2015-2016

FINANCIAL REPORT

MICHIGAN STATE UNIVERSITY

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MICHIGAN STATE UNIVERSITY
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MICHIGAN STATE
UNIVERSITY

October 28, 2016

We are pleased to present Michigan State University's financial report and results of operations for fiscal years ended June 30, 2016, and June 30, 2015. The financial report was prepared by Finance staff in accordance with generally accepted accounting principles for public colleges and universities as defined by the Governmental Accounting Standards Board. The Board of Trustees adopted the report as part of MSU's commitment to report annually on its fiscal affairs. Plante & Moran, PLLC, certified public accountants, audited these financial statements. The enclosed information is accurate in all material respects and reported in a manner fairly representing the University's financial position, to the best of our knowledge.

Financial Report Highlights:

- The University's financial assets were $5.5 billion with a net position of $3.5 billion.
- Revenues increased $193 million, while expenses increased $132 million.
- Federal grants and contracts, including capital grants, contributed $445 million.
- Charitable gifts provided $149 million.
- Total net position grew by $71 million.

MSU has been working to advance the common good in uncommon ways for more than 160 years through more than 200 programs of study in 17 degree-granting colleges. Consistently ranked among the world's top universities, MSU remains among the most efficient of its peer research institutions.

MSU makes an impact across Michigan and the world. The University has a presence in every county in our state through our medical schools, research stations, partner hospitals, and MSU Extension. We take seriously our missions of education, research, and outreach. By maintaining a level of in-state enrollment that is well above the Big Ten average, MSU is providing a world-class education to the best and brightest of Michigan.

As the nation's pioneer land-grant university, MSU embraces its special mission of world-class instruction, research, and public service to solve the world's most pressing problems. Through the combined efforts of its faculty, staff, alumni, and worldwide supporters, MSU continues its role as the world's preeminent land-grant university by making a significant impact on Michigan, the nation, and the world. Spartans Will.

Mark P. Haas

Mark P. Haas
Vice President for Finance and Treasurer

OFFICE OF THE
VICE PRESIDENT FOR
FINANCE

Mark P. Haas
Vice President for Finance
and Treasurer

Michigan State University
Hannah Administration Building
426 Auditorium Road, Room 412
East Lansing, Michigan
48824

Phone 517.355.5014
Fax 517.353.6772
www.finance.msu.edu

For more than 160 years, Michigan State University (MSU) has been advancing knowledge and transforming lives through high-impact, innovative teaching, research, and outreach activities. Over the past decade, the University has successfully navigated some of the most challenging financial times higher education has faced. Despite these challenges, MSU is consistently ranked among the top 100 universities in the world, while embracing its land-grant mission. The University has stayed true to its land grant mission of serving Michigan first, while helping to solve the world's most pressing problems.

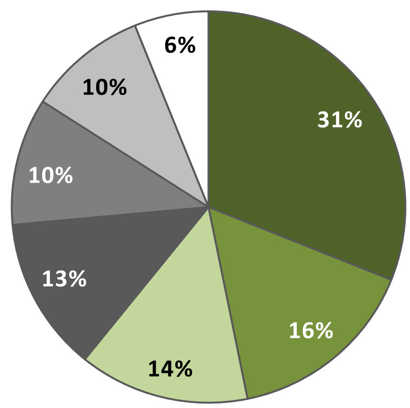
For the fiscal year ending June 30, 2016, MSU maintained its strong financial position with a total of $3.5 billion in net position, an increase of $71 million. The University's financial statements have been audited by Plante & Moran, PLLC, and MSU has again received an unmodified ("clean") opinion. In the following sections, we will highlight various factors important to the University's ongoing overall financial health.

Revenue Diversification

Revenue diversification has long been an important strategy for the University to achieve financial stability in light of uncertain economic cycles. Static or declining State appropriations generally result in increased reliance on other revenue sources, including tuition and fees and donor gifts. Over the past 10 years, Michigan has ranked 47th out of 48 states reporting for the rate of change in state appropriations for higher education.

Sources of Net Revenue (millions):

$ 830	Tuition, net
421	Grants and contracts
374	State/Capital appropriations
340	Auxiliary activities
281	Gifts/Capital grants
263	Other departmental activities
163	Dividends and interest income
$ 2,672	**Total revenues before market value declines**
(266)	Net investment market value decline
$ 2,406	**Total net revenues**



A major contributor to increasing grant support is the continued development of the Facility for Rare Isotope Beams (FRIB) project. This $730 million partnership with the Department of Energy and the State of Michigan in the field of nuclear isotope research brings a consistent flow of federal and state funds to MSU, $169 million this year and $402 million total to date. The facility is projected to be operational beginning in 2022. The University's total sponsored program revenue for fiscal year 2016, including capital grants, was $515 million, an increase of $92 million. Other noteworthy sponsored program revenue amounts include $76 million from the National Science Foundation (NSF), $63 million from the National Institutes of Health (NIH), $41 million from the Department of Agriculture (USDA), and $30 million from the Agency for International Development (AID).

Another important element of revenue diversification for MSU operations is the prudent use of investment income. During 2016, market value declines resulted in a net loss on investments (realized and unrealized). Despite the recent volatility of investment returns, the University's long-term diversified investment strategy continues to provide an important source of support for University operations as well as endowment growth over time as demonstrated by our five and ten-year average annual investment results of 4.6% and 5.5%, respectively.

Empower Extraordinary

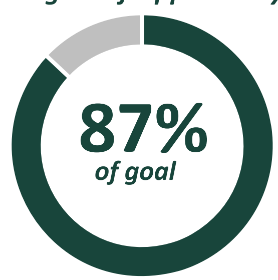
To further supplement its revenue mix, MSU's *"Empower Extraordinary"* capital campaign continued during fiscal year 2016 – marking it the most successful fundraising year in MSU history. Over $272 million in gift commitments were raised during the fiscal year, pushing the grand total committed to more than $1.2 billion – over 80% of the overall campaign goal. As donor commitments are collected, accounting standards permit MSU to record gifts for inclusion in the audited financial statements. In fiscal year 2016, gifts recognized totaled $161 million, including $45 million in additions to permanent endowments. MSU will continue to recognize gift revenue in future years as outstanding commitments are collected.

