savings accounts. University policies regarding investments and marketable securities, as set forth by the Board of Trustees, authorize the University to invest in US Treasury obligations; commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services; federal agency securities; certificates of deposit issued by FDIC insured banks or an NCUA credit union member; or Eurodollar time deposits in Tier 1, 2, or 3 banks.

Custodial credit risk: deposits
For deposits, custodial credit risk is present if the University's deposits would not be covered by depository insurance or collateralized by the bank. State law does not require, and the University does not have, a policy for deposit custodial credit risk. Deposits were reflected in the accounts of the banks of $45,289,738 and $42,185,728 as of June 30, 2016 and 2015, respectively. The University had $22,964,243 and $27,316,162 exposed to custodial credit risk because the deposits were uninsured or uncollateralized, as of June 30, 2016 and 2015, 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
Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Neither the University's nor the Fund's investment policy has specific limits on concentration of credit risk. The majority of the University's and Fund's investments are in mutual funds; accordingly, concentration of credit risk is considered to be insignificant.

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

Investments and Investment Return

Investments, carried at fair value, at June 30, 2016 and 2015, are categorized as follows:

INVESTMENT PORTFOLIO

	2016	2015
Marketable securities		
Equities	$ 852,293	$ 813,309
Equity mutual funds	77,230,851	67,105,182
Fixed income mutual funds	58,309,844	42,132,055
Total marketable securities	**136,392,988**	**110,050,546**
Alternative investments		
Hedge funds	7,757,681	16,522,088
Real estate and natural resources	570,478	756,463
Private equity limited partnerships	3,436,785	4,490,521
Total alternative investments	**11,764,944**	**21,769,072**
Precious metals	1,749,842	-
Closely-held stock	20,000	20,000
Total investments	**$ 149,927,774**	**$ 131,839,618**

The University's net investment return is comprised of the following for the years ended June 30, 2016 and 2015.

INVESTMENT RETURN

	2016	2015
Dividends and interest	$ 3,649,950	$ 2,684,657
Capital gain distributions	846,738	1,717,824
Net gain on sale of investments	666,453	3,078,847
Net decrease in the fair value of investments	(4,838,249)	(5,060,634)
Asset-based management and administrative fees	(474,495)	(496,829)
Total investment return	**$ (149,603)**	**$ 1,923,865**

The fair values of investments measured on a recurring basis at June 30, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	$ 852,293	$ 852,293	$ -	$ -
Equity mutual funds	77,230,851	77,230,851	-	-
Fixed income mutual funds	58,309,844	44,540,371	13,769,473	-
Precious metals	1,749,842	-	-	1,749,842
Closely-held stock	20,000	-	-	20,000
Total investments by fair value level	**138,162,830**	**$ 122,623,515**	**$ 13,769,473**	**$ 1,769,842**
Investments measured at the net asset value:				
Hedge funds	7,757,681			
Real estate and natural resources	570,478			
Private equity limited partnerships	3,436,785			
Total investments at the net asset value	**11,764,944**			
Total investments at fair value	**$ 149,927,774**			

At June 30, 2016, remaining commitments in private equity limited partnerships were $2,459,699.

(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30, 2016 and 2015.

ACCOUNTS RECEIVABLE

	2016	2015
Student tuition and fees	$ 951,340	$ 597,002
State appropriations		
Operating	8,500,860	8,349,657
Capital	3,528	-
Grants and contracts	7,675,614	7,151,144
Auxiliary activities	761,950	623,101
Other	841,071	848,634
Less allowance for doubtful accounts	(105,653)	(105,653)
Accounts receivable, net	**$ 18,628,710**	**$ 17,463,885**

In addition, the University has student loans receivable in the amount of $11,780,464 and $12,085,485, recorded at June 30, 2016 and 2015, 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, 2016 and 2015.

PLEDGES RECEIVABLE

	2016	2015
Pledges receivable in less than one year	$ 3,029,498	$ 4,358,710
Pledges receivable in one to five years	2,295,147	2,408,851
Pledges receivable in more than five years	118,760	112,760
Less:		
Allowance for uncollectible pledges	(2,549,830)	(2,053,853)
Present value discount	(198,900)	(243,377)
Net pledges receivable	**$ 2,694,675**	**$ 4,583,091**

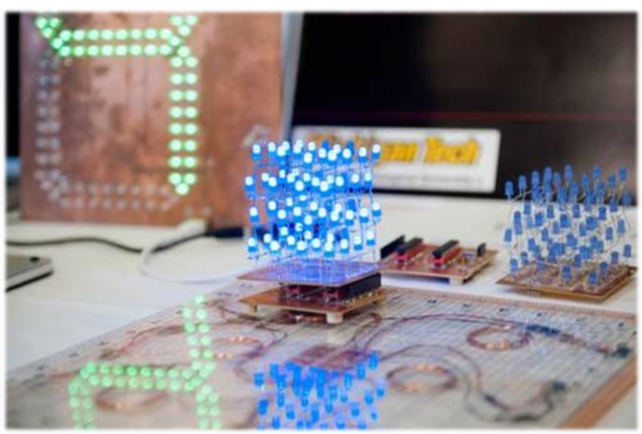
The present value of future cash flows were estimated using .25% over the risk-adjusted rate at the date of the gift. Risk-adjusted rates range from .89% to 2.60%.

