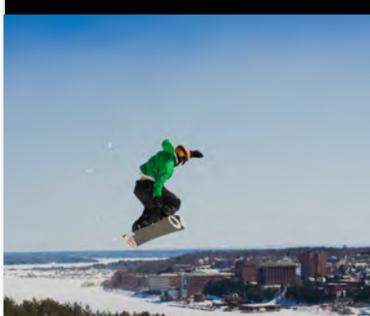
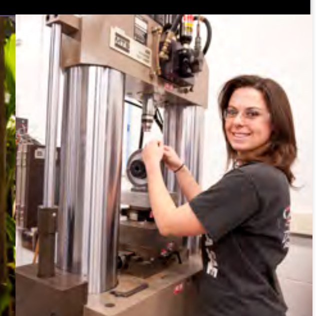
2013 Financial Report

Michigan Tech
Create the Future



Successful students made 2012-13 a very good year.

MICHIGAN TECHNOLOGICAL UNIVERSITY


Michigan Tech
Create the Future

TABLE OF CONTENTS

THE MICHIGAN TECH PLAN

MISSION
We prepare students to create the future.

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

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

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

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

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

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

LETTER FROM THE PRESIDENT

The Generations of Discovery campaign was launched in 2008 with multiple objectives, all for the future success of Michigan Tech. After five years of hard work by the entire campus community, including our alumni, friends, and partners around the world, we are proud to announce the success of our campaign.

Our goal was to raise $200 million for everything from growing our endowment to improving and expanding our facilities. The total raised was well over this goal, with the benefits already being felt across campus.

Scholarships and fellowships have added $36 million; more than $7 million has been raised for the facilities on campus; endowed chairs and professorships have grown by $39 million; research has benefitted with nearly $54 million; unrestricted gifts total more than $48 million; and direct gifts to academic departments equal more than $64 million. With more than 25,000 donors, this was truly a team effort of our University family.

The end of the Generations of Discovery campaign will, of course, not be the end of our efforts to make Michigan Tech an even more distinguished institution. Already we are raising funds for the Alumni way project, an effort to revitalize the look of our campus, including a new western entrance and development of the campus commons. We look forward to these improvements and the future accomplishments of our University.

At the same time, we are financially strong: our growing endowment has helped us to further our independence as state funding in higher education has continually dropped. It is my conviction that our financial model will continue to encourage efficiency, responsiveness, and sustainability.

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

Dr. Glenn D. Mroz
President

ADMINISTRATIVE OFFICERS

BOARD OF CONTROL

TERMS ENDING DECEMBER 31 OF YEAR SHOWN

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

EXECUTIVE AND BOARD OFFICERS

Dr. Glenn D. Mroz
President

Dr. David D. Reed
Vice President for Research

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

Ellen S. Horsch
Vice President for Administration

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

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

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

Dr. Walter W. Milligan
Chief Information Officer

Collaboration and Teamwork

- Now celebrating its first anniversary, the Great Lakes Research Center (GLRC) is fast becoming the go-to source for research on the Great Lakes and the home of pioneering investigations into solutions to the challenges facing them.

  "This is a unique, amazing place," says Guy Meadows, director of the GLRC. Meadows came to Michigan Tech from the University of Michigan to lead the Great Lakes research efforts here. "Scientists from all across the basin have their eyes on us. The future of Great Lakes research is based right here."

  Just as it was always intended to be, the GLRC is more than a building. It is a dynamic network of biologists, geologists, engineers, chemists, remote sensing specialists and computer scientists, working together and separately, collaborating and consulting, stitching together a multidisciplinary picture of the Great Lakes, their tributaries and the lands that line their shores. Each contributes special expertise and insight to create a whole that is greater than the sum of its parts.

  "The interaction among researchers is unusual," says Meadows. "People from the Michigan Tech Research Institute down in Ann Arbor, the US Army Corps of Engineers Environmental Lab in Vicksburg, Miss., the University of Michigan, and faculty from all over campus are pooling their expertise to solve the problems of the Great Lakes."

- Michigan Technological University ranks as the top Peace Corps Master's International (PCMI) university nationwide for the eighth consecutive year. With 35 PCMI graduate students currently serving as Peace Corps Volunteers, Michigan Tech has earned the top spot in the 2013 rankings of PCMI and Paul D. Coverdell Fellows graduate schools. Tulane University placed second.

  The PCMI program enables graduate students to incorporate Peace Corps service for credit as part of their master's degree curriculum. The Coverdell Fellows program provides returned Peace Corps volunteers with scholarships, internships in underserved American communities and stipends to help them earn an advanced degree after they complete their Peace Corps service.

  "The Peace Corps Master's International program is one of Michigan Tech's most distinctive programs," said Jacqueline Huntoon, dean of the Graduate School. "It helps us attract students who are committed to improving conditions for some of the world's most disadvantaged inhabitants. These students have diverse perspectives, and their presence on our campus makes it a more welcoming and thoughtful place than it would be otherwise. We are very proud of these students and are happy that they are able to put their knowledge and skills to practical use as a part of their degree program."

  Offering eight distinct Peace Corps graduate programs, Michigan Tech has the largest number of PCMI programs in the country. These graduate programs attract global-minded students to the University, while helping Peace Corps meet host country needs for skilled professionals to serve and assist communities in areas such as agriculture and food security, environmental conservation, water and sanitation, public health, education and English teaching.

"Students in our PCMI programs experience a truly interdisciplinary curriculum at Tech that prepares them to take a holistic and culturally-sensitive approach to solving real-world problems," said Kari Henquinet, director of Michigan Tech's PCMI programs. "They then are immersed in a new culture for two years and take on the challenges of learning language, building relationships and working together with individuals and groups in their host countries."

PCMI programs at Michigan Tech include Applied Science Education, Geological and Mining Engineering Sciences, Mechanical Engineering, Rhetoric and Technical Communication, Biological Sciences, Civil and Environmental Engineering, Applied Natural Resource Economics, and Forestry.

Research

- One of the hottest innovations of the last year tells you when to get out of the sun. A Senior Design team of biomedical engineering students developed a skin patch imprinted with a graphic—in this case, a happy face design. The nickel-size patch gradually darkens under ultraviolet light, the type of light that causes sunburn and skin cancer. When you can't see the happy face anymore, it's time to seek a piece of shade.

  The team has filed a provisional patent on their invention and received Best Overall Award in the Invention Disclosure Competition at Michigan Tech's 2013 Undergraduate Expo. If it makes it to market, it would be inexpensive: the prototypes cost only 13 cents apiece in materials.

  The UV monitors would be ideal for those wanting to avoid a sunburn and reduce their skin cancer risk while still enjoying outdoor activities, say the students. In addition, parents could use them to monitor their children's UV exposure. The patches could be especially useful in protecting babies' tender skin. "There are other personal UV monitors out there, but what makes this one unique is that it's extremely simple and inexpensive," said the team's co-advisor Megan Frost, an assistant professor of biomedical engineering. "It's not a timer. They quantitatively calibrated it to the energy the device absorbs, and it's very robust."

- Associate Professor Joshua Pearce has gained a lot of traction with the inaugural 3D Printers for Peace Contest. "We want to encourage people to think about ways 3D printing can be used for the benefit of humanity," said Pearce, the contest organizer. "3D printers have been getting a lot of bad press because people are using them to make guns, which is unfortunate, because many designers are making wonderful things."

  Michigan Tech has already saved tens of thousands of dollars using 3D printable scientific and engineering equipment. Plus, University researchers have developed 3D printable tools to test water quality and recycle waste plastic. Their studies have shown that 3D printing consumer goods is better for the environment than shipping those items from China, said Pearce.

  "Our aim is to raise awareness of the power of 3D printing to change the world for the better," he said.

- Juice from rice cells knocked out two kinds of human cancer cells as well or better than the potent anti-cancer drug Taxol in lab tests conducted by a Michigan Technological University scientist. Plus, it did something extra: it played nice with normal cells.

Biologist Ramakrishna Wusirika and his team made their anti-cancer cocktail with blobs of rice stem-cells called calli, which they cultured in their lab using seeds of the garden-variety rice plant Oryza sativa. Then they collected secretions from these calli and applied them to colon and kidney cancer cells in the lab.

After 96 hours of exposure to a 20-to-1 rice callus solution, 95 percent of the kidney cancer cells were killed, along with 83 percent of the colon cancer cells, while normal lung cells were virtually unharmed. Taxol was lethal to the cancer cells too, but it also killed a significant number of normal cells.

Wusirika would like to try the rice callus solution on prostate, lung, and breast cancer cells, the most common types of cancer in the US. “We think it will work with all of them, but we need to find out,” he said.

He also wants to determine which of the compounds released by the rice callus have cancer-killing properties and how they work against tumor cells. Or, he notes, it’s possible that the suite of biochemicals found in the callus solution work as a team to fight cancer.

Giving Back

- Michigan Technological University engineering students designed and built two prototypes of hand-cranked three-wheel cycles for wounded veterans to ride in endurance races. The cycles will be used by the Achilles Freedom Team of Wounded Veterans in future competitions.

  A member of the Achilles Freedom Team rode one of the prototype cycles out onto the field during a first-quarter timeout of last fall’s Army-Navy game, accompanied by Michigan Tech senior James Cook, GM Chairman and CEO Dan Akerson, and GM engineer Alexa Ellswood.

  “This is the most rewarding assignment I’ve ever worked on,” said Brett Jenkins, another member of the design team.

  Chevrolet engineers mentored the student teams. “I loved working with the students and seeing their energy and passion,” said Ellswood, one of those engineers. “This isn’t their last class. It’s their first job.”

- After the devastating Heritage Manor fire last year, Michigan Tech students flocked to the site to help the elderly residents move from their fire-damaged home. A few months later they were on scene to help residents move back into the renovated facility, even though they were on spring break.

Athletics

- Michigan Tech claimed its 10th GLI title with a 4-0 victory over No. 7-ranked Western Michigan at Joe Louis Arena. The Huskies' Pheonix Copley, who slammed the door on Michigan in a 4-0 win the previous night, became just the second goaltender in GLI history to post back-to-back shutouts. He was named the winner of the John MacInnes Trophy as the tournament MVP.

  The MacInnes Cup, given to the GLI Champion, is in the possession of the Huskies for the first time since 1980, when head coach Mel Pearson was a Huskies' player.

"I'm enjoying this more as a coach. You realize you're representing not only your team, but your university and community," said Pearson. "I couldn't be more proud of our guys. We went out, played as a team and earned this. It's special."

"This win is going to be a big boost for us going forward."

- Michigan Tech senior women's basketball player Sam Hoyt was one of five players in NCAA Division II to earn Capital One Academic All-America First Team honors as selected by the College Sports Information Directors of America. The Arkansaw, Wisconsin, native is a two-time Academic All-American, having earned second team honors as a junior.

- Senior men's basketball player Ali Haidar was named GLIAC Player of the Year for the second consecutive season. The Windsor, Ontario, native joined Josh Buettner and Matt Cameron as Huskies who won the award twice. Haidar, who ranks fifth in career scoring (1,902) at Michigan Tech, ranked second in the nation in scoring (24.9 ppg) and tied for 16th in rebounding (9.7 rpg).

- For just the second time in school history, the Michigan Tech football team earned a GLIAC title. The Huskies won a decisive 35-13 victory over Wayne State to finish in a four-way tie for the GLIAC North Division championship with Grand Valley State, Saginaw Valley State and Hillsdale.

  "It's special," said head coach Tom Kearly. "Any time you get a chance to win a title and put a banner up is special. It doesn't happen very often."

  Tech also had seven football players earn All-GLIAC honors when the league announced its 2012 postseason awards. Wide receiver Matt Curtin and linebacker Justin Armstrong both garnered All-GLIAC First Team honors and five others were named to the All-GLIAC Second Team.

Budget and Tuition Update

Michigan Tech announced a move to a plateau tuition plan for undergraduates beginning with the fall 2013 semester. The decision to adopt the plateau tuition plan was made by the University's Financial Data Group after a thorough analysis.

The plateau will be set at 12–18 credit hours. That means undergraduates will pay a flat rate for a course load ranging from 12 to 18 credit hours. In fall 2011, full time undergraduate students on average took 14.7 credits per semester. In fall 2012, the average was 14.6.

The dollar amount of the plateau tuition was determined at the May meeting of Michigan Tech's Board of Control, with $6,735 the plateau rate for Michigan residents, and $14,175 for non-Michigan residents. The plateau plan does not apply to graduate-level tuition. The 2.9 percent increase for in-state undergraduate tuition keeps Michigan Tech below tuition caps proposed by the state House, Senate and Governor, the Board was informed at its May meeting.