> ***"The success of this campaign shows how MSU's mission to drive innovation and discovery, while providing world-class education and experience for our students, is important to all those supporting Empower Extraordinary."***
>
> *-President Lou Anna K. Simon*

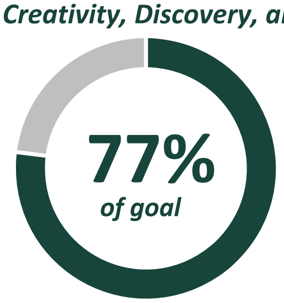
For MSU, increased private support will allow the University to step from ordinary into extraordinary – creating an environment that encourages deep understanding of today's complex issues while also addressing areas of critical importance to the world. The campaign has four main priorities:

- ***An Engine of Opportunity - $348 million committed of $400 million goal***: Funding will be focused on helping young people realize their potential by providing learning opportunities and by keeping MSU's doors open to the best and brightest regardless of their financial means.
- ***A force for Creativity, Discovery, and Learning - $270 million committed of $350 million goal***: Funding will be focused on supporting faculty poised to generate a significant number of scientific breakthroughs as well as helping students find their life's work. MSU seeks to establish 100 new endowed chairs and fund important academic and intercollegiate programs in order to retain and attract great thinkers, coaches, and mentors.
- ***A Vibrant Community - $392 million committed of $450 million goal***: Funding will be used to transform our teaching and enrich the way our students learn. With new investments, MSU can build infrastructure for the digital world, enhance the arts, and support leading athletic programs while also providing the resources needed to be nimble and responsive to emerging opportunities.
- ***A Global Problem Solver - $225 million committed of $300 million goal***: Funding will be used to advance MSU's reputation of providing visionary and

An Engine of Opportunity

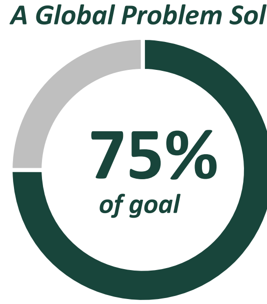


A force for Creativity, Discovery, and Learning



A Vibrant Community

A Global Problem Solver



groundbreaking research to solve the world's most daunting challenges.

Community Partnerships

As the nation's pioneer land-grant university, MSU embraces its mission of world-class instruction, research, and public service – making an impact across Michigan and the world. The University has a presence in every county in our state through its medical schools, research stations, partner hospitals, and MSU Extension. MSU maintains a level of in-state enrollment that is well above the Big Ten average and more than 10,000 more than the nearest peer institution within the State of Michigan.

MSU's community impact reaches beyond its students. Whether through job-creating innovations and life-saving research or its world-class talent development, MSU is focused on increasing economic prosperity and connecting Michigan to the World. As part of Michigan's University Research Corridor (URC), an alliance with the University of Michigan and Wayne State University, MSU is a leading engine of innovation in Michigan and the Great Lakes region. From the most recent economic impact report, it is estimated that the URC contributes nearly $18 billion to Michigan's economy annually, including over $2 billion in research and development costs. Since 2002, the three URC universities have cultivated 188 start-up companies, including 71 which have formed in the past five years.

Beyond involvement in the URC, MSU is committed to providing state-of-the-art facilities and infrastructure that will help attract and retain top-quality faculty and researchers. Through entrepreneurship and a systems approach, MSU research moves rapidly from classrooms and laboratories to create new products, new industries and new jobs. One such example is the MSU Grand Rapids Research Center. Projected to open in 2017, this facility will augment the biomedical research space in Grand Rapids to support the projected growth of MSU and its National Institutes of Health (NIH) funded research portfolio. This project alone is estimated to create 728 jobs, provide $55 million in wages to the local community, and have an overall economic impact of over $95 million to the area.

MSU has had a long standing relationship with partner hospitals across the state of Michigan and the communities in which they are located. During 2016, MSU demonstrated its value to a community as the City of Flint water crisis unfolded. Leveraging the University's 100-year presence in Flint, MSU's Dr. Mona Hanna-Attisha, director of the Pediatric Residency Program at Hurley Medical Center and assistant professor of Pediatrics and Human Development at MSU's College of Human Medicine, provided the research that discovered the children in Flint had unsafe levels of lead in their blood from contaminated water. MSU is committed to finding lasting solutions that ensure a safer, healthier future for all members of the Flint community.

36,599

Enrolled Michigan Students

$18 B

URC's economic impact to Michigan's economy.

728

local jobs created from Grand Rapids Research Center construction

38

MSU Partner Hospitals

Sustainability

"Go Green" is more than just a Spartan sports cheer. It is and always has been one of MSU's guiding principles. Sustainability efforts touch nearly every part of campus, from classes and research to energy use and food service. Originally rooted in agriculture, MSU – perhaps more than ever before – is dedicated to ensuring the health and sustainability of the planet and its people.

During 2016, MSU joined more than 200 colleges and universities to sign the *American Campuses Act on Climate Pledge*, which outlines a commitment to reduce greenhouse gas emissions by 45 percent, increase energy efficiency in buildings by 20 percent, and increase the University's renewable energy portfolio to 20 percent, all by 2020. In addition, the University committed to ceasing the burning of coal at the campus power plant by the end of 2016. These are not the first steps MSU has taken toward building a more sustainable future. Since 2010, MSU has decreased greenhouse gas emissions by more than 27 percent. Completing the switch from coal to natural gas will allow the University to surpass its 2015 greenhouse gas reduction target of 30 percent.