(4) CAPITAL ASSETS

The following table presents the changes in the capital asset class categories for the year ended June 30, 2016:

CHANGES IN CAPITAL ASSETS
2016

	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	$ 9,507,942	$ 437,800	$ (56,432)	$ 9,889,310
Mineral collections	6,221,172	-	-	6,221,172
Timber holdings	400,752	-	(24,664)	376,088
Construction in progress	2,274	6,100,506	(3,266,141)	2,836,639
Cost of nondepreciable capital assets	**16,132,140**	**6,538,306**	**(3,347,237)**	**19,323,209**
Depreciable capital assets				
Land improvements	1,572,426	-	(1,000)	1,571,426
Infrastructure	5,371,366	813,650	-	6,185,016
Buildings	362,729,206	3,266,141	(200,476)	365,794,871
Equipment	43,392,238	6,424,678	(9,344,013)	40,472,903
Library books	533,735	73,044	(283,329)	323,450
Cost of depreciable capital assets	**413,598,971**	**10,577,513**	**(9,828,818)**	**414,347,666**
Total cost of capital assets	**429,731,111**	**17,115,819**	**(13,176,055)**	**433,670,875**
Less: accumulated depreciation				
Land improvements	963,167	78,571	(1,000)	1,040,738
Infrastructure	2,779,104	272,092	-	3,051,196
Buildings	161,779,824	8,538,814	(180,428)	170,138,210
Equipment	26,406,974	5,335,047	(9,192,956)	22,549,065
Library books	433,136	49,334	(283,329)	199,141
Total accumulated depreciation	**192,362,205**	**14,273,858**	**(9,657,713)**	**196,978,350**
Capital assets, net	**$ 237,368,906**	**$ 2,841,961**	**$ (3,518,342)**	**$ 236,692,525**



The following table presents the changes in the capital asset class categories for the year ended June 30, 2015:

CHANGES IN CAPITAL ASSETS
2015

	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	$ 9,507,942	$ -	$ -	$ 9,507,942
Mineral collections	5,926,170	295,002	-	6,221,172
Timber holdings	400,752	-	-	400,752
Construction in progress	1,606,809	1,417,711	(3,022,246)	2,274
Cost of nondepreciable capital assets	**17,441,673**	**1,712,713**	**(3,022,246)**	**16,132,140**
Depreciable capital assets				
Land improvements	1,572,426	-	-	1,572,426
Infrastructure	5,017,453	353,913	-	5,371,366
Buildings	360,060,873	2,668,333	-	362,729,206
Equipment	39,578,732	4,338,586	(525,080)	43,392,238
Library books	510,518	23,217	-	533,735
Cost of depreciable capital assets	**406,740,002**	**7,384,049**	**(525,080)**	**413,598,971**
Total cost of capital assets	**424,181,675**	**9,096,762**	**(3,547,326)**	**429,731,111**
Less: accumulated depreciation				
Land improvements	884,596	78,571	-	963,167
Infrastructure	2,522,936	256,168	-	2,779,104
Buildings	153,066,703	8,713,121	-	161,779,824
Equipment	21,263,791	5,503,629	(360,446)	26,406,974
Library books	358,299	74,837	-	433,136
Total accumulated depreciation	**178,096,325**	**14,626,326**	**(360,446)**	**192,362,205**
Capital assets, net	**$ 246,085,350**	**$ (5,529,564)**	**$ (3,186,880)**	**$ 237,368,906**

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, 2016 and 2015, respectively, construction in progress consisted of several building renovation projects and the costs of one new building as detailed below.

CONSTRUCTION IN PROGRESS

Project		2016		2015
Daniell Heights Apartments renovations	$	919,303	$	-
Retail Dining remodel		655,625		-
McNair Residence Hall renovations		85,910		-
Safety upgrades		222,962		-
Sherman Field upgrades		331,434		-
Dillman Hall renovations		161,919		-
Undergraduate chemical laboratory upgrades		172,572		-
STEM Facility		165,500		-
Other projects		121,414		2,274
Total	**$**	**2,836,639**	**$**	**2,274**

The estimate to complete the above construction projects approximated $20.5 million at June 30, 2016. 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 were no amounts outstanding under the line of credit at June 30, 2016 and 2015. There are no restrictive covenants associated with this line of credit. The line of credit expires on January 31, 2017.

(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30, 2016 and 2015.

ACCOUNTS PAYABLE

		2016		2015
Vendors for supplies and services	$	4,130,052	$	3,159,049
Employee benefits		1,292,416		1,316,107
Construction payables		2,737,968		1,058,871
Total accounts payable	**$**	**8,160,436**	**$**	**5,534,027**

OTHER ACCRUED LIABILITIES

		2016		2015
Payroll and payroll taxes	$	6,047,265	$	5,232,031
Compensated absences		4,646,604		4,559,680
Deposits payable		789,942		857,000
Total other accrued liabilities	**$**	**11,483,811**	**$**	**10,648,711**

(7) NONCURRENT LIABILITIES

NONCURRENT LIABILITIES

AS OF JUNE 30, 2016

General revenue bonds	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds, 2006	$ 75,000	$ -	$ 75,000	$ -	$ -
General revenue and refunding bonds, 2008	5,215,000	-	125,000	5,090,000	-
General revenue bonds, 2009A/2009B	16,400,000	-	395,000	16,005,000	405,000
General revenue bonds, 2010A	8,900,000	-	345,000	8,555,000	215,000
General revenue and refunding bonds, 2012A	31,320,000	-	1,185,000	30,135,000	1,220,000
General revenue refunding bonds, 2013A	13,995,000	-	465,000	13,530,000	740,000
General revenue bonds, 2015A	24,295,000	-	-	24,295,000	425,000
Total bonds payable	**100,200,000**	**-**	**2,590,000**	**97,610,000**	**3,005,000**
Bond premium	4,259,686	-	285,100	3,974,586	-
Capital lease	597,233	-	294,048	303,185	303,185
Total debt	**105,056,919**	**-**	**3,169,148**	**101,887,771**	**3,308,185**
Other liabilities					
Insurance and postemployment benefits	1,843,081	1,459,489	1,693,595	1,608,975	1,109,463
Funds held for others	691,500	222,600	189,400	724,700	-
Annuity and pooled income obligations	5,346,834	426,302	469,660	5,303,476	465,401
Total	**$ 112,938,334**	**$ 2,108,391**	**$ 5,521,803**	**$ 109,524,922**	**$ 4,883,049**
Due within one year				(4,883,049)	
Total noncurrent liabilities (excluding net pension liability)				**$ 104,641,873**	