Also at the May Board of Control meeting, the Board of Control passed a balanced budget for fiscal year 2014 of $172.5 million. Major sources of revenue include $43.8 in state appropriations and $114.7 million in tuition and fees.

Next year's budget is $7 million higher than the current year's and includes an additional $1 million for financial aid, $500,000 for maintenance and a 3 percent merit adjustment for employees, effective in January.

In a presentation to the Board Finance Committee, Les Cook, vice president for student affairs, listed some of the benefits of the plateau tuition plan:

- Setting tuition for full-time undergraduates near the current 15 credit hour rate allows students to better predict semester tuition bills and allows the University to better project tuition revenue.

- The change may motivate capable students to increase their per semester class load, shortening their time to graduation.

- A flat rate provides financial incentive for students to pursue second credentials such as a certificate, second major or a minor.

- Moving to this structure provides additional incentive for students to remain at the University for an additional year to earn a master's degree.

- Plateau tuition encourages students currently transferring credits from online courses (where Michigan Tech has no control over quality of content and instruction) instead to take those courses at Michigan Tech.

- Because students won't have to pay additional tuition for courses within the 12-18 hour plateau, they will be more likely to explore other academic interests, pursing courses of interest that may lie outside their immediate major course path.

- Moving to the plateau structure simplifies the add/drop process as well as the payment/refund function for both the student and the University.

"This decision has been made after careful deliberations, including a careful financial analysis," said Provost Max Seel. "In the end, I believe that the educational benefits—that students can fully explore the college experience and take classes they otherwise would not have taken—carry the argument. Easier financial budget planning is a welcome byproduct."

"We believe that plateau tuition will help our students and their families plan better for the costs of their education," Cook said.

ENROLLMENT

Admission is open to all students on a competitive basis. The University's entering first-year students consistently have average ACT scores greater than the national average. The following tables show that about 35% of accepted students enroll at the University. Michigan residents account for 64% of the University's enrollment.

Accepted Students Summer and Fall Terms					
	2012	**2011**	**2010**	**2009**	**2008**
First-year Students	3,462	3,441	3,353	3,456	3,781
Transfer Students	400	401	415	403	352
Graduate Students	1,306	1,258	1,252	1,217	962
Total	**5,168**	**5,100**	**5,020**	**5,076**	**5,095**

Average ACT Scores for Incoming First-year Students, Fall		
	MI Tech	**Nat'l**
2012	26.3	21.1
2011	26.4	21.1
2010	26.1	21.0
2009	26.0	21.1
2008	25.6	21.1

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

Selected Enrollment Data* Summer and Fall Terms					
	2012	**2011**	**2010**	**2009**	**2008**
First-year Students	1,153	1,161	1,115	1,160	1,365
New Transfer Students	257	219	230	236	216
Graduate Students	393	402	364	443	265
Total	**1,803**	**1,782**	**1,709**	**1,839**	**1,846**

Enrollment by Residency*					
	2012	**2011**	**2010**	**2009**	**2008**
Resident	4,408	4,511	4,550	4,782	4,652
Nonresident	1,426	1,404	1,381	1,457	1,526
International	1,018	1,011	985	892	819
Total	**6,852**	**6,926**	**6,916**	**7,131**	**6,997**

Full-Time Equivalent Students by Residency*					
	2012	**2011**	**2010**	**2009**	**2008**
Resident	4,079	4,200	4,239	4,410	4,315
Nonresident	1,349	1,319	1,307	1,378	1,433
International	953	962	925	848	780
Total	**6,381**	**6,481**	**6,471**	**6,636**	**6,528**

**Does not include Distance Learning*

DEGREES AWARDED

The University awards four levels of degrees: associate, bachelor's, master's, and doctoral/professional degrees. Listed below is a five-year history of degrees awarded.

Degrees Awarded**					
	2012	**2011**	**2010**	**2009**	**2008**
Associate	0	3	6	23	20
Bachelor's	1,222	1,065	1,177	1,111	1,170
Master's	289	269	202	169	196
Doctorate	63	55	56	57	54
Total	**1,574**	**1,392**	**1,441**	**1,360**	**1,440**

***Includes Degrees in second Major*

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis section of the Michigan Technological University (the "University") annual financial report provides an overview of our financial activities during the fiscal years ended June 30, 2013, 2012, and 2011. University management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis, which includes the Michigan Tech Fund whenever appropriate. Responsibility for the completeness and fairness of this information rests with University management.

USING THE ANNUAL REPORT

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

REPORTING ENTITY

Under the provision of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus;* the Michigan Tech Fund has been determined to be a component unit. Its activity has been blended into the University's financial statements.

CONDENSED STATEMENTS OF NET POSITION

The Statements of Net Position include all assets and liabilities of the University. Over time, increases and decreases in net position (the difference between assets and liabilities) 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			
	2013	**2012**	**2011**
Assets			
Current assets	$ 31,296,562	$ 40,008,882	$ 42,790,369
Noncurrent assets:			
Capital assets, net	253,799,271	258,710,677	250,247,323
Other	146,598,009	129,382,581	136,558,172
Total assets	**$ 431,693,842**	**$ 428,102,140**	**$ 429,595,864**
Liabilities			
Current liabilities	$ 21,927,137	$ 21,549,237	$ 26,168,064
Noncurrent liabilities	88,484,151	88,271,925	86,682,698
Total liabilities	**$ 110,411,288**	**$ 109,821,162**	**$ 112,850,762**
Net position			
Net investment in capital assets	$ 169,009,147	$ 174,653,749	$ 168,402,307
Restricted			
Nonexpendable	68,536,641	66,069,720	61,274,672
Expendable	72,263,098	67,652,076	72,938,809
Unrestricted	11,473,668	9,905,433	14,129,314
Total net position	**$ 321,282,554**	**$ 318,280,978**	**$ 316,745,102**

Changes from 2012 to 2013

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

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

Other noncurrent assets increased by $17.2 million, mostly due to the increase in the value of investments by $16.1 million.

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

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

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

Changes from 2011 to 2012

Current assets decreased by $2.8 million. Cash and cash equivalents decreased by $3.3 million due to the use of bond proceeds on capital construction projects and increased financial aid allowances. Accounts receivable decreased by $1.9 million due to decreases in receivables for research and state appropriations. Pledges receivable increased by $2.2 million.

Capital assets, net increased by $8.4 million. Asset additions during fiscal year 2012 totaled $47.2 million, book value of disposals was $26.4 million, and the depreciation charge for the year was $12.9 million. Capital additions for fiscal 2012 included $4.5 million in academic and research equipment and $14.8 million for the additional construction costs of a new research facility.

Other noncurrent assets decreased by $7.2 million as the value of investments decreased by $6.6 million and receivables from student loans, pledges, and charitable remainder trusts decreased by $665,000.

Current liabilities decreased by $4.6 million. Accounts payable decreased by $1.7 million mainly due to decreased payables to vendors. In FY11, a carryover policy was initiated whereby any unspent general fund budget allocation will be allowed to carry forward to the next fiscal year; this has had the effect of greatly reducing payables to vendors at year end. Other accrued liabilities decreased by $2.9 million as the unpaid payroll at year end was for a lesser period of time, current portion of insurance and benefits reserve decreased by $361,000, and current portion of long-term debt increased by $432,000.

Noncurrent liabilities increased by $1.5 million as additional bonds were issued to finance the refurbishment of the ice hockey arena. Long-term debt increased by $1.6 million and insurance and benefit reserves decreased by $267,000.

Total net position increased by $1.5 million. The University's net investment in capital assets increased by $6.3 million. This is a result of the capitalization of the new research facility, other construction in progress, and equipment additions less the annual depreciation charge. Restricted net position decreased by $492,000 and unrestricted net position decreased by $4.2 million. The June 30, 2012 unrestricted net position of $9.9 million consists of reserves in designated funds, auxiliary funds and the plant renewal and replacement fund offset by deficits in the general fund and retirement and insurance fund.

NET POSITION

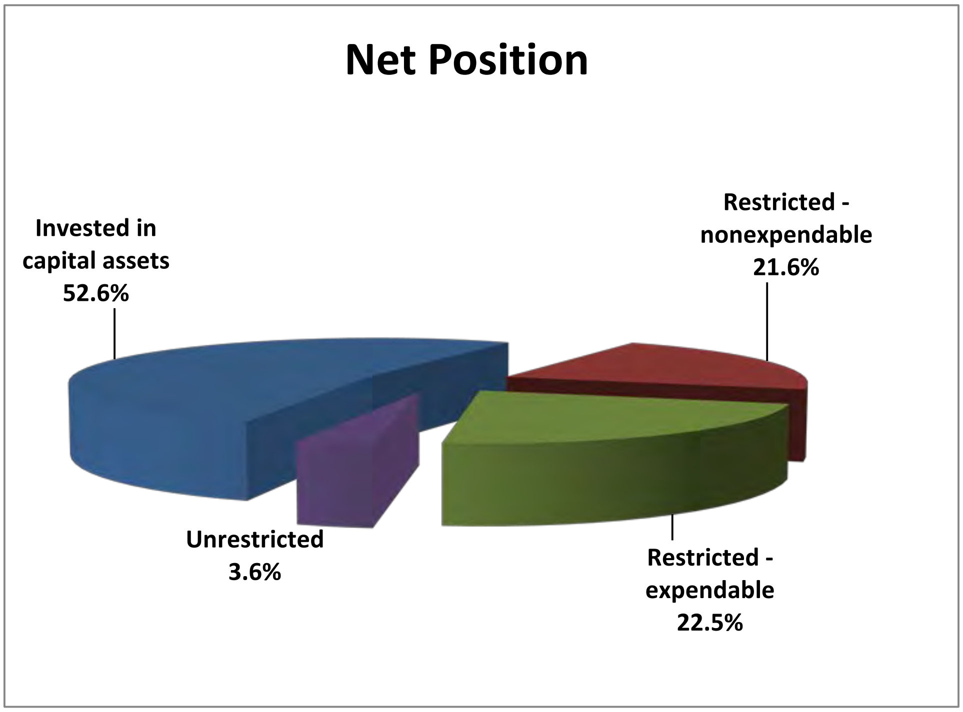
Net position represents the residual interest in the University's assets after liabilities are deducted. The composition of the University's net position is summarized as follows:

Net Position Summary As of June 30			
	2013	**2012**	**2011**
Net Investment in capital assets	**$ 169,009,147**	**$ 174,653,749**	**$ 168,402,307**
Restricted-nonexpendable net position			
Corpus of permanent endowment funds	63,227,069	59,553,748	56,043,910
Remainder interests in split-interest agreements	5,309,572	6,515,972	5,230,762
Total restricted-nonexpendable net position	**68,536,641**	**66,069,720**	**61,274,672**
Restricted-expendable net position			
Gifts and sponsored programs	24,840,606	22,271,213	20,387,831
Capital projects and debt service	2,480,566	3,387,405	5,479,269
Student loans	14,080,091	14,011,752	13,898,217
Net-appreciation on permanent endowment funds	30,861,835	27,981,706	33,173,492
Total restricted-expendable net position	**72,263,098**	**67,652,076**	**72,938,809**
Unrestricted net position (deficit)			
Capital projects and repairs	(1,061,067)	651,704	(1,763,284)
Auxiliary enterprises	9,596,143	9,235,156	6,850,582
Designated for departmental use	16,031,437	15,816,151	17,482,191
Uncommitted	(13,092,845)	(15,797,578)	(8,440,175)
Total unrestricted net position	**11,473,668**	**9,905,433**	**14,129,314**
Total net position	**$ 321,282,554**	**$ 318,280,978**	**$ 316,745,102**

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

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

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



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 year. In accordance with GASB reporting principles, activities are reported as either operating or nonoperating. GASB 35 classifies state appropriations and gifts as nonoperating revenues, which will always result in operating deficits for the University.