No longer burning coal is an equivalent emissions reduction to planting about 500,000 trees per year.

In April 2016, MSU successfully converted 100 percent to natural gas generated power. Additionally, MSU has entered into a power purchase agreement for renewable energy that will be generated from the construction of large scale solar arrays over five campus parking lots. The solar arrays will be constructed, maintained, and operated by a third party, and MSU is committed to purchasing the power produced from the solar arrays at a low-cost fixed rate.

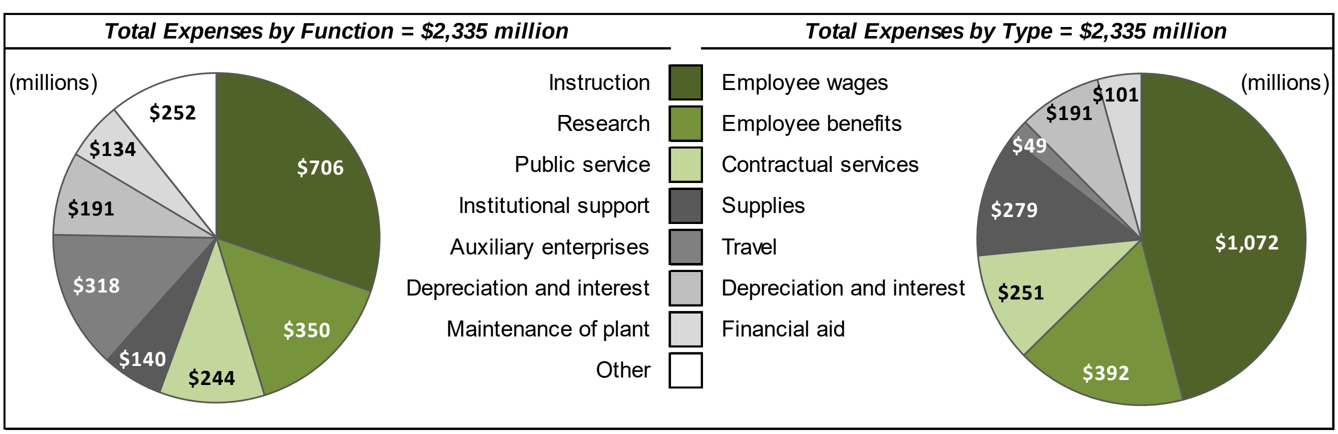
(Solar panels near T.B. Simon Power Plant)

Fiscal Stewardship

In addition to conservation and sustainability initiatives, MSU is committed to optimizing the impact of every dollar spent by the University. MSU is continually ranked at the top in operational efficiency compared to its Big Ten peers and takes seriously its responsibility to be an effective steward of public funds and private donations.

During 2016, MSU's total expenses increased $131 million to a total of $2.3 billion. The charts below summarize expenses by function and natural classification.

As we look forward to future years, various cost pressures exist that will require disciplined budget decisions. Over the last 10 years, the University has experienced more than a 30 percent increase in STEM (Science, Technology, Engineering, and Mathematics) credit hours. Additional space is needed to continue to successfully meet our value proposition to students of providing high quality programs with access to collaborative, flexible, and technology-enabled academic and instructional spaces. Further, MSU is working to address escalating information technology and data needs, including cyber-security, networking and other IT infrastructure.



Student Success

To ensure MSU remains a best value for students and other stakeholders, the University monitors its standing against relevant regional, national, and international peers. Areas of importance include academic quality, efficiency and value, and affordability and access. MSU meets or exceeds various key metrics that support its ranking as one of the top 100 universities in the world. Here are a few examples:

Top Programs

#1

- **Supply Chain Management**
- **Elementary Teacher Education***
- **Secondary Teacher Education***
- **Nuclear Physics***
- **Organizational Psychology***
- **Rehabilitation Counseling***

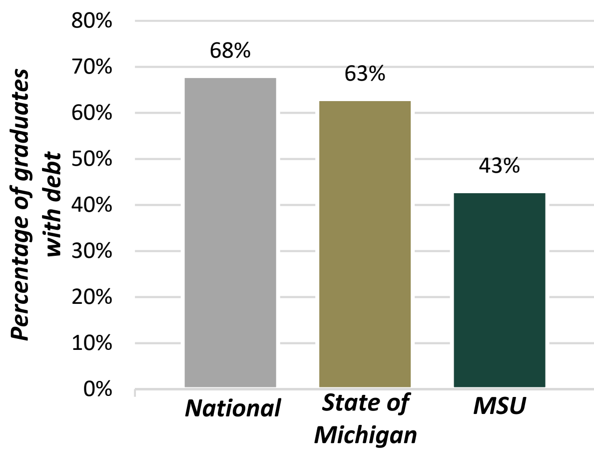
(*graduate program)

Graduate Outcomes

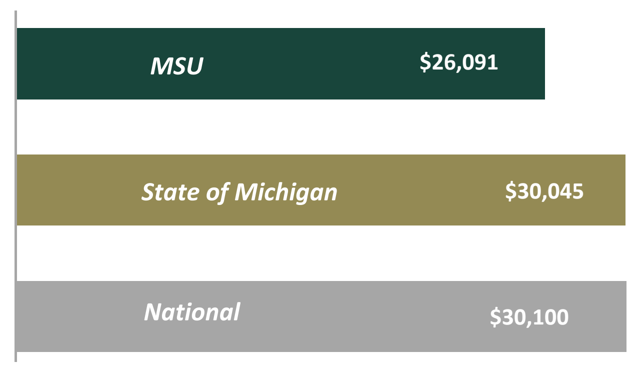
>90% ***of 2015 graduates surveyed were employed or continuing their education***

Lower Student Debt

Fewer MSU students graduate with debt compared to the State and national averages.