NONCURRENT LIABILITIES

AS OF JUNE 30, 2015

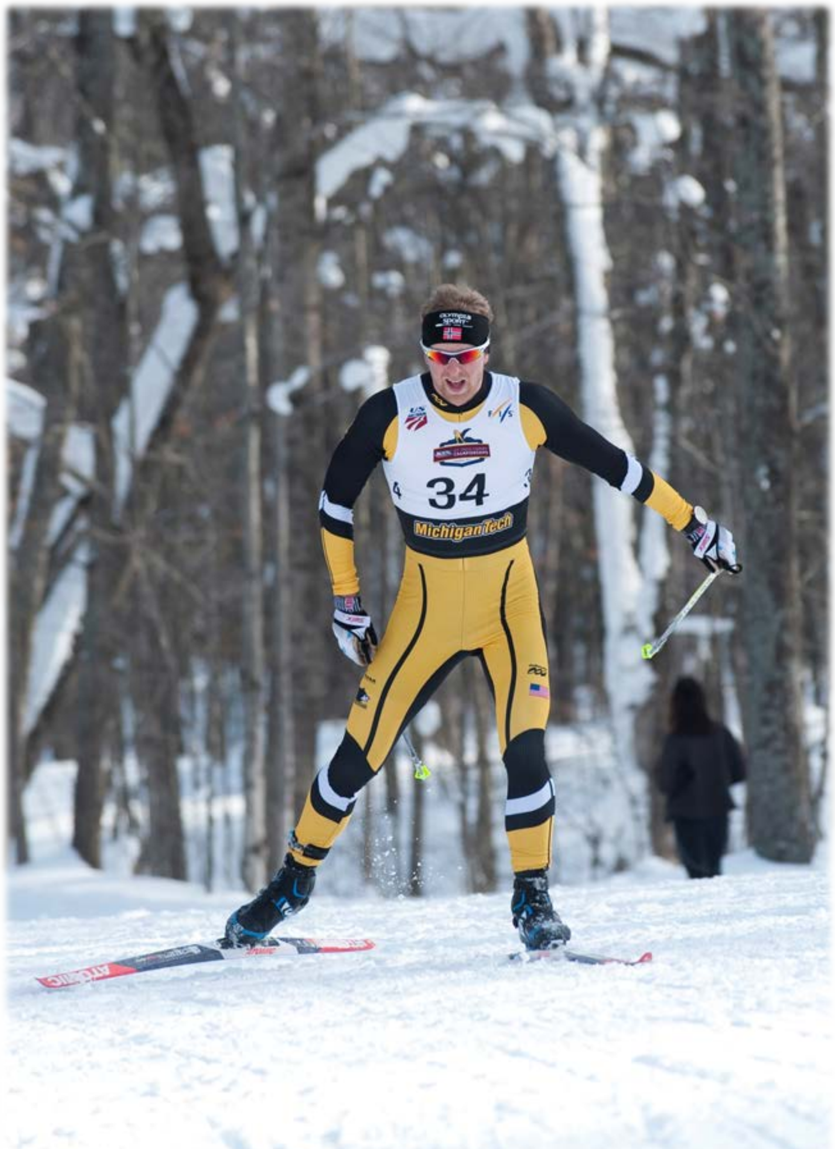
General revenue bonds	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds, 2006	$ 145,000	$ -	$ 70,000	$ 75,000	$ 75,000
General revenue and refunding bonds, 2008	5,340,000	-	125,000	5,215,000	125,000
General revenue bonds, 2009A/2009B	16,785,000	-	385,000	16,400,000	395,000
General revenue bonds, 2010A	9,570,000	-	670,000	8,900,000	345,000
General revenue and refunding bonds, 2012A	32,475,000	-	1,155,000	31,320,000	1,185,000
General revenue refunding bonds, 2013A	14,110,000	-	115,000	13,995,000	465,000
General revenue bonds, 2015A	-	24,295,000	-	24,295,000	-
Total bonds payable	**78,425,000**	**24,295,000**	**2,520,000**	**100,200,000**	**2,590,000**
Bond premium	3,393,215	1,014,141	147,670	4,259,686	-
Capital leases	936,449	-	339,216	597,233	294,048
Total debt	**82,754,664**	**25,309,141**	**3,006,886**	**105,056,919**	**2,884,048**
Other liabilities					
Insurance and postemployment benefits	1,816,987	1,661,410	1,635,316	1,843,081	1,303,193
Funds held for others	678,049	203,450	189,999	691,500	-
Annuity and pooled income obligations	5,165,267	561,456	379,889	5,346,834	426,094
Total	**$ 90,414,967**	**$ 27,735,457**	**$ 5,212,090**	**112,938,334**	**$ 4,613,335**
Due within one year				(4,613,335)	
Total noncurrent liabilities (excluding net pension liability)				**$ 108,324,999**	

Bonds

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

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

During fiscal year 2006, the University's Board of Trustees 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 Trustees approved the issuance of General Revenue Refunding Bonds, Series 2008 in the amount of $15.88 million. The proceeds of this bond issue were used to refund the $10 million of Series 1998 bonds outstanding with the remainder funding the remodeling of the Michigan Tech Lakeshore Center building, remodeling of the Memorial Union ballroom and providing initial construction funds for the Keweenaw Research Center. These bonds bear fixed interest rates at 3.0% to 5.25% and mature at various dates from October 2009 through October 2038. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture. Outstanding principal of $11.550 million was refunded with the series 2013A bonds.

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

During fiscal year 2011, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2010A in the amount of $10.975 million. The Series 2010A bonds were issued as taxable Build America Bonds. Under this federal program, 35% of the interest related to this bond issue in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of $2.855 million with maturities of October 2011 through October 2017 and interest rates ranging from 1.37% to 3.84%. Three term bonds totaling $8.12 million were also issued in this series. The first term bond in the amount of $2.085 million matures in October 2025 and bears an interest rate of 5.569%. The second term bond in the amount of $1.66 million matures in October 2030 and bears an interest rate of 6.2%. The third term bond in the amount of $4.375 million matures in October 2040 and bears an interest rate of 6.55%. The proceeds of this bond issue were used to construct, acquire, and equip new research facilities and to construct and equip a new museum building. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as Aa3 by Moody's.