Condensed Statements of Revenues, Expenses, and Changes in Net Position Year ended June 30			
	2013	**2012**	**2011**
Operating revenues			
Tuition and fees, net	$ 78,187,511	$ 76,995,545	$ 71,847,514
Grants and contracts	46,814,407	48,133,325	48,226,440
Educational activities	4,706,789	4,481,022	4,126,664
Auxiliary activities, net	25,738,765	24,549,259	23,270,317
Total operating revenues	**155,447,472**	**154,159,151**	**147,470,935**
Operating expenses	224,261,937	225,739,700	218,945,371
Operating loss	**(68,814,465)**	**(71,580,549)**	**(71,474,436)**
Nonoperating revenues (expenses)			
Federal Pell grants	5,836,503	5,756,429	6,321,778
State appropriations	42,633,969	40,733,597	47,924,200
Capital grants and gifts for all purposes	16,607,144	14,005,230	17,379,299
Other nonoperating revenues and expenses, net	6,738,425	12,621,169	16,358,588
Net nonoperating revenues	**71,816,041**	**73,116,425**	**87,983,865**
Net increase in net position	3,001,576	1,535,876	16,509,429
Net position			
Beginning of year	318,280,978	316,745,102	300,235,673
End of year	**$ 321,282,554**	**$ 318,280,978**	**$ 316,745,102**

Changes from 2012 to 2013

Operating revenues increased by a total of $1.3 million. Tuition and fees, net of scholarship allowance, increased by $1.2 million (1.5%) as enrollment declined by roughly 100 students, and tuition increases amounted to 3.9% for undergrad students and 6.0% for graduate students. Grant and contract revenues decreased by $1.3 million (2.7%), Educational activities revenues increased by $225,000 (5.0%) and Auxiliary activities, net of scholarship allowance, increased by $1.2 million (4.8%) due to an increase in housing occupancy.

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

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

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

Changes from 2011 to 2012

Operating revenues increased by a total of $6.7 million. Tuition and fees, net of scholarship allowance, increased by $5.1 million (7.0%) as enrollment was level and tuition increases amounted to 6.98% for undergrad students and 9.5% for graduate students. Grant and contract revenues decreased by $93,000 (no percentage change), Educational activities revenues increased by $354,000 (8.6%) and Auxiliary activities, net of scholarship allowance, increased by $1.3 million (5.5%) due to an increase in housing occupancy.

Operating expenses increased by $6.8 million. Salary and benefit costs increased by $4.3 million (3.1%). A breakdown of these costs shows that salary costs increased by $1.7 million (1.6%) and benefit costs increased by $2.6 million (7.5%). Salaries increased due to a mid-year wage adjustment and benefits increased due to higher health care costs and the increasing costs of the state MPSERS retirement program. Supplies and services increased by $3.3 million (7.0%), utilities decreased by $342,000 (4.2%), and annual depreciation decreased by $380,000.

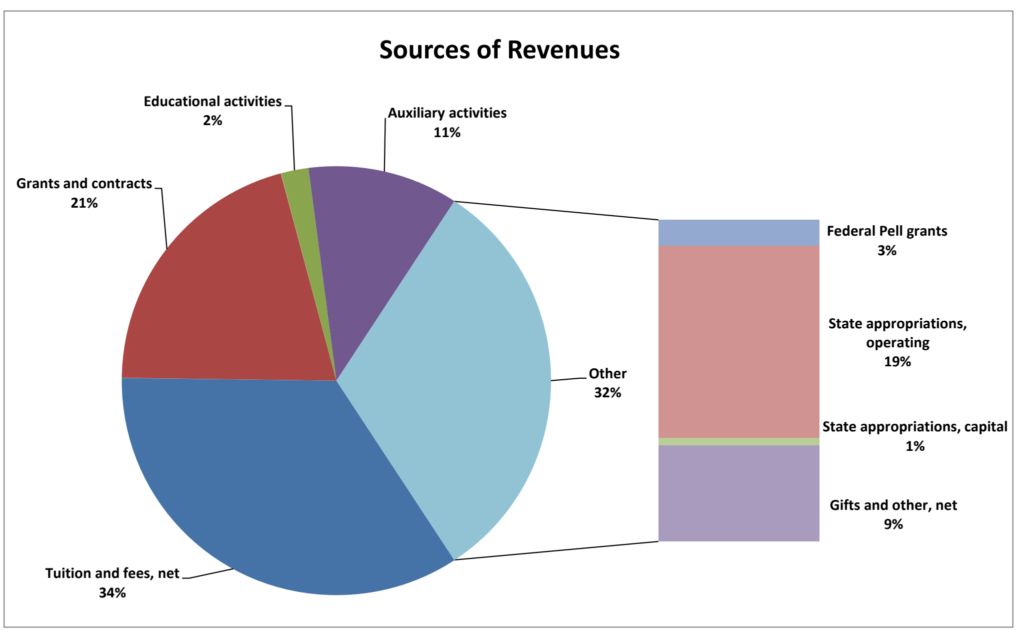
Net nonoperating revenues decreased by $14.9 million. Federal Pell grants decreased by $565,000, state appropriations decreased by $7.2 million, gifts to the University, including gifts for capital and endowment purposes, decreased by $3.4 million, investment return decreased by $18.1 million, capital appropriations increased by $13.9 million, and other nonoperating revenues increased by $1.7 million.

The net result of operations for the year was an increase in net position of $1.5 million.

Revenue Diversification

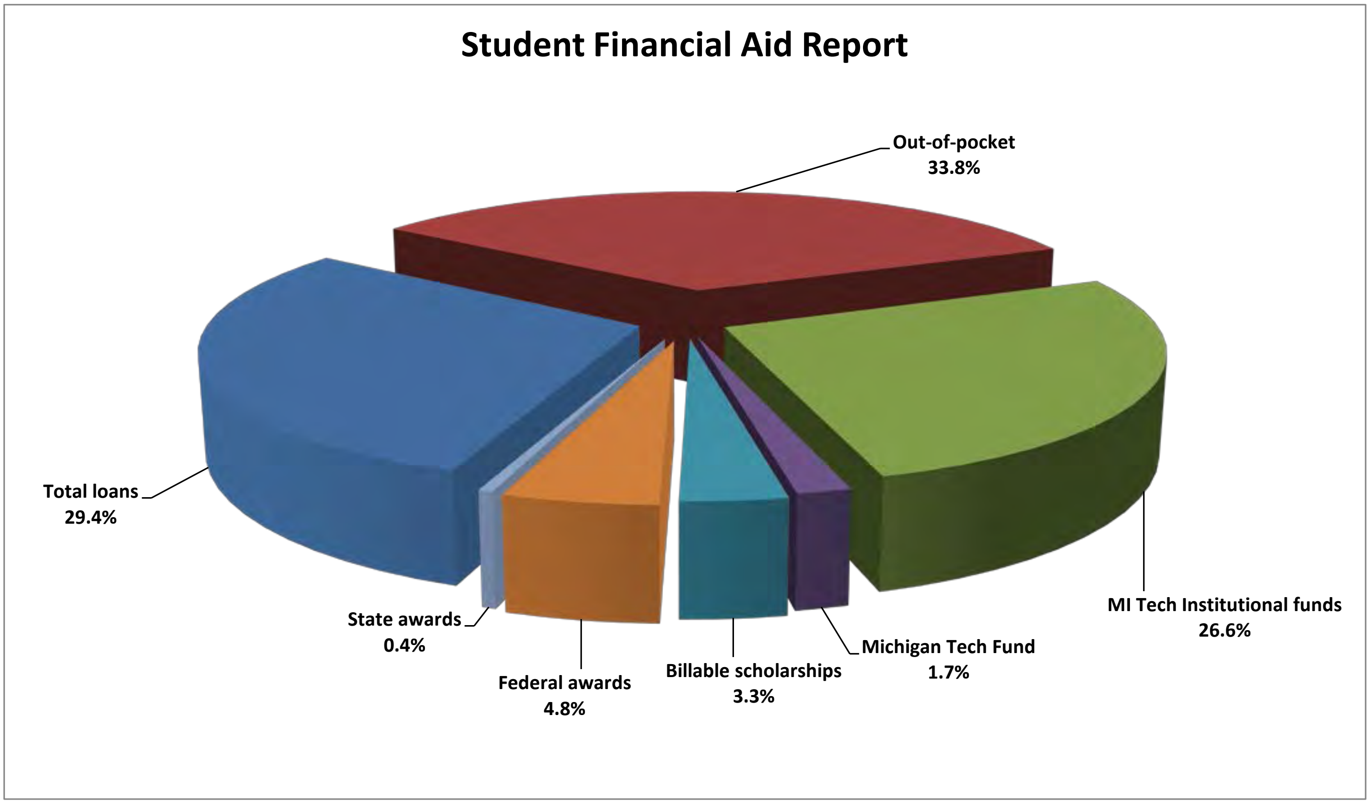
The University relies on multiple sources of revenues to supplement student tuition. The University continues to aggressively increase funding from other sources consistent with its mission.

The following graph illustrates the fiscal year 2013 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 2013, the University implemented a 3.9% average increase in tuition and mandatory fees for Michigan undergraduates. Graduate students saw a 6.0% increase in tuition and mandatory fees. The following graph identifies the source of funds used to pay student tuition and fees for the fiscal year ended June 30, 2013. The graph shows that 36.8% of student tuition and fees are provided by the University, donors to the University, or various grant and scholarship programs.

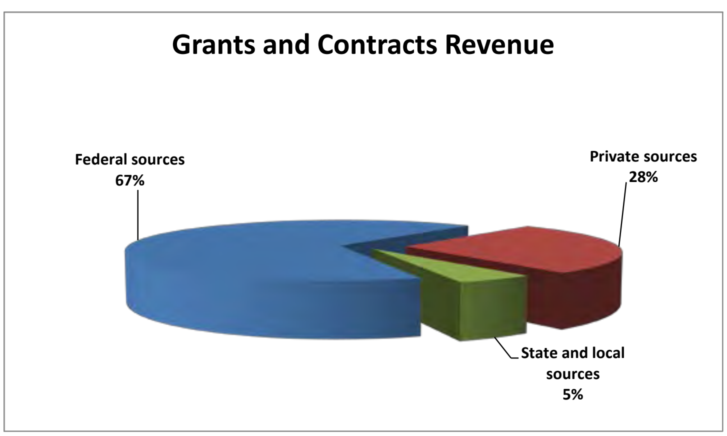


GRANT AND CONTRACT REVENUE

The University receives revenues for sponsored programs from governmental and private sources, which provide for the direct and indirect costs of performing sponsored activities. The University also receives revenues from the federal government and its agencies for student grants. There were $48.0 and $43.4 million of research and sponsored programs awarded to the University in fiscal years 2013 and 2012, 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.

Grants and Contracts Revenue Year ended June 30			
	2013	2012	2011
Federal sources			
Department of Agriculture	$ 2,552,877	$ 2,915,001	$ 2,607,963
Department of Defense	9,190,418	9,781,331	9,345,988
Department of Education	752,969	831,035	2,018,251
Department of Energy	2,222,351	3,443,292	4,408,612
Department of Interior	800,301	637,404	887,116
Department of Transportation	1,490,529	1,638,899	1,134,734
Environmental Protection Agency	778,160	781,229	228,126
National Aeronautics and Space Administration	2,524,346	1,671,224	1,348,565
National Science Foundation	9,697,470	9,145,161	8,200,144
Health and Human Services	1,046,529	1,220,475	2,276,522
Other federal sources	311,964	417,676	157,829
Total federal sources	31,367,914	32,482,727	32,613,850
Nonfederal sources			
State and local	2,445,292	2,280,914	2,644,867
Private	13,001,201	13,369,684	12,967,723
Total nonfederal sources	15,446,493	15,650,598	15,612,590
Total all sources	**$ 46,814,407**	**$ 48,133,325**	**$ 48,226,440**

The following graphic illustrates the fiscal year 2013 grant and contract revenue by source.



CONDENSED STATEMENTS OF CASH FLOWS

Another way to assess the financial health of an institution is to look at its Statement of Cash Flows. Its primary purpose is to provide relevant information about sources and uses of cash of an entity during a period. The Statements of Cash Flows also help users assess:

- an entity's ability to generate future net cash flows
- its ability to meet its obligations as they come due
- 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			
	2013	2012	2011
Cash (used in) provided by			
Operating activities	$ (55,431,295)	$ (59,730,006)	$ (58,124,973)
Noncapital financing activities	60,308,314	55,803,620	65,295,500
Capital and related financing activities	(5,020,393)	(6,169,171)	(15,886,644)
Investing activities	(6,286,999)	6,835,602	1,428,466
Net decrease in cash and cash equivalents	**(6,430,373)**	**(3,259,955)**	**(7,287,651)**
Cash and cash equivalents, beginning of the year	14,260,691	17,520,646	24,808,297
Cash and cash equivalents, end of the year	**$ 7,830,318**	**$ 14,260,691**	**$ 17,520,646**

Changes from 2012 to 2013

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

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

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

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

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

Changes from 2011 to 2012

Cash used in operations increased by $1.6 million. Significant changes in cash provided by operations include an increase from tuition and fees of $4.8 million, an increase from auxiliary and educational activities of $2.5 million, and an increase from grants and contracts of $855,000. The most significant changes in cash used in operations include an increase in payments to employees and employee benefits of $7.0 million and an increase in payments to suppliers and utilities of $2.6 million.