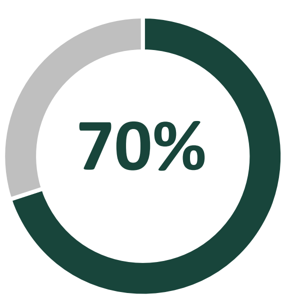


Of students graduating with debt, the average amount for 2015 MSU graduates is lower than the State & national averages.

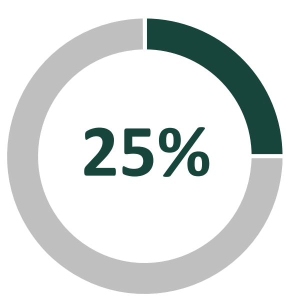


Fall 2016 Entering Class

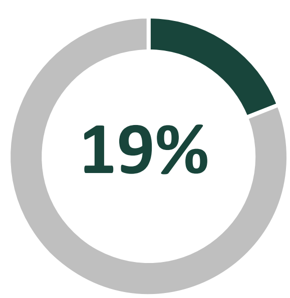
The entering class consisted of 7,950 students.



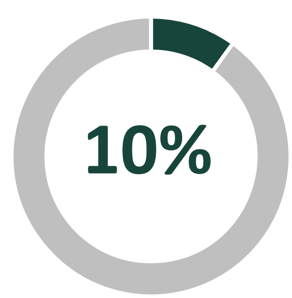
are in-state students



of domestic students are students of color



are Pell Grant recipients



are first generation students

Introduction

The following discussion provides an overview of the financial position of Michigan State University (the "University") for the fiscal years ended June 30, 2016 and 2015.

Included in this discussion is an analysis of the University's Statement of Net Position, which presents the assets, liabilities, and net position of the University, and when applicable, deferred outflows of resources and deferred inflows of resources. All are measured as of the end of the fiscal year. Further, the Statement of Revenues, Expenses, and Changes in Net Position reflects revenues and expenses recognized during the fiscal year. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

The Michigan State University Foundation (the "Foundation") is a legally separate entity which meets the criteria set forth for component units under GASB regulations. The Foundation provides financial support for the objectives, purposes, and programs of the University. Although the University does not control the timing, purpose, or amount of its receipts from the Foundation, the resources (and income thereon) the Foundation holds and invests are solely for the benefit of the University. Because the Foundation's resources are solely for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation is a private organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

The University's financial statements, related footnote disclosures, and discussion and analysis (which excludes the Foundation), have been prepared by management. The discussion and analysis, which is required supplemental information as required by GASB, is not audited and should be read in conjunction with the financial statements and footnotes.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged. Deferred outflows and deferred inflows of resources are recognized through the consumption or acquisition of resources by the University that is applicable to a future reporting period. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation rather than current market values.

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, and net position at June 30, 2016, 2015, and 2014 follows (the University has no deferred inflows of resources):

	2016	2015	2014
		(in millions)	
Current assets	$ 534	$ 534	$ 507
Noncurrent assets:			
Restricted cash and cash equivalents and restricted investments	62	207	16
Endowment and other investments	2,441	2,483	2,317
Capital assets, net	2,365	2,107	1,995
Other	108	81	71
Total assets	5,510	5,412	4,906
Deferred outflows of resources	74	62	60
Current liabilities	533	559	491
Noncurrent liabilities	1,601	1,536	1,302
Total liabilities	2,134	2,095	1,793
Net position	$ 3,450	$ 3,379	$ 3,173

Current assets:

Current assets consist of cash and cash equivalents, investments, net accounts and interest receivable, and other assets. During 2016, cash and cash equivalents and investments decreased $7 million (primarily a function of the University's operating, financing, and investing activities as reported in the Statement of Cash Flow), while pledges receivable expected to be collected in the next fiscal year increased $7 million.

The net increase in current assets in 2015 was due primarily to a net $27 million increase in accounts receivable balances. This increase was due in part to an increase of $13 million due from the State of Michigan for capital appropriations authorized for the reimbursement of certain eligible construction costs and an increase of $8 million for certain Medicaid Enhanced Reimbursement programs within the College of Human Medicine and College of Osteopathic Medicine. Accounts receivable balances generally vary from year to year due in part to timing of University initiatives and timing of cash collections related to those initiatives.

Noncurrent assets:

Restricted cash and cash equivalents and restricted investments

All balances represent unspent bond proceeds which are externally restricted for the construction or purchase of capital assets. The decrease in 2016 represents the spending of Series 2015A bond proceeds for capital assets consistent with their restricted purpose. The increase in 2015 was due to the issuance of Series 2015A bonds in June 2015.

Endowment and other investments

At June 30, 2016 and 2015, the University's endowment investments totaled $2,194 million (a decrease of $48 million) and $2,242 million (an increase of $160 million), respectively. Endowment gifts and University-designated additions to endowment investments totaled $51 million in 2016 and $45 million in 2015. In addition, $16 million in 2016 and $12 million in 2015 of unspent spending policy distributions were reinvested into the respective endowments, consistent with the underlying endowment agreements. Investments of $120 million in 2016 and 2015 were reallocated to designated endowment investments, consistent with the University's Board-approved cash management and investment plan. Partially offsetting these increases is a net draw on accumulated capital gains of $40 million and $35 million in 2016 and 2015, respectively, for programmatic and capital initiatives. Realized and unrealized net investment losses within the investment portfolio accounted for a $195 million decrease in 2016, while net investment gains resulted in a $18 million increase in 2015.

Other investments consist primarily of retirement and postemployment benefit reserves, which totaled $87 million and $93 million at June 30, 2016 and 2015, respectively. Also included in other investments is the Liquidity Reserve Pool component of the University's Operating Cash Pool ($82 million in 2016 and $80 million in 2015).