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

During fiscal year 2013, the University's Board of Trustees approved the issuance of General Revenue Refunding Bonds, Series 2013A in the amount of $14.265 million. The proceeds of this bond issue were used to refund Series 2006 bonds in the amount of $2.715 million and to partially refund Series 2008 bonds in the amount of $11.550 million. The Series 2006 bonds to be refunded 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. The 2013A bond series consists of serial bonds in the amount of $8.325 million with maturities of October 2013 through October 2026 and interest rates ranging from 2.0% to 5.0%. The issue also included three term bonds totaling $5.940 million. The first term bond in the amount of $2.200 million matures in October 2025 and bears an interest rate of 3.0%. The second term bond in the amount of $2.470 million matures in October 2028 and bears an interest rate of 3.25%. The third term bond in the amount of $1.270 million matures in October 2036 and bears an interest rate of 4.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as A1 by Moody's.

During fiscal year 2015, the University's Board of Trustees approved the issuance of General Revenue Bonds, Series 2015A in the amount of $24.295 million. The proceeds of this bond issue will be used to renovate Daniell Heights student apartments, construct a fuel storage tank facility, renovate a campus dining facility, upgrade information technology and safety systems, renovate a chemical storage facility and undergraduate laboratories, and renovate bathrooms in the McNair Hall dormitory. The bonds bear fixed interest rates ranging from 2.0% to 5.0%, and mature at various dates from October 2016 through October 2045. All bonds of this issuance are rated A1 by Moody's; $8.605 million of the issuance are insured and rated AA by Standard & Poor's.

At June 30, 2016, the amount that remains in escrow to refund Series 2006 bonds and partially refund Series 2008 bonds was $10.768 million.

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

Fiscal Year	Principal	Interest	Total
2017	$ 3,005,000	$ 4,609,561	$ 7,614,561
2018	3,095,000	4,510,681	7,605,681
2019	3,205,000	4,392,830	7,597,830
2020	3,330,000	4,256,869	7,586,869
2021	3,470,000	4,099,731	7,569,731
Total 5 years	**16,105,000**	**21,869,672**	**37,974,672**
2022 to 2026	19,845,000	17,769,937	37,614,937
2027 to 2031	22,010,000	12,805,602	34,815,602
2032 to 2036	20,520,000	7,578,186	28,098,186
2037 to 2041	12,735,000	3,162,706	15,897,706
2042 to 2046	6,395,000	831,125	7,226,125
Total bonds	**$ 97,610,000**	**$ 64,017,228**	**$ 161,627,228**

Capital and Operating Lease Obligations

At June 30, 2016, the capitalized cost of equipment purchased under capital leases was $1.576 million, and its net book value was $24,494.

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, 2016 and 2015 are insignificant.

SCHEDULED MATURITIES OF CAPITAL LEASES
FOR FISCAL YEAR ENDING JUNE 30

Fiscal Year	Principal	Interest	Total
2017	$ 303,185	$ 9,421	$ 312,606
Total lease payments	**$ 303,185**	**$ 9,421**	**$ 312,606**

(8) INSURANCE

Self-Insurance

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

SELF-INSURED CLAIMS LIABILITY

		2016		2015
Balance, beginning of year	$	1,291,953	$	1,251,505
Claims incurred, including changes in estimates		13,528,874		14,688,085
Less: claims paid		(13,711,364)		(14,647,637)
Balance, end of year	**$**	**1,109,463**	**$**	**1,291,953**

Liability and Property Insurance

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

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

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

(9) POSTEMPLOYMENT BENEFITS

Retirement Plans

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

Defined Contribution Plan

The University has a defined contribution plan with Teachers Insurance and Annuities Association College Retirement Equities Fund (TIAA-CREF) and Fidelity. 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, 2016 and 2015, 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 2.0% 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 5.0% of an employee's base salary and will then match up to 5.0% of base salary contributed by a participating employee. Employees who chose this plan also received a 2.0% 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.

DEFINED CONTRIBUTION RETIREMENT PLAN CONTRIBUTIONS

	2016	2015	2014
University contributions to TIAA-CREF/Fidelity	$ 6,344,926	$ 6,004,020	$ 5,748,143
Payroll covered under TIAA-CREF/Fidelity	$ 89,651,072	$ 85,173,945	$ 81,443,319

Defined Benefit Plan

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

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

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

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

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

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

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

Benefits Provided

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

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

Contributions

Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. During fiscal year 2016, the University was invoiced monthly an amount that approximated 17.73% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. Employer contribution requirements for pension and retiree healthcare, inclusive of the MPSERS UAAL Stabilization, ranged from 27.73% to 32.60% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The University's contributions to MPSERS under all pension plans as described above for the years ended June 30, 2016, 2015, and 2014 were $4,150,666, $3,395,404, and $2,836,637, respectively, equal to the required contributions for each year.

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

At June 30, 2016 and 2015, the University reported a liability of $54.889 million and $36.194 million respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating universities, actuarially determined. At September 30, 2015 and 2014, the University's proportion (as calculated by MPSERS) was 10.00520% and 9.64907%, respectively.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $6.480 million and $3.830 million, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	$ 753,927	-	$ 753,927
Contributions subsequent to measurement date	3,315,161	349,518	2,965,643
Changes in proportionate share and differences between contributions and proportionate share of contributions	414,688	-	414,688
Net difference between projected and actual earnings on pension plan contributions	158,954	-	158,954
Total	**$ 4,642,730**	**$ 349,518**	**$ 4,293,212**

	2015		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	$ 1,078,301	-	$ 1,078,301
Contributions subsequent to measurement date	2,713,238	-	2,713,238
Changes in proportionate share and differences between contributions and proportionate share of contributions	2,842	-	2,842
Net difference between projected and actual earnings on pension plan contributions	-	3,479,753	(3,479,753)
Total	**$ 3,794,381**	**$ 3,479,753**	**$ 314,628**

The amount of deferred outflows of resources related to University contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	Amount
2017	982,842
2018	(185,773)
2019	(185,773)
2020	716,273
Total	**$ 1,327,569**

Actuarial Assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation of 3.5%
Investment rate of return	8% (7% for the Pension-Plus plan), net of pension plan investment expenses, including inflation
Cost of Living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2025 using projection Scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by MPSERS for use in the annual pension valuations beginning with the September 30, 2015 valuation.