Cash provided by noncapital financing activities decreased by $9.5 million. Gifts to the University increased by $1.0 million and the University had a recovery of a previous write-off of $1.1 million. Pell grants decreased by $482,000 and state appropriations decreased by $5.9 million.

Net cash used by capital and related financing activities decreased by $9.7 million. During fiscal year 2012 there was a decrease in cash provided by the issuance and payment of long-term debt of $6.2 million. Cash received for capital appropriation increased by $13.9 million.

Cash provided by investing activities increased by $5.4 million primarily due to balancing of investment portfolios and the receipt and reinvestment of dividends from the investment portfolio and the receipt of interest from the student loan program.

Overall, cash and cash equivalents decreased by $3.3 million for the year ended June 30, 2012.

Rehmann

107 S. Cass St., Suite A
Traverse City, MI 49684
Ph: 231-946-3230
Fx: 231-946-3955
www.rehmann.com

INDEPENDENT AUDITORS' REPORT

December 12, 2013

Board of Control
Michigan Technological University
Houghton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of *Michigan Technological University* (the "University"), a component unit of the State of Michigan, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

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, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 12 to the financial statements, an error resulting in understatement of amounts previously reported for capital assets and land held for investment as of June 30, 2012, were discovered by management of the University during the current year. Accordingly, amounts reported for capital assets and land held for investment have been restated in the 2012 financial statements now presented, and an adjustment has been made to beginning net position as of July 1, 2011, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated December 12, 2013, on our consideration of Michigan Technological University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan Technological University's internal control over financial reporting and compliance.

Rehmann Robson LLC

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF NET POSITION

		June 30
	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 7,830,318	$ 14,260,691
Accounts receivable, net	17,579,084	18,806,548
Pledges receivable, net	3,916,458	4,991,445
Other assets	1,970,702	1,950,198
Total current assets	**31,296,562**	**40,008,882**
Noncurrent assets		
Student loans receivable, net	12,141,355	12,207,214
Pledges receivable, net of allowance and current portion	3,348,269	3,091,844
Investments	114,386,187	98,344,524
Beneficial interest in charitable remainder trusts	4,854,847	4,496,015
Land held for investment	9,926,541	9,330,775
Capital assets, net	253,799,271	258,710,677
Other assets	1,940,810	1,912,209
Total noncurrent assets	**400,397,280**	**388,093,258**
Total assets	**$ 431,693,842**	**$ 428,102,140**
Liabilities		
Current liabilities		
Accounts payable	$ 4,846,284	$ 4,778,859
Other accrued liabilities	9,188,834	8,504,078
Unearned revenue	2,939,264	2,990,127
Annuity obligations, current portion	339,351	323,948
Insurance and benefit reserves, current portion	1,810,640	2,712,225
Long-term debt, current portion	2,802,764	2,240,000
Total current liabilities	**21,927,137**	**21,549,237**
Noncurrent liabilities		
Funds held for others	670,950	680,450
Annuity obligations, net of current portion	4,133,993	4,205,783
Insurance and benefit reserves, net of current portion	770,036	1,109,300
Long-term debt, net of current portion	82,909,172	82,276,392
Total noncurrent liabilities	**88,484,151**	**88,271,925**
Total liabilities	**$ 110,411,288**	**$ 109,821,162**
Net position		
Net investment in capital assets	169,009,147	174,653,749
Restricted:		
Nonexpendable	68,536,641	66,069,720
Expendable	72,263,098	67,652,076
Unrestricted	11,473,668	9,905,433
Total net position	**$ 321,282,554**	**$ 318,280,978**

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	
	2013	2012
Revenues		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $30,198,282 and $29,174,798 in 2013 and 2012, respectively)	$ 78,187,511	$ 76,995,545
Federal grants and contracts	31,367,914	32,482,727
State and local grants and contracts	2,445,292	2,280,914
Nongovernmental grants and contracts	13,001,201	13,369,684
Educational activities	4,706,789	4,481,022
Departmental activities	9,238,144	8,810,327
Student residence fees (net of scholarship allowances of $6,095,525 and $5,553,682 in 2013 and 2012, respectively)	16,500,621	15,738,932
Total operating revenues	**155,447,472**	**154,159,151**
Expenses		
Operating expenses		
Compensation and benefits	145,629,847	145,928,184
Supplies and services	50,054,815	51,403,615
Student financial support	7,115,958	7,656,008
Utilities	7,483,914	7,879,942
Depreciation	13,977,403	12,871,951
Total operating expenses	**224,261,937**	**225,739,700**
Operating loss	**(68,814,465)**	**(71,580,549)**
Nonoperating revenues (expenses)		
Federal Pell grants	5,836,503	5,756,429
Federal grants, other	577,721	609,604
State appropriations	42,633,969	40,733,597
Gifts	12,802,560	7,723,654
Investment return	9,829,998	122,273
Interest on capital asset-related debt	(4,128,952)	(3,747,041)
Loss on disposal of capital assets	(1,477,521)	(1,541,352)
Net nonoperating revenues	**66,074,278**	**49,657,164**
Loss before other revenues	**(2,740,187)**	**(21,923,385)**
Other revenues		
Capital appropriations	1,691,591	15,196,597
Capital grants and gifts	1,337,663	1,486,528
Gifts for permanent endowment purposes	2,466,921	4,795,048
Other nonoperating revenues	245,588	1,981,088
Total other revenues	**5,741,763**	**23,459,261**
Net increase in net position	**3,001,576**	**1,535,876**
Net position		
Beginning of year, as restated	318,280,978	316,745,102
End of year	**$ 321,282,554**	**$ 318,280,978**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2013	**2012**
Cash flows from operating activities		
Student tuition and fees	$ 77,021,353	$ 77,184,920
Grants and contracts	47,322,208	48,762,430
Payments to employees	(110,256,747)	(110,858,010)
Payments for benefits	(36,133,364)	(37,803,478)
Payments to suppliers	(49,547,904)	(50,336,669)
Payments for utilities	(7,511,324)	(8,018,237)
Payments for financial aid	(7,115,958)	(7,656,008)
Loans issued to students	(2,021,680)	(1,771,607)
Collection of loans to students	2,087,539	2,018,801
Departmental activities	9,207,042	8,781,308
Educational activities	4,832,299	4,532,326
Student residence fees	16,487,221	15,768,113
Other receipts (payments)	198,020	(333,895)
Net cash used in operating activities	**(55,431,295)**	**(59,730,006)**
Cash flows from noncapital financing activities		
Federal Pell grants	5,840,879	5,816,208
Federal grants, other	577,721	609,604
State appropriations	42,298,422	42,040,980
Gifts and grants for other than capital purposes	11,552,955	6,201,866
Payments to annuitants	(324,623)	(285,625)
Other receipts	245,588	1,350,414
William D. Ford direct lending cash received	28,868,858	30,823,218
William D. Ford direct lending cash disbursed	(28,751,486)	(30,753,045)
Net cash provided by noncapital financing activities	**60,308,314**	**55,803,620**
Cash flows from capital and related financing activities		
Capital appropriations	1,691,561	15,196,597
Grants and gifts received for capital and endowment purposes	6,546,540	3,684,639
Proceeds from sale of capital assets	105,509	209,511
Purchases of capital assets	(9,128,416)	(23,900,531)
Proceeds on issuance of debt	15,023,022	35,728,341
Principal paid on capital debt and leases	(15,403,678)	(33,023,164)
Interest paid on capital debt and leases	(3,854,931)	(4,064,564)
Net cash used in capital and related financing activities	**(5,020,393)**	**(6,169,171)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	42,834,690	71,631,684
Purchase of investments	(51,623,056)	(67,256,899)
Income on investments	2,501,367	2,460,817
Net cash (used in) provided by investing activities	**(6,286,999)**	**6,835,602**
Net decrease in cash and cash equivalents	(6,430,373)	(3,259,955)
Cash and cash equivalents, beginning of year	14,260,691	17,520,646
Cash and cash equivalents, end of year	**$ 7,830,318**	**$ 14,260,691**

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

MICHIGAN TECHNOLOGICAL UNIVERSITY
STATEMENTS OF CASH FLOWS (continued)

	Year Ended June 30	
	2013	**2012**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (68,814,465)	$ (71,580,549)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	13,977,403	12,871,951
Changes in operating assets and liabilities:		
Receivables, net	197,263	1,871,530
Other assets	(49,105)	(220,267)
Student loans receivable	65,859	247,194
Accounts payable	(186,101)	(291,590)
Other accrued liabilities	737,749	(2,023,410)
Unearned revenue	(109,548)	(77,465)
Funds held for others	(9,500)	450
Insurance and benefit reserves	(1,240,850)	(527,850)
Net cash used in operating activities	**$ (55,431,295)**	**$ (59,730,006)**

Non-cash financing activities

Purchase of equipment under capital leases amounted to $1,576,200 and is included in long-term debt as of June 30, 2013.

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

NOTES TO THE FINANCIAL STATEMENTS

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

BASIS OF PRESENTATION

Reporting Entity

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

On July 1, 2011, the University adopted Government Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary institution (i.e., blending) in certain circumstances. The University has two component units which are described below. The descriptions include the impact that each component unit has on the University.

> The Michigan Tech Fund (the Fund) is a legally separate tax-exempt component unit of the University. The primary purpose of the Fund is to receive, invest, and disburse gifts received on behalf of the University. The Fund provides services entirely to the University and has substantively the same governing body. In accordance with the provisions of GASB Statement No. 61, 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, 2013, 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. In accordance with GASB Statement No. 61, 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 substantively the same governing body. The University, however, has excluded the MTESC's financial activity from the financial statements due to insignificance.

Therefore, the financial statements include the operations of the University and the Fund, collectively known as the University's financial statements, based on the evaluation of the entities and the provisions of GASB Statement No. 61.

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

MICHIGAN TECH FUND
CONDENSED STATEMENTS OF NET POSITION

As of June 30				
		2013		**2012**
Assets				
Current assets	$	7,805,437	$	11,015,238
Noncurrent assets:				
Capital assets, net		2,947		6,897
Investments		102,503,128		90,297,647
Other		9,525,622		8,640,524
Total assets	**$**	**119,837,134**	**$**	**109,960,306**
Liabilities				
Current liabilities:				
Accounts payable to University	$	371,290	$	421,646
Other		441,286		553,416
Noncurrent liabilities		4,133,993		4,205,783
Total liabilities	**$**	**4,946,569**	**$**	**5,180,845**
Net position				
Restricted				
Nonexpendable	$	68,536,641	$	66,069,720
Expendable		43,548,704		37,450,730
Unrestricted		2,805,220		1,259,011
Total net position	**$**	**114,890,565**	**$**	**104,779,461**

MICHIGAN TECH FUND
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30		
	2013	**2012**
Operating expenses		
Compensation and benefits	$ -	$ 531,391
Student financial support	12,645,908	12,138,114
Supplies and services	1,548,647	3,310,389
Depreciation	3,950	4,173
Total operating expenses	**14,198,505**	**15,984,067**
Operating loss	**(14,198,505)**	**(15,984,067)**
Nonoperating revenues and expenses		
Gifts	12,800,831	7,722,066
Investment return (loss)	7,446,716	(435,040)
Gifts for capital and permanent endowment purposes	3,916,474	5,987,042
Other nonoperating revenues	145,588	150,414
Net nonoperating revenues	**24,309,609**	**13,424,482**
Increase (decrease) in net position	10,111,104	(2,559,585)
Net position		
Beginning of year	104,779,461	107,339,046
End of year	**$ 114,890,565**	**$ 104,779,461**

MICHIGAN TECH FUND
CONDENSED STATEMENT OF CASH FLOWS

Year Ended June 30		
	2013	**2012**
Cash (used in) provided by		
Operating activities	$ (13,730,410)	$ (15,049,390)
Noncapital financing activities	11,372,191	6,165,067
Capital and related financing activities	4,687,409	4,099,613
Investing activities	(4,479,571)	6,254,025
Net (decrease) increase in cash and cash equivalents	**(2,150,381)**	**1,469,315**
Cash and cash equivalents, beginning of year	5,873,414	4,404,099
Cash and cash equivalents, end of year	**$ 3,723,033**	**$ 5,873,414**

Basis of Presentation

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

Use of Estimates

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The University considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Pledges Receivable and Gifts

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

Inventories

Inventories included in other current assets are recorded at the lower of cost or market determined on a first-in, first-out basis.