Capital assets

The University continues to implement its long-range plan to modernize and renew its teaching, research and residential life facilities in support of its mission. At June 30, 2016, 2015, and 2014, the University's investment in capital assets was as follows:

	2016	2015	2014
		(in millions)	
Land	$ 43	$ 42	$ 39
Buildings and site improvements	2,972	2,776	2,681
Construction in progress	459	316	214
Software and other intangibles	95	95	95
Equipment and other	826	777	735
Museum collections	14	13	12
Less: accumulated depreciation	(2,044)	(1,912)	(1,781)
	$ 2,365	$ 2,107	$ 1,995

Major additions to buildings and site improvements during 2016 include $69 million for the Bio Engineering Facility, $19 million for the Facility for Rare Isotope Beams – 25 Mega Watt Electrical Duct Bank, $18 million for Akers Hall Dining and Life Safety renovation, and $16 million for Steam Distribution Tunnel replacement. Major additions to buildings and site improvements during 2015 included $25 million for the Spartan Stadium – North End Zone addition, $18 million for Landon Hall – Dining, Safety, and Accessibility renovations, $14 million for Steam Distribution Tunnel replacement, $8 million for the Union Building Engagement Center and Multicultural Center, and $8 million for the Animal Clinical Center renovation.

Construction in progress reflects multi-year projects which, once completed and placed into service, are generally categorized as buildings and site improvements. The 2016 balance includes $195 million for the Facility for Rare Isotope Beams, $46 million for 1855 Place, $45 million for the Grand Rapids Research Facility, $21 million for the Cyclotron Building – Office additions, and $91 million for the Facility for Rare Isotope Beams specialized equipment fabrication. The 2015 balance included $99 million for the Facility for Rare Isotope Beams, $50 million for the Bio Engineering Facility, $17 million for Akers Hall Dining and Life Safety renovation, $16 million for Steam

Distribution Tunnel replacement, and $44 million for the Facility for Rare Isotope Beams specialized equipment fabrication.

As of June 30, 2016, the University had initiated plans and incurred certain contractual commitments related to the construction and renovation of various facilities. The costs to complete the projects are estimated to be $690 million and are to be funded over multiple years from debt proceeds, capital grants, private gifts, and other University funds.

Deferred outflows of resources:

Deferred outflows of resources consist of accumulated changes in the fair value of hedging derivative instruments and deferred losses on a refunding of debt in fiscal year 2010. The net increase of $12 million and $2 million of deferred outflows of resources in 2016 and 2015, respectively, is due primarily to the change in the accumulated fair value of the hedging derivative instruments.

Current liabilities:

Current liabilities consist primarily of trade accounts and interest payable, accrued compensation and other personnel costs, unearned revenues, and other liabilities payable within one year or less. The net decrease in 2016 is due in part to a $42 million decrease in the current portion of long-term debt and other obligations, partially offset with a $12 million increase in trade accounts and interest payable. The net decrease in the current portion of long-term debt and other obligations is due in part to a net reduction of outstanding General Revenue Commercial Paper (short-term financing) of $44 million. Trade accounts payable balances vary from year to year, due in part to timing of University initiatives and payments of related programmatic costs.

The net increase in 2015 was due in part to a $46 million increase in the current portion of long-term debt and other obligations, $12 million increase in unearned revenue, and $8 million increase in deposits held for others. The net increase in the current portion of long-term debt and other obligations was due in part to a net issuance of $108 million of General Revenue Commercial Paper, Series E, which was used to finance or reimburse all or part of the costs of capital projects ($54 million), and refund outstanding General Revenue Commercial Paper, Series D ($47 million) and Series B ($7 million). The net increase in unearned revenue was primarily due to a $10 million increase from sponsored programs, which represents sponsor funding received but not yet expended. Fluctuations in sponsored program unearned revenue amounts were primarily due to timing differences of cash draws from the grantor. Deposits held for others represent funds held at the University in a fiduciary capacity, but which the University does not have the right to spend. The net increase was due to a net $8 million deposit by an affiliated law college for investment in the University's Common Investment Fund.

Noncurrent liabilities, primarily debt:

At June 30, 2016, the University has noncurrent debt and other obligations outstanding of $1,066 million compared with $1,091 million at June 30, 2015. This balance is comprised primarily of outstanding General Revenue Bonds of $1,025 million and $1,050 million in 2016 and 2015, respectively (including $50 million and $52 million in 2016 and 2015, respectively, of related original issue premiums). The decrease is primarily due to scheduled principal debt payments of $25 million on outstanding General Revenue Bonds. The University periodically reviews its debt capacity and related capital asset needs to optimize the use of its long-term resources. The University's outstanding General Revenue debt carries an investment grade credit rating from Moody's and Standard & Poor's of Aa1 and AA+, respectively.

The University faces the continuing challenge of funding its increasing health care and dental benefits costs. This includes the cost of providing postemployment health and dental benefits to eligible retirees (other postemployment benefits, or OPEB) through a closed single employer defined benefit plan administered by the University. For the year ended June 30, 2016, the University has estimated the cost (annual expense) of providing OPEB through an actuarial valuation as of January 1, 2016. The actuarial valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover current year costs and amortize any unfunded actuarial liabilities over a period of thirty years. The University's total unfunded OPEB obligation in 2016 and 2015 is estimated at $1,027 million and $866 million, respectively. Of these amounts, the University has recorded a noncurrent liability of $406 million and $350 million for 2016 and 2015, respectively, representing the net OPEB obligation (the cumulative difference between the annual required contribution less actual retiree health and dental payments made during the respective fiscal years). This increase of $56 million represents the continued amortization (year nine of thirty) of the total unfunded OPEB obligation. In addition, the University adopted updated mortality assumptions to reflect the most recent projections as published by the Society of Actuaries, resulting in the liability to increase because of the increased life expectancy of the general population. See footnote 12 for more information.