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

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Expected Money-Weighted Rate of Return**
Domestic equity pools	28.00%	5.90%	1.65%
Alternative investment pools	18.00%	9.20%	1.65%
International equity pools	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.90%
Inflation			2.10%
Investment rate of return			**8.00%**

Discount Rate

The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the University's contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

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

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

The following presents the net pension liability of the University, calculated using the discount rate of 8.0%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

NET PENSION LIABILITY

Fiscal Year	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
2016	$ 64,402,759	$ 54,888,547	$ 46,676,338
2015	$ 45,298,278	$ 36,194,241	$ 28,349,389

Pension Plan Fiduciary Net Position

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

Other Postemployment Benefits

Retirees enrolled in MPSERS before December 31, 1995 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3.0% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2.0% employee contribution into a personal tax-deferred account, which is matched by an additional 2.0% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3.0% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The University's contributions to MPSERS for other postemployment benefits amounted to $2.052 million, $2.155 million, and $2.501 million for the years ended June 30, 2016, 2015, and 2014, respectively.

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 $0 and $12,000 at June 30, 2016 and 2015, 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 starting on January 1, 2014 retiree contributions were established on the expected full cost of the retiree medical and dental plans (pre-Medicare and Medicare eligible populations).

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, 2016 and 2015 respectively:

OPEB COST AND OBLIGATION

	2016	2015
Annual required contribution	$ 409,652	$ 417,909
Interest on net OPEB obligation	21,596	21,743
Adjustment to annual required contribution	(31,222)	(31,435)
Annual OPEB cost	**400,026**	**408,217**
Contributions made	-	-
Total benefits paid (pay-as-you go)	(440,402)	(411,910)
Decrease in net OPEB obligation	**(40,376)**	**(3,693)**
Net OPEB obligation - beginning of year	539,888	543,581
Net OPEB obligation - end of year	**$ 499,512**	**$ 539,888**

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, 2014	$ 468,098	148%	$ 543,581
June 30, 2015	$ 408,217	101%	$ 539,888
June 30, 2016	$ 400,026	110%	$ 499,512

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, 2016, 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 (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b)-(a))/(c)
June 30, 2014	$ -	$ 8,608,363	$ 8,608,363	0.0%	$ 73,148,829	11.8%
June 30, 2015	$ -	$ 7,515,561	$ 7,515,561	0.0%	$ 118,065,755	6.4%
June 30, 2016	$ -	$ 7,367,059	$ 7,367,059	0.0%	$ 121,972,999	6.0%

***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. For pre-65 year old retirees, the health care trend assumptions were 7.20% in 2014 grading down by .2% each year to 5.40% in 2022 and then by .4% until 5.0% in year 2023 and each year thereafter. For post-65 year old retirees, the health care trend assumptions were 8.75% in 2014 grading down by .25% each year to 8.0% in 2017 and then by .5% to 5.0% in year 2023 and each year thereafter. The assumptions for dental benefits were 5.0% in 2014 and each year thereafter. The assumptions also included a 4.0% 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, 2015, 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.

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.

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

(11) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

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

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

	2016	2015
Instruction	$ 64,625,424	$ 65,431,641
Research	53,941,825	52,321,902
Public service	9,916,188	9,297,856
Academic support	22,082,095	21,025,582
Student services	14,338,179	14,558,486
Institutional support	20,377,479	19,350,779
Operations and maintenance of plant	13,928,124	14,685,916
Student financial support	7,602,180	6,984,531
Departmental activities	6,954,635	5,755,170
Student residents	11,005,337	11,164,810
Depreciation	14,273,858	14,626,326
Total	**$ 239,045,324**	**$ 235,202,999**

REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-sharing Multiple Employer Plan

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	2016	2015
University's proportion of the net pension liability	10.00520%	9.64907%
University's proportionate share of the net pension liability	$ 54,888,547	$ 36,194,241
University's covered-employee payroll	$ 9,118,081	$ 9,156,216
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	601.97%	252.97%
Plan fiduciary net position as a percentage of the total pension liability	47.45%	63.00%

SCHEDULE OF UNIVERSITY CONTRIBUTIONS	2016	2015
Contractually required contribution	$ 4,150,666	$ 3,395,404
Contributions in relation to the contractually required contribution	$ (4,150,666)	$ (3,395,404)
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 8,606,261	$ 8,877,145
Contributions as a percentage of covered-employee payroll	48.23%	38.25%

Notes to Required Supplementary Information

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

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

SUPPLEMENTARY INFORMATION

MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF NET POSITION BY FUND AT JUNE 30, 2016