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 and limited partnerships 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 and limited partnerships' estimated values may differ materially from the values that would have been used if a ready market for the securities existed. Gifts of securities are recorded at their fair value based on the mean of the high and low quoted price of stock transactions at the date of the gift. Except for investments that are not readily marketable or where donors specifically provide otherwise, investments are maintained by custodial institutions responsible for consummating investment transactions at the request of the Fund to facilitate cash flow requirements. The Fund employs an asset allocation investment policy and uses the services of an investment advisor to facilitate the implementation of this policy. Asset allocations are reviewed monthly and rebalanced as necessary. The Fund's Investment Committee of the Board of Trustees provides oversight of the investment advisor and makes recommendations to the Board of Directors concerning any changes in the asset allocation. Each month, the Fund allocates and credits investment earnings (including realized and unrealized gains and losses) on nonexpendable restricted, expendable restricted, and unrestricted net position to departmental funds based on an average of each fund's beginning and ending monthly balances. Any unrealized losses on amounts invested for donor-restricted endowments are recorded as expendable restricted to the extent of unexpended earnings of the respective endowment fund. Any unrealized losses in excess of that amount are charged to unrestricted net position. Subsequent unrealized appreciation on the related investments is recorded as unrestricted up to the amount of losses previously absorbed by unrestricted net position.

Capital Assets

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

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

Goodwill

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

Revenue Recognition

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

Classification of Revenues

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

Operating Revenues

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

Nonoperating Revenues

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

Classification of Expenses

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

Operating Expenses

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

Nonoperating Expenses

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

Income Taxes

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

Net Position

The University's net position is classified as follows:

Net investment in capital assets

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

Restricted for nonexpendable purposes

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

Restricted for expendable purposes

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

Unrestricted

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

Change in Accounting Principles

Effective with the fiscal year ended June 30, 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* These statements introduce and define those elements as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. The standards also incorporate deferred outflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In accordance with these standards, the University has modified the presentation of the Statement of Net Position at June 30, 2013 and 2012 in accordance with the standard. At June 30, 2013 and 2012, the University has no deferred inflows nor deferred outflows to present.

Reclassification

Certain amounts as reported in the 2012 financial statements have been reclassified to conform with the 2013 presentation.

Subsequent Events

In preparing these financial statements, University management has evaluated significant events or transactions that occurred during the period subsequent to June 30, 2013, the most recent statement of net position presented herein, through December 12, 2013, the date these financial statements were available to be issued. Any significant events or transactions will be disclosed in subsequent footnotes.

(2) CASH AND INVESTMENTS

Authorizations

The University utilizes the "pooled cash" method of accounting for substantially all of its cash and cash equivalents. The University investment policies are governed and authorized by University Bylaws and the Board of Control.

Interest rate risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

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

Custodial credit risk: deposits

For deposits, custodial credit risk is present if the University's deposits would not be covered by depository insurance or collateralized by the bank. State law does not require and the University does not have a policy for deposit custodial credit risk. Deposits were reflected in the accounts of the banks at $6,934,552 and $7,107,298 as of June 30, 2013 and 2012, respectively. There were no bank deposit balances exposed to custodial credit risk because they were uninsured or uncollateralized, as of June 30, 2013 and 2012.

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. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book-entry form. The University, therefore, has no custodial credit risk in its investment portfolio.

Concentration of credit risk

The University investments are in mutual funds; accordingly, no concentration of credit risk is considered to exist.

Foreign currency risk

The University has no foreign investments.

Investments and Investment Return

Investments, carried at fair value, at June 30, 2013 and 2012, are categorized as follows:

Investment Portfolio		
Investment type	2013	2012
Marketable sercurities		
Equities	$ 438,271	$ 354,804
Equity mutual funds	55,618,661	48,733,431
Fixed income mutual funds	18,338,668	12,555,494
Corporate bonds and notes	156,861	115,573
US government obligations	19,424,788	20,540,614
Total marketable securities	**93,977,249**	**82,299,916**
Alternative investments		
Hedge funds	13,864,073	5,054,643
Private equity	5,537,416	6,857,586
Real estate and natural resources	987,449	4,112,379
Total alternative investments	**20,388,938**	**16,024,608**
Closely-held stock	20,000	20,000
Total investments	**$ 114,386,187**	**$ 98,344,524**

The University's net investment return is comprised of the following for the years ended June 30, 2013 and 2012.

Investment Return Year ended June 30				
		2013		2012
Investment return				
Dividends and interest	$	2,516,937	$	2,472,593
Capital gain distributions		480,289		752,749
Net gain on sale of investments		4,305,483		2,667,681
Net increase (decrease) in the fair value of investments		2,651,817		(5,535,100)
Net increase in the fair value of land held for investment		354,526		-
Asset-based management and administrative fees		(479,054)		(235,650)
Total investment return	**$**	**9,829,998**	**$**	**122,273**

(3) RECEIVABLES

Accounts receivable of the University are summarized as follows as of June 30, 2013 and 2012.

Accounts Receivable				
		2013		2012
Student tuition and fees	$	1,675,406	$	488,928
State appropriations				
Operating		7,741,657		7,406,110
Capital		55,040		2,149,970
Grants and contracts		7,496,692		8,073,660
Auxiliary activities		498,168		427,491
Other		212,958		326,017
Less allowance for doubtful accounts		(100,837)		(65,628)
Accounts receivable, net	**$**	**17,579,084**	**$**	**18,806,548**

In addition, the University has student loans receivable in the amount of $12,141,355 and $12,207,214, recorded at June 30, 2013 and 2012, 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, 2013 and 2012.

Pledges Receivable	2013	2012
Pledges receivable in less than one year	$ 4,914,899	$ 5,722,611
Pledges receivable in one to five years	3,621,426	2,768,280
Pledges receivable in more than five years	134,025	409,505
Less:		
Allowance for uncollectible pledges	(998,441)	(411,166)
Present value discount	(407,182)	(405,941)
Net pledges receivable	**$ 7,264,727**	**$ 8,083,289**

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 .70% to 3.43%.

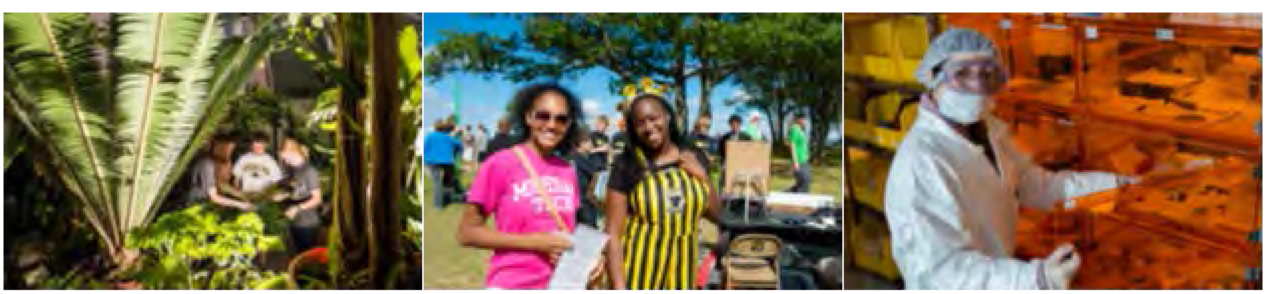
(4) CAPITAL ASSETS

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

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

The following table presents the changes in the capital asset class categories for the year ended June 30, 2012:

Changes in Capital Assets 2012	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Nondepreciable capital assets				
Land	$ 9,207,260	$ 22,000	$ -	$ 9,229,260
Mineral collections	5,516,860	327,276	-	5,844,136
Timber holdings	400,752	-	-	400,752
Construction in progress	9,884,783	17,618,452	(24,332,964)	3,170,271
Cost of nondepreciable capital assets	**25,009,655**	**17,967,728**	**(24,332,964)**	**18,644,419**
Depreciable capital assets				
Land improvements	1,517,098	128,410	-	1,645,508
Infrastructure	5,048,949	88,068	-	5,137,017
Buildings	329,307,318	24,332,964	-	353,640,282
Equipment	36,815,195	4,638,086	(2,114,354)	39,338,927
Library books	854,975	54,364	-	909,339
Cost of depreciable capital assets	**373,543,535**	**29,241,892**	**(2,114,354)**	**400,671,073**
Total cost of capital assets	**398,553,190**	**47,209,620**	**(26,447,318)**	**419,315,492**
Less: accumulated depreciation				
Land improvements	718,773	78,537	-	797,310
Infrastructure	1,951,438	246,570	-	2,198,008
Buildings	128,242,629	7,824,130	-	136,066,759
Equipment	16,940,093	4,582,299	(573,003)	20,949,389
Library books	452,934	140,415	-	593,349
Total accumulated depreciation	**148,305,867**	**12,871,951**	**(573,003)**	**160,604,815**
Capital assets, net	**$ 250,247,323**	**$ 34,337,669**	**$ (25,874,315)**	**$ 258,710,677**



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, 2013 and 2012, respectively, construction in progress consisted of several building renovation projects and the costs of one new building as detailed below.

Construction in Progress As of June 30				
Project		**2013**		**2012**
Seaman Mineral Museum	$	1,555,726	$	1,555,726
Great Lakes Research Center		-		431,784
Ice arena slab and cooling equipment		-		747,031
SDC roof replacement		-		260,986
Student Success Center (Administration Building)		209,054		-
SDC mass notification system		313,979		-
Other projects		139,293		174,744
Total	**$**	**2,218,052**	**$**	**3,170,271**

The funding for the capital projects in progress as of June 30, 2013 and the expected sources of financing for these projects are as follows:

Construction Costs and Financing As of June 30, 2013	**Seaman Mineral Museum**	**Other Projects**	**Total**
Estimated cost of construction	$ 4,000,000	$ 1,038,000	$ 5,038,000
Less: costs incurred to date	(1,555,726)	(662,325)	(2,218,051)
Estimated cost to complete	**$ 2,444,274**	**$ 375,675**	**$ 2,819,949**
Expected sources of financing:			
Federal funds	2,444,274	182,000	2,626,274
Bond proceeds	-	320,000	320,000
University funds and gifts	-	536,000	536,000
Estimated financing	**$ 2,444,274**	**$ 1,038,000**	**$ 3,482,274**

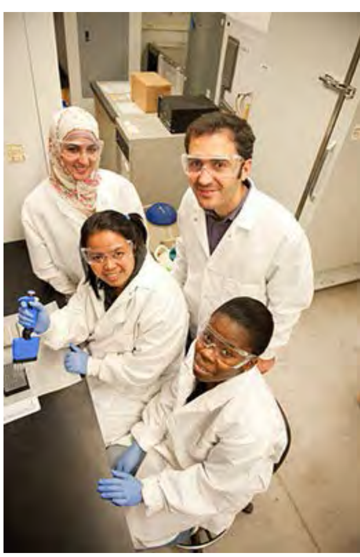
(5) LINE OF CREDIT

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

(6) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities of the University are summarized as follows as of June 30, 2013 and 2012.

Accounts Payable and Other Accrued Liabilities				
		2013		2012
Accounts payable				
Vendors for supplies and services	$	3,660,612	$	3,335,687
Employee benefits		653,857		787,513
Construction payables		531,815		655,659
Total accounts payable	**$**	**4,846,284**	**$**	**4,778,859**
Other accrued liabilities				
Payroll and payroll taxes	$	4,397,907	$	3,734,245
Accrued compensated absences		4,089,735		4,092,151
Deposits payable		701,192		677,682
Total other accrued liabilities	**$**	**9,188,834**	**$**	**8,504,078**



(7) NONCURRENT LIABILITIES

Noncurrent Liabilities As of June 30, 2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue bonds, 2003	$ 115,000	$ -	$ 115,000	$ -	$ -
General revenue bonds, 2004A	1,545,000	-	760,000	785,000	785,000
General revenue bonds, 2006	2,740,000	-	2,530,000	210,000	65,000
General revenue bonds, 2008	15,560,000	-	10,095,000	5,465,000	125,000
General revenue bonds, 2009A/2009B	17,525,000	-	365,000	17,160,000	375,000
General revenue bonds, 2010A	10,770,000	-	540,000	10,230,000	660,000
General revenue bonds, 2012A	33,070,000	-	270,000	32,800,000	325,000
General revenue bonds, 2013A	-	14,265,000	-	14,265,000	155,000
Total bonds payable	**81,325,000**	**14,265,000**	**14,675,000**	**80,915,000**	**2,490,000**
Bond premium	3,191,392	758,022	408,528	3,540,886	-
Capital leases	-	1,576,200	320,150	1,256,050	312,764
Total debt	**84,516,392**	**16,599,222**	**15,403,678**	**85,711,936**	**2,802,764**
Other liabilities					
Insurance and postemployment benefits	2,878,821	2,120,992	3,189,173	1,810,640	1,810,640
Funds held for others	680,450	219,900	229,400	670,950	-
Postemployment benefit health care	942,704	-	172,668	770,036	-
Annuity and pooled income obligations	4,529,731	292,483	348,870	4,473,344	339,351
Total	**$ 93,548,098**	**$ 19,232,597**	**$ 19,343,789**	**93,436,906**	**$ 4,952,755**
Due within one year				(4,952,755)	
Total noncurrent liabilities				**$ 88,484,151**	