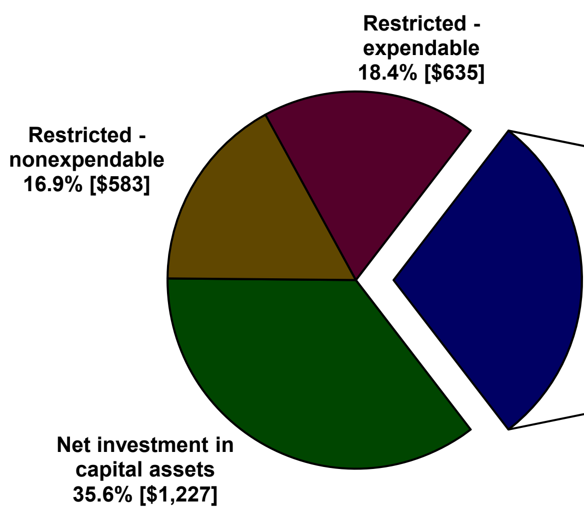
In June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which changes the financial reporting requirements for OPEB. Effective for fiscal year 2018 (with the option of early implementation), MSU will no longer be allowed to amortize the unfunded OPEB obligation over a thirty-year period as allowed by GASB 45. The University will be required to report the full unfunded actuarial liability in its entirety in the financial statements beginning in fiscal year 2018. In addition, GASB 75 changes certain actuarial assumptions previously allowed under current OPEB accounting guidance. To prepare for these changes, the University conducted an actuarial analysis of its OPEB liabilities under the new GASB 75 standard using fiscal year 2016 information. The analysis estimated that these changes would have resulted in a recomputed total unfunded OPEB obligation projected to be approximately $2,276 million as of June 30, 2016. As GASB 75 requires annual updates to estimated liabilities based on current year interest rates, it is likely the liability estimate will vary dramatically from year to year with changes in interest rates. Although the financial reporting of the liability will be changing, MSU's approach on funding the retirement benefit on a pay-as-you-go basis will continue, thus, there will be no impact on the payment of the benefits.

Net position:

Net position represents residual University assets and deferred outflows after liabilities are deducted. The University's net position at June 30, 2016, 2015, and 2014 is summarized as follows:

	2016	2015 (in millions)	2014
Net investment in capital assets	$ 1,227	$ 1,055	$ 983
Restricted:			
Nonexpendable	583	530	487
Expendable	635	691	674
Total restricted	1,218	1,221	1,161
Unrestricted	1,005	1,103	1,029
Total net position	$ 3,450	$ 3,379	$ 3,173

The following is a breakdown of net position at June 30, 2016. See footnote 15 for further information (amounts are presented in millions of dollars):



Designated/Committed:		
Capital and infrastructure	16.1%	$556
Programmatic commitments	12.0%	$414
Departmental working capital	9.2%	$318
Quasi-endowments	0.9%	$32
Retirement and insurance	(9.2%)	($316)
Total Designated/Committed	29.0%	$1,004
Uncommitted	0.1%	$1
	29.1%	$1,005

TOTAL NET POSITION $3.5 BILLION

Net investment in capital assets represents the University's land, buildings, software, and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position is subject to externally imposed stipulations that they be maintained permanently. Such net position includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Such net position includes the net appreciation of the University's permanent endowment funds that have not been stipulated by the donor to be reinvested permanently, restricted quasi-endowments, restricted gifts, and federal and state sponsored programs.

Although unrestricted net position is not subject to externally imposed restrictions, virtually all of the University's unrestricted net position is subject to internal designation to meet various specific commitments. These commitments include funding the completion of the 2016 summer semester and the first quarter of fiscal year 2017, maintaining reserves for capital projects, continued recognition of the OPEB obligation, working capital for self-supporting departmental activities, and unrestricted quasi and term endowments. The uncommitted balance at June 30, 2016 is $1 million.

The University's ongoing review of its infrastructure indicates a need for approximately $900 million over the next 10 years to modernize and renovate aging teaching, research, housing and other support facilities, utility systems, and roads, consistent with its just-in-time maintenance strategy, and to upgrade administrative and other campus-wide technology systems. The University intends to address these maintenance and technology needs through the use of capital and infrastructure reserves, appropriate use of additional borrowing, and efforts to obtain gifts, grants, and capital appropriations.

Statement of Revenues, Expenses, and Changes in Net Position

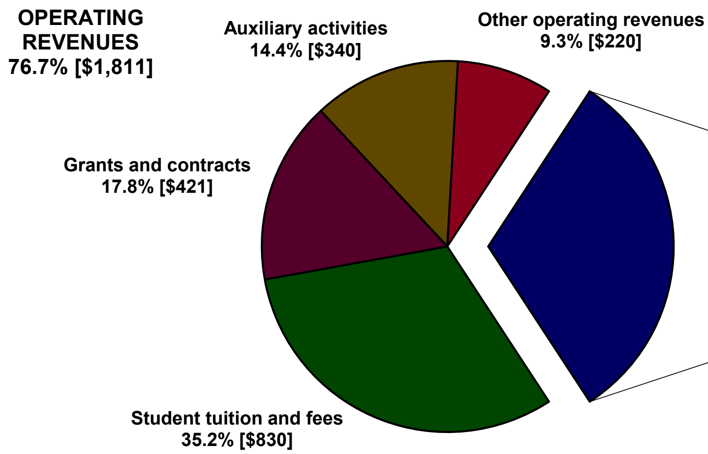
The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the University, as well as the nonoperating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public university's dependency on revenues such as state appropriations, gifts, and investment income, which are prescribed by GASB as nonoperating revenues, operating expenses will exceed operating revenues, resulting in an operating loss. Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net position.