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Michigan Tech Fund	Eliminations	Combined Total 2016	Combined Total 2015
Assets													
Current assets:													
Cash and cash equivalents	$ (12,512,034)	$ 18,353,739	$ 6,245,845	$ (6,408,806)	$ 4,054,043	$ 9,732,787	$ 2,822,997	$ 6,772,346	$ 2,066,231	$ 2,455,886	$ -	$ 23,850,247	$ 16,872,417
Accounts receivable, net	9,425,678	464,517	740,450	215,869	8,073,170	18,919,684	-	3,528	110,590	-	(405,092)	18,628,710	17,463,885
Pledges receivable, net	-	-	-	-	-	-	-	-	-	479,668	-	479,668	2,304,857
Other assets	292,601	13,525	1,316,272	510,692	-	2,133,090	-	-	-	244,897	-	2,377,987	2,271,858
Total current assets	**(2,793,755)**	**18,831,781**	**8,302,567**	**(5,682,245)**	**12,127,213**	**30,785,561**	**2,822,997**	**6,775,874**	**2,176,821**	**3,180,451**	**(405,092)**	**45,336,612**	**38,913,017**
Noncurrent assets:													
Student loans receivable, net	-	-	-	-	-	-	11,780,464	-	-	-	-	11,780,464	12,085,485
Pledges receivable, net	-	-	-	-	-	-	-	-	-	2,215,007	-	2,215,007	2,278,234
Restricted cash for capital projects	-	-	-	-	-	-	-	20,742,929	-	-		20,742,929	25,120,911
Investments	8,496,900	-	-	18,889,221	-	27,386,121	-	-	-	122,541,653	-	149,927,774	131,839,618
Beneficial interest in charitable remainder trusts	-	-	-	-	-	-	-	-	-	5,181,700	-	5,181,700	5,586,394
Land held for investment	-	-	-	-	-	-	-	9,858,897	-	91,700	-	9,950,597	10,014,197
Capital assets, net	-	-	-	-	-	-	-	236,692,525	-	-	-	236,692,525	237,368,906
Other assets	-	-	-	-	-	-	-	978,544	-	961,090	-	1,939,634	1,988,366
Total noncurrent assets	**8,496,900**	**-**	**-**	**18,889,221**	**-**	**27,386,121**	**11,780,464**	**268,272,895**	**-**	**130,991,150**	**-**	**438,430,630**	**426,282,111**
Total assets	**5,703,145**	**18,831,781**	**8,302,567**	**13,206,976**	**12,127,213**	**58,171,682**	**14,603,461**	**275,048,769**	**2,176,821**	**134,171,601**	**(405,092)**	**483,767,242**	**465,195,128**
Deferred outflows of resources													
Deferred pension amounts	**-**	**-**	**-**	**4,642,730**	**-**	**4,642,730**	**-**	**-**	**-**	**-**	**-**	**4,642,730**	**3,794,381**
Liabilities													
Current liabilities													
Accounts payable	1,903,491	419,294	468,700	1,292,414	1,110,752	5,194,651	19,049	2,737,970	152,649	461,209	(405,092)	8,160,436	5,534,027
Other accrued liabilities	4,699,923	-	111,654	4,646,604	-	9,458,181	-	1,458	2,024,172	-	-	11,483,811	10,648,711
Unearned revenue	198,300	-	-	-	6,979,187	7,177,487	-	306,250	-	-	-	7,483,737	5,809,354
Annuity obligations, current portion	-	-	-	-	-	-	-	-	-	465,401	-	465,401	426,094
Insurance and benefit reserves, current portion	-	-	-	1,109,463	-	1,109,463	-	-	-	-	-	1,109,463	1,303,193
Long-term debt, current portion	-	-	-	-	-	-	-	3,308,185	-	-	-	3,308,185	2,884,048
Total current liabilities	**6,801,714**	**419,294**	**580,354**	**7,048,481**	**8,089,939**	**22,939,782**	**19,049**	**6,353,863**	**2,176,821**	**926,610**	**(405,092)**	**32,011,033**	**26,605,427**
Noncurrent liabilities							-						
Funds held for others	724,700	-	-	-	-	724,700	-	-	-	-	-	724,700	691,500
Annuity obligations, net of current portion	-	-	-	-	-	-	-	-	-	4,838,075	-	4,838,075	4,920,740
Insurance and benefit reserves, net of current portion	-	-	-	499,512	-	499,512	-	-	-	-	-	499,512	539,888
Long-term debt, net of current portion	-	-	-	-	-	-	-	98,579,586	-	-	-	98,579,586	102,172,871
Net pension liability	-	-	-	54,888,547	-	54,888,547	-	-	-	-	-	54,888,547	36,194,241
Total noncurrent liabilities	**724,700**	**-**	**-**	**55,388,059**	**-**	**56,112,759**	**-**	**98,579,586**	**-**	**4,838,075**	**-**	**159,530,420**	**144,519,240**
Total liabilities	**7,526,414**	**419,294**	**580,354**	**62,436,540**	**8,089,939**	**79,052,541**	**19,049**	**104,933,449**	**2,176,821**	**5,764,685**	**(405,092)**	**191,541,453**	**171,124,667**
Deferred inflows of resources													
Deferred pension amounts	**349,518**	**-**	**-**	**-**	**-**	**349,518**	**-**	**-**	**-**	**-**	**-**	**349,518**	**3,479,753**
Net position													
Net investment in capital assets	-	-	-	-	-	-	-	155,579,540	-	-	-	155,579,540	158,566,029
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	-	-	87,220,187	-	87,220,187	80,686,142
Expendable	698	-	15,754	-	4,037,274	4,053,726	14,766,464	11,338,169	-	41,047,397	-	71,205,756	71,916,608
Unrestricted (deficit)	(2,173,485)	18,412,487	7,706,459	(44,586,834)	-	(20,641,373)	(182,052)	3,197,611	-	139,332	-	(17,486,482)	(16,783,690)
Total net position	**$ (2,172,787)**	**$ 18,412,487**	**$ 7,722,213**	**$ (44,586,834)**	**$ 4,037,274**	**$ (16,587,647)**	**$ 14,584,412**	**$ 170,115,320**	**$ -**	**$ 128,406,916**	**$ -**	**$ 296,519,001**	**$ 294,385,089**

MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY OBJECT
FOR THE YEAR ENDED JUNE 30, 2016