Noncurrent Liabilities As of June 30, 2012	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General revenue bonds					
General revenue bonds, 2003	$ 4,190,000	$ -	$ 4,075,000	$ 115,000	$ 115,000
General revenue bonds, 2004A	29,430,000	-	27,885,000	1,545,000	760,000
General revenue bonds, 2006	2,790,000	-	50,000	2,740,000	65,000
General revenue bonds, 2008	15,685,000	-	125,000	15,560,000	125,000
General revenue bonds, 2009A/2009B	17,885,000	-	360,000	17,525,000	365,000
General revenue bonds, 2010A	10,975,000	-	205,000	10,770,000	540,000
General revenue bonds, 2012A	-	33,070,000		33,070,000	270,000
Total bonds payable	**80,955,000**	**33,070,000**	**32,700,000**	**81,325,000**	**2,240,000**
Bond premium	1,318,080	2,658,341	785,029	3,191,392	-
Capital lease	223,164	-	223,164	-	-
Total debt	**82,496,244**	**35,728,341**	**33,708,193**	**84,516,392**	**2,240,000**
Other liabilities					
Insurance and postemployment benefits	3,339,391	2,754,068	3,214,638	2,878,821	2,712,225
Funds held for others	680,000	205,050	204,600	680,450	-
Other liabilities	100,000	-	100,000	-	-
Postemployment benefit health care	1,009,984	-	67,280	942,704	-
Annuity and pooled income obligations	4,271,640	1,054,184	796,093	4,529,731	323,948
Total	**$ 91,897,259**	**$ 39,741,643**	**$ 38,090,804**	**93,548,098**	**$ 5,276,173**
Due within one year				(5,276,173)	
Total noncurrent liabilities				**$ 88,271,925**	

Bonds

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

Outstanding Balances on University Issued Bonds As of June 30			
		Outstanding	
	Total issued	2013	2012
General revenue bond series 2003, (2% – 5%) final maturity 2033	$ 4,900,000	$ -	$ 115,000
General revenue bond series 2004, (2% – 4.49%) final maturity 2034	32,850,000	785,000	1,545,000
General revenue bond series 2006, (4% – 5%) final maturity 2036	2,990,000	210,000	2,740,000
General revenue bond series 2008, (3% – 5.25%) final maturity 2038	15,880,000	5,465,000	15,560,000
General revenue bond series 2009A/2009B, (2.58%-6.69%), final maturity 2039	18,235,000	17,160,000	17,525,000
General revenue bond series 2010A, (1.37%-6.55%), final maturity 2040	10,975,000	10,230,000	10,770,000
General revenue bond series 2012A, (3%-5%), final maturity 2034	33,070,000	32,800,000	33,070,000
General revenue bond series 2013A, (2%-5%), final maturity 2036	14,265,000	14,265,000	-
Total bonds payable	**133,165,000**	**80,915,000**	**81,325,000**
Plus: unamortized net premium	4,659,568	3,540,886	3,191,392
Bonds payable, net	**$ 137,824,568**	**$ 84,455,886**	**$ 84,516,392**

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

During fiscal year 2003, the University issued $4.9 million of General Revenue Bonds, Series 2003 (GRB). These bonds bear interest at 2% to 5% and mature at various dates from October 2004 through October 2033. The funds were used to complete three building projects on campus: residence hall life safety improvements, University electrical distribution system replacement, and Wadsworth Hall renovation planning. The GRB issue is collateralized with a $5-million letter of credit through XL Capital Assurance Inc. The letter would only be used if the University is unable to make payments on the bonds. The bonds are rated Aaa by Moody's and Aaa by Standard & Poor's due to a municipal bond insurance policy. Outstanding principal of $3,965,000 was refunded with the Series 2012A bonds issued in April 2012. At June 30, 2013, no amounts remain in escrow.

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

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

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

During fiscal year 2010, the University's Board of Control approved the issuance of General Revenue Bonds, Series 2009A and 2009B. The combined amount of bonds issued was $18.235 million. Series 2009A, in the amount of $17.885 million, was issued as taxable Build America Bonds. Under this federal program, thirty-five percent of the interest related to this bond issue in the principal and interest amounts due is anticipated to be paid by the federal government for the life of the Build America Bonds. This bond series consists of serial bonds in the amount of $3.580 million with maturities of October 2011 through October 2019 and interest rates ranging from 2.58% to 5.30%. Two term bonds totaling $14.305 million were also issued in this series. The first term bond in the amount of $5.650 million matures in October 2029 and bears an interest rate of 6.44%. The second term bond in the amount of $8.655 million matures in October 2039 and bears an interest rate of 6.69%. Series 2009B, issued as a tax-exempt bond in the amount of $350,000 matures October 2010 and bears an interest rate of 3.0%. The proceeds of this bond issue were used to construct a student residential facility and for the construction of a new facility at the Keweenaw Research Center. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture.

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

During fiscal year 2012, the University's Board of Control approved the issuance of General Revenue and Refunding Bonds, Series 2012A in the amount of $33,070,000. The proceeds of this bond issue were used to partially refund Series 2003 bonds in the amount of $3.965 million, to partially refund Series 2004 bonds in the amount of $27.150 million with the remainder funding the replacement of the ice plant and rink slab in the hockey arena and partial replacement of the roof of the Student Development Center. The Series 2003 bonds to be refunded will be called for redemption on April 1, 2013 and the Series 2004 bonds to be refunded will be called for redemption on October 1, 2013 each at a redemption price to equal 100% of the principal amount plus accrued interest. The refunding resulted in a net present value interest savings of $1.3 million and an economic gain of $731,000. The 2012A bond series consists of serial bonds in the amount of $19.75 million with maturities of October 2012 through October 2027 and interest rates ranging from 3.0% to 5.0%. The issue also included two term bonds totaling $13.32 million. The first term bond in the amount of $5.32 million matures in October 2030 and bears an interest rate of 4.0%. The second term bond in the amount of $8.0 million matures in October 2034 and bears an interest rate of 5.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as Aa3 by Moody's.

During fiscal year 2013, the University's Board of Control approved the issuance of General Revenue Refunding Bonds, Series 2013A in the amount of $14,265,000. The proceeds of this bond issue were used to refund Series 2006 bonds in the amount of $2.715 million and to partially refund Series 2008 bonds in the amount of $11.550 million. The Series 2006 bonds to be refunded will be called for redemption on April 1, 2016 at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date. Principal and interest on the Series 2008 bonds will be paid at maturity on October 1, 2016, October 1, 2017, and October 1, 2018, respectively. The advance refunding of the $2.715 million of Series 2006 bonds and the $11.550 million of Series 2008 bonds provided resources to purchase US government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on $14.265 million of refunded debt. As a result, the certificates are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in an additional interest cost of $1,099,910. The 2013A bond series consists of serial bonds in the amount of $8.325 million with maturities of October 2013 through October 2026 and interest rates ranging from 2.0% to 5.0%. The issue also included three term bonds totaling $5.940 million. The first term bond in the amount of $2.200 million matures in October 2025 and bears an interest rate of 3.0%. The second term bond in the amount of $2.470 million matures in October 2028 and bears an interest rate of 3.25%. The third term bond in the amount of $1.270 million matures in October 2036 and bears an interest rate of 4.0%. These bonds are secured by an irrevocable pledge of general revenues as provided in the indenture and have been rated as A1 by Moody's.

Principal and Interest Amounts Due on Bonded Debt For Fiscal Years Ending June 30			
Fiscal Year	**Principal**	**Interest**	**Total**
2014	$ 2,490,000	$ 3,787,856	$ 6,277,856
2015	2,520,000	3,749,203	6,269,203
2016	2,590,000	3,669,769	6,259,769
2017	2,580,000	3,590,523	6,170,523
2018	2,660,000	3,500,243	6,160,243
Total 5 years	**12,840,000**	**18,297,594**	**31,137,594**
2019 to 2023	14,975,000	15,644,903	30,619,903
2024 to 2028	18,475,000	11,720,367	30,195,367
2029 to 2033	17,730,000	7,294,400	25,024,400
2034 to 2038	12,945,000	2,870,401	15,815,401
2039 to 2041	3,950,000	299,535	4,249,535
Total bonds	**$ 80,915,000**	**$ 56,127,200**	**$ 137,042,200**

Capital and Operating Lease Obligations

The University has entered into capital leases for the purchase of computer equipment and office furniture during fiscal year 2013. The capitalized cost of the equipment was $1.576 million, and its net book value was $1.222 million, at June 30, 2013.

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, 2013 and 2012 are insignificant.

Scheduled Maturities of Capital Leases For Fiscal Years Ending June 30			
Fiscal Year	Principal	Interest	Total
2014	$ 312,764	$ 22,474	$ 335,238
2015	318,692	16,546	335,238
2016	317,162	10,531	327,693
2017	307,432	5,174	312,606
Total lease payments	**$ 1,256,050**	**$ 54,725**	**$ 1,310,775**

(8) SELF-INSURANCE

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

Self-Insured Claims Liability				
	Medical Benefits	Unemployment Compensation	Workers' Compensation	Total
Claims liability, June 30, 2011	$ 1,630,000	$ 263,599	$ 248,000	$ 2,141,599
Claims incurred, including changes in estimates	15,855,872	164,067	337,251	16,357,190
Less: claims paid	(15,735,872)	(219,401)	(313,251)	(16,268,524)
Claims liability, June 30, 2012	**1,750,000**	**208,265**	**272,000**	**2,230,265**
Claims incurred, including changes in estimates	14,107,991	(27,737)	140,696	14,220,950
Less: claims paid	(14,377,991)	(130,528)	(211,850)	(14,720,369)
Claims liability, June 30, 2013	**$ 1,480,000**	**$ 50,000**	**$ 200,846**	**$ 1,730,846**

Health Care Plan

Plan Description

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

Funding Policy

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

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

Liability and Property Insurance

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

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

(9) POSTEMPLOYMENT BENEFITS

Retirement Plans

The University offers participation in one of two retirement plans for all qualified employees: the Michigan Public School Employees' Retirement System (MPSERS) and the Teachers Insurance and Annuities Association College Retirement Equities Fund (TIAA-CREF).

MPSERS is a contributory defined benefit cost-sharing multiple-employer retirement plan through the Michigan Public School Employees' Retirement System Plan (the "Plan"). Benefit provisions and contribution requirements of MPSERS are established, and may be amended, by state statute. Due to State of Michigan House Bill HB4047, University employees hired after December 31, 1995 can no longer participate in this retirement plan, unless they were previously enrolled in the plan at the University or one of the other six universities that are part of MPSERS.

The University utilizes the funding policy finalized by MPSERS. An actuarial valuation was prepared for MPSERS that separated the plan into two components—University members and all other members. The valuation determined the University members' portion of plan assets and unfunded actuarial accrued liability (UAAL).

Beginning October 1, 2011, the University is required to contribute 3.21% (4.11% during the period of October 1, 2010 through September 30, 2011) of MPSERS covered payroll for normal pension costs and 13.41% (9.73% during the period of October 1, 2010 through September 30, 2011) for the unfunded pension liability. The rates that become effective in October 2011 are intended to remain unchanged for two years. University costs of the MPSERS pension contributions are summarized below.

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

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

The TIAA-CREF plan is a defined contribution retirement plan. All employees who work at least 3/4 time are eligible to participate in the TIAA-CREF 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 is 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, the plan administrator, or with Fidelity Investments. Employees may also deposit supplemental retirement funds into a 403(b) and/or a 457(b) plan up to permissible limits. The University contributes a specified percentage of employee wages and has no liability beyond its own contribution. University contributions to this program are summarized in the Retirement Plan Contributions table.

Prior to January 1, 2010, the University would contribute 10.55% of participating employee's salary to the employee's investment account and would then match up to an additional 2% of employee's voluntary contribution. On January 1, 2010, participating employees were given a choice between a 5-5-5 plan and a 0-7.5-7.5 plan. Under the 5-5-5 plan, the University will contribute 5% of an employee's base salary and will then match up to 5% of base salary contributed by a participating employee. Employees choosing this plan also received a 2% salary increase. Employees choosing the 0-7.5-7.5 plan receive no base contribution from the University but receive 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. This shift in compensation structure was intended to maintain both total compensation to the employee and total compensation costs of the University. The result is greater flexibility to the employee on whether compensation is received currently, or deferred for retirement.