A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2016, 2015, and 2014 follows:

	2016	2015	2014
		(in millions)	
Operating revenues:			
Student tuition and fees, net of allowances	$ 830	$ 797	$ 753
Grants and contracts	421	415	389
Auxiliary activities	340	326	303
Other operating revenues	220	204	175
Total operating revenues	1,811	1,742	1,620
Operating expenses:			
Instruction and departmental research	706	669	632
Research	350	328	312
Public service	244	227	222
Academic support	128	105	95
Student services	54	52	49
Scholarships and fellowships	66	63	60
Institutional support	140	128	115
Operation and maintenance of plant	134	129	139
Auxiliary enterprises	318	307	289
Depreciation	147	155	150
Other operating expenses, net	4	4	6
Total operating expenses	2,291	2,167	2,069
Operating loss	(480)	(425)	(449)
Nonoperating revenues (expenses):			
State operating appropriation	269	264	250
State AgBioResearch appropriation	33	32	30
State cooperative extension service appropriation	28	28	26
Federal Pell grant revenue	39	38	37
Gifts	60	73	55
Net investment income (loss)	(103)	93	324
Interest expense on capital asset related debt	(44)	(37)	(41)
Other nonoperating revenues, net	4	1	6
Net nonoperating revenues	286	492	687
Income (loss) before other	(194)	67	238
State capital appropriations	44	48	30
Capital grants and gifts	176	54	36
Additions to permanent endowments	45	37	44
Increase in net position	71	206	348
Net position, beginning of year	3,379	3,173	2,825
Net position, end of year	$ 3,450	$ 3,379	$ 3,173

The University is supported by a diverse stream of revenue including student tuition and fees, state appropriations, federal and state sponsored programs, private gifts and grants, and investment income. The University continues to seek revenue from all possible sources consistent with its mission and to manage the financial resources to make quality education affordable to its students.

Total net revenue by source for the year ended June 30, 2016 is presented in millions of dollars:



State/capital appropriations	15.8%	$374
Gifts and other net revenues	10.2%	$241
Federal Pell grant revenue	1.7%	$39
Net investment loss	(4.4%)	($103)
	23.3%	$551

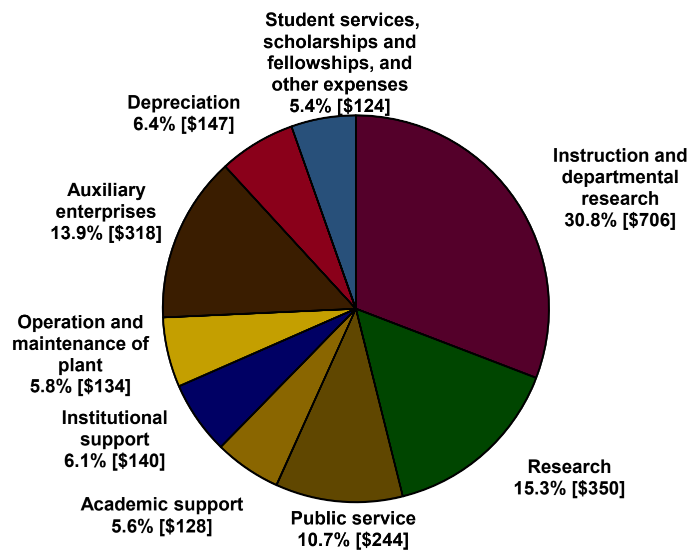
TOTAL REVENUE $2.4 BILLION

Operating revenues: The most significant source of operating revenue for the University is student tuition and fees (net of scholarship allowances), totaling $830 million and $797 million in 2016 and 2015, respectively. Gross tuition and fees revenue increased 4.8% and 5.5% in 2016 and 2015, respectively, due in part to increases in student credit hours and rates, and changes in the student blend. Other major revenue sources in 2016 include federal grants and contracts of $325 million (an increase of $2 million), including $307 million in sponsored programs, and auxiliary activities (activities which provide services to students, faculty, staff, and the public) totaled $340 million (an increase of $14 million). In 2015, net tuition and fees increased $44 million due in part to increases in student credit hours and rates, and changes in student blend, and auxiliary activities increased $23 million.

Net nonoperating and other revenues: A primary source of this net revenue is state appropriations, which totaled $374 million in 2016, an increase of $2 million. In 2016, the University received $269 million in funding for general operations, compared to $264 million in 2015. Michigan State University Extension and MSU AgBioResearch appropriations totaled $61 million, compared to $60 million in 2015. In addition, the University received $44 million in state capital appropriations in 2016 ($48 million in 2015), as funding toward eligible construction projects, including the Facility for Rare Isotope Beams ($26 million) and the MSU Bio Engineering Facility ($18 million). Other significant components of net nonoperating revenues in 2016 include capital grants and gifts, which increased $122 million due primarily to the continued development of the Facility for Rare Isotope Beams, and net investment income, which decreased $196 million due to market conditions. In 2015, net investment income decreased $231 million and state appropriations increased $36 million.

During 2016, $1,300 million was expended for the core missions of the University - instruction and departmental research, research, and public service, an increase of $76 million (6.2%) over 2015. Instruction and departmental research expenses increased $37 million (5.5%), consistent with general fund salary and labor budget increases from 2015 to 2016. Research and public service expenses increased $39 million (7.0%), due primarily to growth in sponsored programs ($23 million) and certain medical service plan and Medicaid Enhanced Reimbursement program costs within the College of Human Medicine and College of Osteopathic Medicine ($11 million). Auxiliary enterprises totaled $318 million, an increase of $11 million, which is in line with revenue increases during 2016. In 2015, expenses for the core mission of the University increased $58 million and auxiliary enterprises increased $18 million.