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2016	2015
Revenues												
Operating revenues												
Student tuition and fees, net	$ 126,452,380	$ 2,299	$ 1,173,126	$ -	$ -	$ 127,627,805	$ -	$ -	$ -	$ (36,498,154)	$ 91,129,651	$ 86,156,727
Federal grants and contracts	130,367	-	-	-	26,242,976	26,373,343	(51,366)	-	-	-	26,321,977	26,893,733
State and local grants and contracts	-	-	-	-	3,912,193	3,912,193	-	-	-	-	3,912,193	3,644,029
Nongovernmental grants and contracts	-	1,000	-	-	15,888,712	15,889,712	-	91,000	-	-	15,980,712	15,054,250
Indirect cost recoveries	12,006,969	-	-	-	(12,006,969)	-	-	-	-	-	-	-
Educational activities	325,252	3,546,474	913,329	-	144,299	4,929,354	90	673,931	-	-	5,603,375	5,140,185
Departmental activities	9,808	100,718	9,480,998	(170)	3,128	9,594,482	-	51,414	-	-	9,645,896	9,335,561
Student residence fees, net	-	-	25,782,534	-	-	25,782,534	-	60,399	-	(7,312,176)	18,530,757	18,348,105
Total operating revenues	**138,924,776**	**3,650,491**	**37,349,987**	**(170)**	**34,184,339**	**214,109,423**	**(51,276)**	**876,744**	**-**	**(43,810,330)**	**171,124,561**	**164,572,590**
Expenses												
Operating expenses												
Salaries and wages	82,780,216	8,407,319	10,407,091	2,269,789	17,991,709	121,856,124	-	-	-	-	121,856,124	117,283,200
Fringe benefits	28,833,729	2,297,762	2,881,481	730,648	4,085,707	38,829,327	-	-	-	-	38,829,327	37,387,398
Supplies and services	15,262,321	9,760,495	13,352,421	359,084	13,820,182	52,554,503	120,636	8,168,813	13,735,318	(23,752,372)	50,826,898	51,863,016
Student financial support	38,211,853	646,732	414,547	-	10,975,245	50,248,377	-	-	2,548,167	(46,358,497)	6,438,047	6,545,747
Utilities	3,755,249	206,590	2,836,210	-	23,021	6,821,070	-	-	-	-	6,821,070	7,497,312
Depreciation	-	-	-	-	-	-	-	14,273,858	-	-	14,273,858	14,626,326
Total operating expenses	**168,843,368**	**21,318,898**	**29,891,750**	**3,359,521**	**46,895,864**	**270,309,401**	**120,636**	**22,442,671**	**16,283,485**	**(70,110,869)**	**239,045,324**	**235,202,999**
Operating (loss) income	**(29,918,592)**	**(17,668,407)**	**7,458,237**	**(3,359,691)**	**(12,711,525)**	**(56,199,978)**	**(171,912)**	**(21,565,927)**	**(16,283,485)**	**26,300,539**	**(67,920,763)**	**(70,630,409)**
Net transfers (out) in	**(9,108,147)**	**10,845,749**	**(8,643,161)**	**(5,853,634)**	**2,694,802**	**(10,064,391)**	**-**	**10,064,391**	**-**	**-**	**-**	**-**
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,701,124	5,701,124	-	-	-	-	5,701,124	5,653,714
Federal grants, other	-	-	-	-	-	-	-	508,799	-	-	508,799	517,635
State appropriations	46,912,320	-	-	-	-	46,912,320	-	-	-	-	46,912,320	46,532,519
Gifts	609,921	7,617,830	425,152	-	4,266,500	12,919,403	-	-	13,832,155	(12,919,153)	13,832,405	9,860,476
Investment return	-	-	-	622,203	35	622,238	320,117	128,829	(1,220,787)	-	(149,603)	1,923,865
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,262,895)	-	-	(4,262,895)	(3,789,016)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(252,201)	(252,201)	(164,634)
Net nonoperating revenues (expenses)	**47,522,241**	**7,617,830**	**425,152**	**622,203**	**9,967,659**	**66,155,085**	**320,117**	**(3,625,267)**	**12,611,368**	**(13,171,354)**	**62,289,949**	**60,534,559**
Income (loss) before other revenues	**8,495,502**	**795,172**	**(759,772)**	**(8,591,122)**	**(49,064)**	**(109,284)**	**148,205**	**(15,126,803)**	**(3,672,117)**	**13,129,185**	**(5,630,814)**	**(10,095,850)**
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	1,321,727	337,630	(579,267)	1,080,090	2,538,012
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	6,390,937	-	6,390,937	8,198,140
Other nonoperating revenues	-	-	-	-	-	-	-	-	293,699	-	293,699	164,603
Fund additions	-	-	-	-	-	-	-	12,549,918	-	(12,549,918)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,871,645**	**7,022,266**	**(13,129,185)**	**7,764,726**	**10,900,755**
Net increase (decrease) in net position	**8,495,502**	**795,172**	**(759,772)**	**(8,591,122)**	**(49,064)**	**(109,284)**	**148,205**	**(1,255,158)**	**3,350,149**	**-**	**2,133,912**	**804,905**
Net position, beginning of year	(10,668,289)	17,617,315	8,481,985	(35,995,712)	4,086,338	(16,478,363)	14,436,207	171,370,478	125,056,767	-	294,385,089	293,580,184
Net position, end of year	**$ (2,172,787)**	**$ 18,412,487**	**$ 7,722,213**	**$ (44,586,834)**	**$ 4,037,274**	**$ (16,587,647)**	**$ 14,584,412**	**$ 170,115,320**	**$ 128,406,916**	**$ -**	**$ 296,519,001**	**$ 294,385,089**