Retirement Plan Contributions

	2013	2012	2011
MPSERS normal pension costs	$ 1,657,941	$ 1,593,797	$ 1,610,296
MPSERS unfunded pension costs	1,368,423	1,338,958	807,591
MPSERS retiree health insurance	2,698,154	2,825,147	2,722,063
Total University contributions to MPSERS	**$ 5,724,518**	**$ 5,757,902**	**$ 5,139,950**
Payroll covered under MPSERS	$ 9,535,227	$ 10,019,130	$ 11,108,911
University contributions to TIAA-CREF/Fidelity	**$ 5,565,592**	**$ 6,146,435**	**$ 5,961,207**
Payroll covered under TIAA-CREF/Fidelity	$ 78,809,697	$ 75,768,201	$ 71,883,893

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 $62,000 and $581,000 at June 30, 2013 and 2012, respectively.

Employee Severance Plan

The University had an Employee Severance Plan (ESP) to facilitate the voluntary retirement of eligible employees. The decision to retire was voluntary and left to the discretion of the individual employee. Under this plan, the employee receives a fixed payment over 10 years, beginning in fiscal year 2004. The plan was terminated during fiscal year 2013. The net present value of the ESP liability was $0 and $208,000 at June 30, 2013 and 2012, respectively.

Health Care Plan

Plan Description

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

Funding Policy

The contribution requirements of the plan members are established annually by the University. The required contribution is based on annual projected pay-as-you go financing requirements. Prior to 2007, the University utilized its COBRA rates as the full cost value of early retiree medical and dental benefits. Depending upon specific fiscal years of retirement, these non-Medicare retirees paid a certain percentage of this COBRA rate. Even for those early retirees where their contribution requirement was 100% of the COBRA rate, there was an implied subsidy as the age-adjusted full cost for pre-Medicare eligible retirees is significantly higher. Beginning in 2007, the University began a seven year phase out of the subsidy implied when utilizing the COBRA rates so that beginning January 1, 2014 retiree contributions will be established on the expected full cost of the retiree medical and dental plans (pre-Medicare and Medicare eligible populations).

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the University's annual OPEB cost, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the years ending June 30, 2013 and 2012 respectively:

OPEB Cost and Obligation	2013	2012
Annual required contribution	$ 498,637	$ 557,804
Interest on net OPEB obligation	37,708	40,399
Adjustment to annual required contribution	(54,517)	(58,407)
Annual OPEB cost	**481,828**	**539,796**
Contributions made	-	-
Total benefits paid (pay-as-you go)	(654,496)	(607,076)
Decrease in net OPEB obligation	**(172,668)**	**(67,280)**
Net OPEB obligation - beginning of year	942,704	1,009,984
Net OPEB obligation, end of year	**$ 770,036**	**$ 942,704**

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, 2011	$ 550,501	110.9%	$ 1,009,984
June 30, 2012	$ 539,796	112.5%	$ 942,704
June 30, 2013	$ 481,828	136.0%	$ 770,036

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, 2013, 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, 2011	$ -	$ 10,006,604	$ 10,006,604	0.0%	$ 62,215,709	16.1%
June 30, 2012	$ -	$ 9,789,029	$ 9,789,029	0.0%	$ 59,243,846	16.5%
June 30, 2013	$ -	$ 8,957,775	$ 8,957,775	0.0%	$ 74,643,945	12.0%

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuations performed for the University use the unit credit actuarial cost method. The initial valuations included an annual health care cost trend rate of 11% which was then reduced by 1% per year to an ultimate rate of 5% by fiscal year 2014. The trend rate assumption was reset to an initial rate of 11% for medical (7% for dental) in 2010 grading down by 1% per year to an ultimate rate of 5% for medical (4% for dental). The assumptions also included a 4% salary scale assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. For actuarial purposes, the University has chosen a thirty year amortization period, so the remaining amortization period at June 30, 2013, was twenty-four years. However, with the implementation of the seven year phased elimination of the retiree health care subsidy, the University's actual amortization period decreases accordingly.

(10) COMMITMENTS AND CONTINGENCIES

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

In the normal course of business, the University is named party to various legal actions. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, management believes the resolution of these matters will not have a material adverse effect on the University's financial position or results of operations.

Certain employees of the University are covered under the MPSERS retirement plan. As of June 30, 2013 and June 30, 2012 the unfunded portion of the related pension benefits is significant. The University's portion of this obligation is not determinable at June 30, 2013 and June 30, 2012. While the University has continued to pay the required monthly payments as determined by MPSERS, it is management's position that the University is not responsible for any shortfall in the fund as a result of changes in benefits made by MPSERS.

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

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

(11) FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

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

Operating Expenses by Natural Classification				
		2013		**2012**
Instruction	$	61,942,848	$	58,408,726
Research		53,719,135		55,231,296
Public service		9,483,731		8,848,741
Academic support		15,294,880		11,544,034
Student services		13,586,040		7,947,897
Institutional support		16,022,546		32,570,634
Operations and maintenance of plant		17,514,642		13,161,794
Student financial support		970,339		1,869,867
Departmental activities		5,920,439		7,230,192
Student residents		15,829,934		16,054,568
Depreciation		13,977,403		12,871,951
	$	**224,261,937**	**$**	**225,739,700**

(12) RESTATEMENT

The financial statements as of and for the year ended June 30, 2012, have been restated to properly account for unrecorded assets. A detailed review of property records by management uncovered five parcels of land which should have been recorded as capital assets, and four parcels of land which should have been recorded as land held for investment based on governmental accounting standards.

The corrections to the fiscal year 2012 financial statements resulted in an increase of $127,224 in capital assets, net, and an increase of $9,211,775 in land held for investment. There were corresponding increases of $127,224 to net position invested in capital assets, net of related debt, and $9,211,775 in net position restricted expendable. There was no impact on the statement of cash flows.

In total, assets and net position increased by $9,338,999 on the June 30, 2012 financial statements due to the restatement.

SUPPLEMENTARY *INFORMATION*

Michigan Technological University
Schedule of Net Position by Fund as of June 30, 2013

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Agency	Michigan Tech Fund	Eliminations	Combined Total 2013	Combined Total 2012
Assets													
Current assets:													
Cash and cash equivalents	$ (16,374,483)	$ 15,862,811	$ 8,331,308	$ (7,450,010)	$ (1,759,180)	$ (1,389,554)	$ 1,963,876	$ 2,112,829	$ 1,420,134	$ 3,723,033	$ -	$ 7,830,318	$ 14,260,691
Accounts receivable, net	9,391,011	450,378	476,668	179,804	7,304,097	17,801,958	-	55,040	93,376	-	(371,290)	17,579,084	18,806,548
Pledges receivable, net	-	-	-	-	-	-	-	-	-	3,916,458	-	3,916,458	4,991,445
Other assets	281,458	13,525	1,389,777	119,996	-	1,804,756	-	-	-	165,946	-	1,970,702	1,950,198
Total current assets	**(6,702,014)**	**16,326,714**	**10,197,753**	**(7,150,210)**	**5,544,917**	**18,217,160**	**1,963,876**	**2,167,869**	**1,513,510**	**7,805,437**	**(371,290)**	**31,296,562**	**40,008,882**
Noncurrent assets:													
Student loans receivable, net	-	-	-	-	-	-	12,141,355	-	-	-	-	12,141,355	12,207,214
Pledges receivable, net	-	-	-	-	-	-	-	-	-	3,348,269	-	3,348,269	3,091,844
Investments	-	-	-	11,883,059	-	11,883,059	-	-	-	102,503,128	-	114,386,187	98,344,524
Beneficial interest in charitable remainder trusts	-	-	-	-	-	-	-	-	-	4,854,847	-	4,854,847	4,496,015
Land held for investment	-	-	-	-	-	-	-	9,566,301	-	360,240	-	9,926,541	9,330,775
Capital assets, net	-	-	-	-	-	-	-	253,796,324	-	2,947	-	253,799,271	258,710,677
Other assets	-	-	-	-	-	-	-	978,544	-	962,266	-	1,940,810	1,912,209
Total noncurrent assets	**-**	**-**	**-**	**11,883,059**	**-**	**11,883,059**	**12,141,355**	**264,341,169**	**-**	**112,031,697**	**-**	**400,397,280**	**388,093,258**
Total assets	**$ (6,702,014)**	**$ 16,326,714**	**$ 10,197,753**	**$ 4,732,849**	**$ 5,544,917**	**$ 30,100,219**	**$ 14,105,231**	**$ 266,509,038**	**$ 1,513,510**	**$ 119,837,134**	**$ (371,290)**	**$ 431,693,842**	**$ 428,102,140**
Liabilities													
Current liabilities													
Accounts payable	$ 1,380,303	$ 295,276	$ 493,684	$ 653,857	$ 570,430	$ 3,393,550	$ -	$ 1,322,223	$ 28,576	$ 473,225	$ (371,290)	$ 4,846,284	$ 4,778,859
Other accrued liabilities	3,507,800	-	104,907	4,089,735	-	7,702,442	-	1,458	1,484,934	-	-	9,188,834	8,504,078
Unearned revenue	170,963	-	-	-	2,387,051	2,558,014	-	381,250	-	-	-	2,939,264	2,990,127
Annuity obligations, current portion	-	-	-	-	-	-	-	-	-	339,351	-	339,351	323,948
Insurance and benefit reserves, current portion	-	-	-	-	-	-	-	2,802,764	-	-	-	2,802,764	2,712,225
Long-term debt, current portion	-	-	-	1,810,640	-	1,810,640	-	-	-	-	-	1,810,640	2,240,000
Total current liabilities	**5,059,066**	**295,276**	**598,591**	**6,554,232**	**2,957,481**	**15,464,646**	**-**	**4,507,695**	**1,513,510**	**812,576**	**(371,290)**	**21,927,137**	**21,549,237**
Noncurrent liabilities													
Funds held for others	670,950	-	-	-	-	670,950	-	-	-	-	-	670,950	680,450
Annuity obligations, net of current portion	-	-	-	-	-	-	-	-	-	4,133,993	-	4,133,993	4,205,783
Insurance and benefit reserves, net of current portion	-	-	-	770,036	-	770,036	-	-	-	-	-	770,036	1,109,300
Long-term debt, net of current portion	-	-	-	-	-	-	-	82,909,172	-	-	-	82,909,172	82,276,392
Total noncurrent liabilities	**670,950**	**-**	**-**	**770,036**	**-**	**1,440,986**	**-**	**82,909,172**	**-**	**4,133,993**	**-**	**88,484,151**	**88,271,925**
Total liabilities	**$ 5,730,016**	**$ 295,276**	**$ 598,591**	**$ 7,324,268**	**$ 2,957,481**	**$ 16,905,632**	**$ -**	**$ 87,416,867**	**$ 1,513,510**	**$ 4,946,569**	**$ (371,290)**	**$ 110,411,288**	**$ 109,821,162**
Net position													
Net investment in capital assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 169,009,147	$ -	$ -	$ -	$ 169,009,147	$ 174,653,749
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	-	-	68,536,641	-	68,536,641	66,069,720
Expendable	-	-	-	-	2,587,436	2,587,436	14,080,091	12,046,867	-	43,548,704	-	72,263,098	67,652,076
Unrestricted	(12,432,030)	16,031,437	9,599,162	(2,591,419)	-	10,607,150	(58,300)	(1,880,402)	-	2,805,220	-	11,473,668	9,905,433
Total net position	**$ (12,432,030)**	**$ 16,031,437**	**$ 9,599,162**	**$ (2,591,419)**	**$ 2,587,436**	**$ 13,194,586**	**$ 14,021,791**	**$ 179,175,612**	**$ -**	**$ 114,890,565**	**$ -**	**$ 321,282,554**	**$ 318,280,978**

Michigan Technological University
Schedule of Revenues, Expenses and Changes in Net Position by Fund by Object
For the Year Ended June 30, 2013

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	Combined Total 2013	Combined Total 2012
Revenues												
Operating revenues												
Student tuition and fees, net	$ 107,464,526	$ 26,418	$ 894,849	$ -	$ -	$ 108,385,793	$ -	$ -	$ -	$ (30,198,282)	$ 78,187,511	$ 76,995,545
Federal grants and contracts	133,164	-	-	-	31,277,552	31,410,716	(42,802)	-	-	-	31,367,914	32,482,727
State and local grants and contracts	-	-	-	-	2,445,292	2,445,292	-	-	-	-	2,445,292	2,280,914
Nongovernmental grants and contracts	-	-	-	-	13,001,201	13,001,201	-	-	-	-	13,001,201	13,369,684
Indirect cost recoveries	11,555,099	-	-	-	(11,555,099)	-	-	-	-	-	-	-
Educational activities	492,486	2,881,633	1,053,034	576	358,333	4,786,062	-	77,619	-	(156,892)	4,706,789	4,481,022
Departmental activities	-	189,868	9,405,447	(50)	48,089	9,643,354	-	91,533	-	(496,743)	9,238,144	8,810,327
Student residence fees, net	-	-	22,290,229	-	-	22,290,229	-	-	-	(5,789,608)	16,500,621	15,738,932
Total operating revenues	**119,645,275**	**3,097,919**	**33,643,559**	**526**	**35,575,368**	**191,962,647**	**(42,802)**	**169,152**	**-**	**(36,641,525)**	**155,447,472**	**154,159,151**
Expenses												
Operating expenses												
Salaries and wages-non-faculty	30,213,137	4,985,426	7,584,057	1,905,507	8,976,729	53,664,856	-	-	-	-	53,664,856	52,370,455
Salaries and wages-faculty	39,288,928	594,823	33,617	75,978	3,630,963	43,624,309	-	-	-	-	43,624,309	42,215,780
Salaries and wages-graduate students	3,862,858	658,317	369,285	63	3,972,405	8,862,928	-	-	-	-	8,862,928	9,165,977
Salaries and wages-undergrad students	1,640,426	593,658	1,426,761	248	1,075,728	4,736,821	-	-	-	-	4,736,821	4,738,964
Fringe benefits	26,809,689	1,839,987	2,579,961	(420,097)	3,931,393	34,740,933	-	-	-	-	34,740,933	37,437,008
Supplies and services	15,211,537	9,127,957	11,574,713	656,386	13,379,838	49,950,431	93,979	12,424,730	12,645,908	(25,060,233)	50,054,815	51,403,615
Student financial support	30,724,169	532,548	347,717	-	12,153,047	43,757,481	-	-	1,548,647	(38,190,170)	7,115,958	7,656,008
Utilities	4,269,502	202,905	2,944,594	-	66,913	7,483,914	-	-	-	-	7,483,914	7,879,942
Depreciation	-	-	-	-	-	-	-	13,973,453	3,950	-	13,977,403	12,871,951
Total operating expenses	**152,020,246**	**18,535,621**	**26,860,705**	**2,218,085**	**47,187,016**	**246,821,673**	**93,979**	**26,398,183**	**14,198,505**	**(63,250,403)**	**224,261,937**	**225,739,700**
Operating (loss) income	**(32,374,971)**	**(15,437,702)**	**6,782,854**	**(2,217,559)**	**(11,611,648)**	**(54,859,026)**	**(136,781)**	**(26,229,031)**	**(14,198,505)**	**26,608,878**	**(68,814,465)**	**(71,580,549)**
Net transfers in (out)	**(10,967,683)**	**8,777,250**	**(7,095,006)**	**1,412,524**	**1,971,069**	**(5,901,846)**	**-**	**5,901,846**	**-**	**-**	**-**	**-**
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,836,503	5,836,503	-	-	-	-	5,836,503	5,756,429
Federal grants, other	-	-	-	-	-	-	-	577,721	-	-	577,721	609,604
State appropriations	42,633,969	-	-	-	-	42,633,969	-	-	-	-	42,633,969	40,733,597
Gifts	878,840	6,875,738	676,158	-	2,800,677	11,231,413	-	-	12,800,831	(11,229,684)	12,802,560	7,723,654
Investment return	-	-	-	1,765,413	421	1,765,834	262,724	354,724	7,446,716	-	9,829,998	122,273
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,128,952)	-	-	(4,128,952)	(3,747,041)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(1,477,521)	(1,477,521)	(1,541,352)
Net nonoperating revenues	**43,512,809**	**6,875,738**	**676,158**	**1,765,413**	**8,637,601**	**61,467,719**	**262,724**	**(3,196,507)**	**20,247,547**	**(12,707,205)**	**66,074,278**	**49,657,164**
Loss before other revenues	**170,155**	**215,286**	**364,006**	**960,378**	**(1,002,978)**	**706,847**	**125,943**	**(23,523,692)**	**6,049,042**	**13,901,673**	**(2,740,187)**	**(21,923,385)**
Other revenues												
Capital appropriations	-	-	-	-	-	-	-	1,691,591	-	-	1,691,591	15,196,597
Capital grants and gifts	-	-	-	-	-	-	-	1,731,211	1,449,553	(1,843,101)	1,337,663	1,486,528
Gifts for permanent endowment purposes	-	-	-	-	-	-	-	-	2,466,921	-	2,466,921	4,795,048
Other nonoperating revenues	-	-	-	-	-	-	-	100,000	145,588	-	245,588	1,981,088
Fund additions	-	-	-	-	-	-	-	12,058,572	-	(12,058,572)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,581,374**	**4,062,062**	**(13,901,673)**	**5,741,763**	**23,459,261**
Net increase (decrease) in net position	**170,155**	**215,286**	**364,006**	**960,378**	**(1,002,978)**	**706,847**	**125,943**	**(7,942,318)**	**10,111,104**	**-**	**3,001,576**	**1,535,876**
Net position, beginning of year (as restated)	(12,602,185)	15,816,151	9,235,156	(3,551,797)	3,590,414	12,487,739	13,895,848	187,117,930	104,779,461	-	318,280,978	316,745,102
Net position, end of year	**$ (12,432,030)**	**$ 16,031,437**	**$ 9,599,162**	**$ (2,591,419)**	**$ 2,587,436**	**$ 13,194,586**	**$ 14,021,791**	**$ 179,175,612**	**$ 114,890,565**	**$ -**	**$ 321,282,554**	**$ 318,280,978**

Michigan Technological University
Schedule of Revenues, Expenses and Changes in Net Position by Fund by Function
For the Year Ended June 30, 2013

	General	Designated	Auxiliary Activities	Retirement & Insurance	Expendable Restricted	Total Current Funds	Student Loan	Plant	Michigan Tech Fund	Eliminations	Combined Total 2013	Combined Total 2012
Revenues												
Operating revenues												
Student tuition and fees, net	$ 107,464,526	$ 26,418	$ 894,849	$ -	$ -	$ 108,385,793	$ -	$ -	$ -	$ (30,198,282)	$ 78,187,511	$ 76,995,545
Federal grants and contracts	133,164	-	-	-	31,277,552	31,410,716	(42,802)	-	-	-	31,367,914	32,482,727
State and local grants and contracts	-	-	-	-	2,445,292	2,445,292	-	-	-	-	2,445,292	2,280,914
Nongovernmental grants and contracts	-	-	-	-	13,001,201	13,001,201	-	-	-	-	13,001,201	13,369,684
Indirect cost recoveries	11,555,099	-	-	-	(11,555,099)	-	-	-	-	-	-	-
Educational activities	492,486	2,881,633	1,053,034	576	358,333	4,786,062	-	77,619	-	(156,892)	4,706,789	4,481,022
Departmental activities	-	189,868	9,405,447	(50)	48,089	9,643,354	-	91,533	-	(496,743)	9,238,144	8,810,327
Student residence fees, net	-	-	22,290,229	-	-	22,290,229	-	-	-	(5,789,608)	16,500,621	15,738,932
Total operating revenues	**119,645,275**	**3,097,919**	**33,643,559**	**526**	**35,575,368**	**191,962,647**	**(42,802)**	**169,152**	**-**	**(36,641,525)**	**155,447,472**	**154,159,151**
Expenses												
Operating expenses												
Instruction	57,426,523	3,585,793	-	915,053	659,118	62,586,487	-	-	-	(643,639)	61,942,848	58,408,726
Research	17,216,234	8,898,132	-	692,089	29,021,493	55,827,948	-	-	-	(2,108,813)	53,719,135	55,231,296
Public service	528,486	915,879	-	72,931	7,990,680	9,507,976	-	-	-	(24,245)	9,483,731	8,848,741
Academic support	14,321,617	1,006,767	-	183,921	19,407	15,531,712	-	-	-	(236,832)	15,294,880	11,544,034
Student services	7,146,137	1,597,618	4,122,266	162,795	582,013	13,610,829	-	-	-	(24,789)	13,586,040	7,947,897
Institutional support	14,849,789	1,450,308	9,116	(405,809)	38,156	15,941,560	-	881,055	12,645,908	(13,445,977)	16,022,546	32,570,634
Student financial support	28,301,684	-	-	-	8,876,149	37,177,833	93,979	-	1,548,647	(37,850,120)	970,339	1,869,867
Operations and maintenance of plant	12,229,776	1,081,124	-	429,410	-	13,740,310	-	11,543,675	-	(7,769,343)	17,514,642	13,161,794
Sales and services of dept activities	-	-	22,729,323	167,695	-	22,897,018	-	-	-	(16,976,579)	5,920,439	7,230,192
Student residents	-	-	-	-	-	-	-	-	-	15,829,934	15,829,934	16,054,568
Depreciation	-	-	-	-	-	-	-	13,973,453	3,950	-	13,977,403	12,871,951
Total operating expenses	**152,020,246**	**18,535,621**	**26,860,705**	**2,218,085**	**47,187,016**	**246,821,673**	**93,979**	**26,398,183**	**14,198,505**	**(63,250,403)**	**224,261,937**	**225,739,700**
Operating (loss) income	**(32,374,971)**	**(15,437,702)**	**6,782,854**	**(2,217,559)**	**(11,611,648)**	**(54,859,026)**	**(136,781)**	**(26,229,031)**	**(14,198,505)**	**26,608,878**	**(68,814,465)**	**(71,580,549)**
Transfers												
Net transfers in (out)	**(10,967,683)**	**8,777,250**	**(7,095,006)**	**1,412,524**	**1,971,069**	**(5,901,846)**	**-**	**5,901,846**	**-**	**-**	**-**	**-**
Nonoperating revenues (expenses)												
Federal Pell grants	-	-	-	-	5,836,503	5,836,503	-	-	-	-	5,836,503	5,756,429
Federal grants, other	-	-	-	-	-	-	-	577,721	-	-	577,721	609,604
State appropriations	42,633,969	-	-	-	-	42,633,969	-	-	-	-	42,633,969	40,733,597
Gifts	878,840	6,875,738	676,158	-	2,800,677	11,231,413	-	-	12,800,831	(11,229,684)	12,802,560	7,723,654
Investment return	-	-	-	1,765,413	421	1,765,834	262,724	354,724	7,446,716	-	9,829,998	122,273
Interest on capital asset-related debt	-	-	-	-	-	-	-	(4,128,952)	-	-	(4,128,952)	(3,747,041)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(1,477,521)	(1,477,521)	(1,541,352)
Net nonoperating revenues	**43,512,809**	**6,875,738**	**676,158**	**1,765,413**	**8,637,601**	**61,467,719**	**262,724**	**(3,196,507)**	**20,247,547**	**(12,707,205)**	**66,074,278**	**49,657,164**
Loss before other revenues	**170,155**	**215,286**	**364,006**	**960,378**	**(1,002,978)**	**706,847**	**125,943**	**(23,523,692)**	**6,049,042**	**13,901,673**	**(2,740,187)**	**(21,923,385)**
Other revenues												
Capital appropriations	-	-	-	-	-	-	-	1,691,591	-	-	1,691,591	15,196,597
Capital grants and gifts	-	-	-	-	-	-	-	1,731,211	1,449,553	(1,843,101)	1,337,663	1,486,528
Gfits for permanent endowment purposes	-	-	-	-	-	-	-	-	2,466,921	-	2,466,921	4,795,048
Other nonoperating revenues	-	-	-	-	-	-	-	100,000	145,588	-	245,588	1,981,088
Fund additions	-	-	-	-	-	-	-	12,058,572	-	(12,058,572)	-	-
Total other revenues	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,581,374**	**4,062,062**	**(13,901,673)**	**5,741,763**	**23,459,261**
Net increase (decrease) in net position	**170,155**	**215,286**	**364,006**	**960,378**	**(1,002,978)**	**706,847**	**125,943**	**(7,942,318)**	**10,111,104**	**-**	**3,001,576**	**1,535,876**
Net position, beginning of year (as restated)	(12,602,185)	15,816,151	9,235,156	(3,551,797)	3,590,414	12,487,739	13,895,848	187,117,930	104,779,461	-	318,280,978	316,745,102
Net position, end of year	**$ (12,432,030)**	**$ 16,031,437**	**$ 9,599,162**	**$ (2,591,419)**	**$ 2,587,436**	**$ 13,194,586**	**$ 14,021,791**	**$ 179,175,612**	**$ 114,890,565**	**$ -**	**$ 321,282,554**	**$ 318,280,978**

2013 Financial Report

Michigan Technological University
1400 Townsend Drive
Houghton, Michigan 49931-1295
www.mtu.edu