MICHIGAN TECHNOLOGICAL UNIVERSITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUND BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	2016	2015
Revenues												
Operating revenues												
Student tuition and fees, net	$ 126,452,380	$ 2,299	$ 1,173,126	$ -	$ -	$ 127,627,805	$ -	$ -	$ -	$ (36,498,154)	$ 91,129,651	$ 86,156,727
Federal grants and contracts	130,367	-	-	-	26,242,976	26,373,343	(51,366)	-	-	-	26,321,977	26,893,733
State and local grants and contracts	-	-	-	-	3,912,193	3,912,193	-	-	-	-	3,912,193	3,644,029
Nongovernmental grants and contracts	-	1,000	-	-	15,888,712	15,889,712	-	91,000	-	-	15,980,712	15,054,250
Indirect cost recoveries	12,006,969	-	-	-	(12,006,969)	-	-	-	-	-	-	-
Educational activities	325,252	3,546,474	913,329	-	144,299	4,929,354	90	673,931	-		5,603,375	5,140,185
Departmental activities	9,808	100,718	9,480,998	(170)	3,128	9,594,482	-	51,414	-	-	9,645,896	9,335,561
Student residence fees, net	-	-	25,782,534	-	-	25,782,534	-	60,399	-	(7,312,176)	18,530,757	18,348,105
Total operating revenues	**138,924,776**	**3,650,491**	**37,349,987**	**(170)**	**34,184,339**	**214,109,423**	**(51,276)**	**876,744**	**-**	**(43,810,330)**	**171,124,561**	**164,572,590**
Expenses												
Operating expenses												
Instruction	59,030,724	4,225,532	-	1,058,572	109,873	64,424,701	-	-	-	200,723	64,625,424	65,431,641
Research	16,948,101	9,956,625	-	785,076	30,119,085	57,808,887	-	-	-	(3,867,062)	53,941,825	52,321,902
Public service	1,009,937	1,137,871	-	103,213	7,665,167	9,916,188	-	-	-	-	9,916,188	9,297,856
Academic support	19,880,303	1,594,019	-	347,454	865	21,822,641	-	-	-	259,454	22,082,095	21,025,582
Student services	7,017,006	2,187,349	4,256,786	202,538	216,473	13,880,152	-	-	-	458,027	14,338,179	14,558,486
Institutional support	17,870,620	1,157,600	-	805,038	22,471	19,855,729	-	88,833	13,735,318	(13,302,401)	20,377,479	19,350,779
Student financial support	35,217,769	-	-	-	8,761,930	43,979,699	120,636	-	2,548,167	(39,046,322)	7,602,180	6,984,531
Operations and maintenance of plant	11,868,908	1,059,902	-	(144,846)	-	12,783,964	-	8,079,980	-	(6,935,820)	13,928,124	14,685,916
Sales and services of dept activities	-	-	25,634,964	202,476	-	25,837,440	-	-	-	(18,882,805)	6,954,635	5,755,170
Student residents	-	-	-	-	-	-	-	-	-	11,005,337	11,005,337	11,164,810
Depreciation	-	-	-	-	-	-	-	14,273,858	-	-	14,273,858	14,626,326
Total operating expenses	**168,843,368**	**21,318,898**	**29,891,750**	**3,359,521**	**46,895,864**	**270,309,401**	**120,636**	**22,442,671**	**16,283,485**	**(70,110,869)**	**239,045,324**	**235,202,999**
Operating (loss) income	**(29,918,592)**	**(17,668,407)**	**7,458,237**	**(3,359,691)**	**(12,711,525)**	**(56,199,978)**	**(171,912)**	**(21,565,927)**	**(16,283,485)**	**26,300,539**	**(67,920,763)**	**(70,630,409)**
Net transfers (out) in	**(9,108,147)**	**10,845,749**	**(8,643,161)**	**(5,853,634)**	**2,694,802**	**(10,064,391)**	**-**	**10,064,391**	**-**	**-**	**-**	**-**
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,701,124	5,701,124	-	-	-	-	5,701,124	5,653,714
Federal grants, other	-	-	-	-	-	-	-	508,799	-	-	508,799	517,635
State appropriations	46,912,320	-	-	-	-	46,912,320	-	-	-	-	46,912,320	46,532,519
Gifts	609,921	7,617,830	425,152	-	4,266,500	12,919,403	-	-	13,832,155	(12,919,153)	13,832,405	9,860,476
Investment return	-	-	-	622,203	35	622,238	320,117	128,829	(1,220,787)	-	(149,603)	1,923,865
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,262,895)	-	-	(4,262,895)	(3,789,016)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(252,201)	(252,201)	(164,634)
Net nonoperating revenues (expenses)	**47,522,241**	**7,617,830**	**425,152**	**622,203**	**9,967,659**	**66,155,085**	**320,117**	**(3,625,267)**	**12,611,368**	**(13,171,354)**	**62,289,949**	**60,534,559**
Income (loss) before other revenues	**8,495,502**	**795,172**	**(759,772)**	**(8,591,122)**	**(49,064)**	**(109,284)**	**148,205**	**(15,126,803)**	**(3,672,117)**	**13,129,185**	**(5,630,814)**	**(10,095,850)**
Other revenues												
Capital grants and gifts	-	-	-	-	-	-	-	1,321,727	337,630	(579,267)	1,080,090	2,538,012
Gfits for permanent endowment purposes	-	-	-	-	-	-	-	-	6,390,937	-	6,390,937	8,198,140
Other nonoperating revenues	-	-	-	-	-	-	-	-	293,699	-	293,699	164,603
Fund additions	-	-	-	-	-	-	-	12,549,918	-	(12,549,918)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,871,645**	**7,022,266**	**(13,129,185)**	**7,764,726**	**10,900,755**
Net increase (decrease) in net position	**8,495,502**	**795,172**	**(759,772)**	**(8,591,122)**	**(49,064)**	**(109,284)**	**148,205**	**(1,255,158)**	**3,350,149**	**-**	**2,133,912**	**804,905**
Net position, beginning of year	(10,668,289)	17,617,315	8,481,985	(35,995,712)	4,086,338	(16,478,363)	14,436,207	171,370,478	125,056,767	-	294,385,089	293,580,184
Net position, end of year	**$ (2,172,787)**	**$ 18,412,487**	**$ 7,722,213**	**$ (44,586,834)**	**$ 4,037,274**	**$ (16,587,647)**	**$ 14,584,412**	**$ 170,115,320**	**$ 128,406,916**	**$ -**	**$ 296,519,001**	**$ 294,385,089**

2016
FINANCIAL REPORT

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