Operating expenses by source for the year ended June 30, 2016 are presented in millions of dollars:



TOTAL OPERATING EXPENSES $2.3 BILLION

The University's Economic Outlook

Over the fiscal 2016 period, MSU continues to work to diversify revenue streams and raise tuition to cover short falls in State appropriations to focus its resources on key mission-specific initiatives – emerging with expanding global prominence and a growing research portfolio. Nevertheless, the University's revenue mix is associated with the level of State support. Existing appropriations to higher education in the State of Michigan lag inflation-adjusted 2011 levels by approximately $20 million. Through fiscal 2016, the State of Michigan ranks 47th out of 48 states reporting for its 10-year change in higher education appropriations – lagging the national average for change by 25 percentage points.

The University's budget for fiscal year 2016-17 implemented a 3.7% increase in resident undergraduate tuition, while increasing student financial aid by 4.5%. State appropriation support is expected to increase approximately 2.6%, though, as mentioned above, total appropriations continue to lag historic and national levels. Tuition rates and state appropriations are expected to just keep pace with inflation in future years, but not close the gap from historic levels of support.

MSU will continue its goal of raising $1.5 billion through the *Empower Extraordinary* capital campaign. With the infusion of private support from Spartans around the world, the University will propel forward in empowering students and faculty at MSU in making the discoveries of tomorrow, remain open and accessible to all who qualify, and build a greater university for generations to come.

Despite the volatility of investment returns over the last several years, investment income continues to be an important component of MSU's ongoing revenue diversification. To be good stewards of University funds, the University manages its endowment spending rate to ensure necessary resources are available for operations, while maintaining the purchasing power of the endowment assets for decades to come. Over time, MSU's long-term diversified investment strategy has proven to provide an important source of support for University operations and help to keep tuition increases lower.

Moving forward, MSU will need to continue making strategic budget decisions to address various cost pressures. MSU will need to meet infrastructure needs related to a 30% increase in demand for STEM (Science, Technology, Engineering, and Mathematics) courses over the past ten years. In addition, updates to campus-wide information technology infrastructure to address escalating data needs, cyber-security, and network capabilities will also be necessary. Further, changes in compliance requirements for research and sponsored programs, as well as in the application of fair labor standards, will greatly impact MSU's cost challenges.

Despite economic circumstances, Michigan State University is committed to building on its strength and stature as one of the top 100 research universities in the world. MSU will continue to support the State of Michigan and its people, enhancing economic competitiveness and quality of life. Focused on its core land grant values, the University will continue to reach across international boundaries to share the best of Michigan with the world and bring the best of the world to Michigan. Spartans Will.

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Michigan State University

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Michigan State University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Michigan State University Foundation (the "Foundation"), which is the sole discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited under *Government Auditing Standards*.

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

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

To the Board of Trustees
Michigan State University

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the position of Michigan State University and its discretely presented component unit as of June 30, 2016 and 2015, and the changes in its financial position, and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2015. Our opinion is not modified with respect to this matter.

As explained in Note 18, the financial statements include investments valued at approximately $1.8 billion (52.1 percent of net position) at June 30, 2016 and at approximately $1.9 billion (54.8 percent of net position) at June 30, 2015, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund managers of the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis on pages 9-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016 on our consideration of Michigan State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 27, 2016

	June 30, 2016	June 30, 2015
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,005	$ 8,768
Investments	303,369	311,636
Accounts and interest receivable, net	168,375	168,380
Student loans and pledges receivable, net	33,187	25,468
Inventories and other assets	19,198	19,575
Total current assets	534,134	533,827
Noncurrent assets:		
Restricted cash and cash equivalents	11,729	207,269
Restricted investments	50,591	-
Endowment investments	2,193,642	2,241,694
Other investments	247,642	241,226
Student loans and pledges receivable, net	88,009	73,678
Investments in joint ventures and other	18,994	7,177
Derivative instruments - swap asset	584	676
Capital assets, net	2,364,690	2,106,711
Total noncurrent assets	4,975,881	4,878,431
Total assets	**5,510,015**	**5,412,258**
DEFERRED OUTFLOWS OF RESOURCES	**74,236**	**61,424**
LIABILITIES		
Current liabilities:		
Accounts and interest payable	91,129	79,570
Accrued personnel costs	54,271	51,812
Accrued self-insurance liabilities	14,609	14,096
Payroll taxes and other payroll deductions	29,467	27,675
Deposits held for others	30,287	33,958
Unearned revenues	141,049	137,016
Current portion of long term debt and other obligations	172,322	214,530
Total current liabilities	533,134	558,657
Noncurrent liabilities:		
Accrued personnel costs	33,061	32,951
Accrued self-insurance liabilities	7,792	7,628
Unearned revenues	14,008	-
Derivative instruments - swap liability	73,685	54,788
Net other postemployment benefit obligation	406,383	349,711
Long term debt and other obligations	1,066,201	1,090,971
Total noncurrent liabilities	1,601,130	1,536,049
Total liabilities	**2,134,264**	**2,094,706**
NET POSITION		
Net investment in capital assets	1,226,525	1,055,114
Restricted:		
Nonexpendable	582,740	529,578
Expendable	635,390	690,754
Unrestricted	1,005,332	1,103,530
TOTAL NET POSITION	**$ 3,449,987**	**$ 3,378,976**

See accompanying notes

STATEMENTS OF FINANCIAL POSITION

	June 30, 2016	June 30, 2015
	(in thousands)	
ASSETS		
Cash equivalents	$ 9,533	$ 2,647
Interest and dividends receivable	114	112
Grants and contracts receivable, net	202	484
Receivable from related party	1,867	-
Other receivables, net	26	91
Investments:		
Marketable securities	194,272	200,197
Investments in limited partnerships	96,795	141,639
Venture capital	60,814	54,067
Cash value of life insurance	3,745	3,408
Land held for investment, net	4,011	983
Other investments, net	1,853	1,831
Investment in Research Park, net	5,877	5,889
Notes receivable/equity in start-up organizations, net	622	524
Prepaid expenses	56	3
Prepaid rent	-	2,567
Property and equipment, net	8,320	5,551
Intangible assets, net	1,114	1,073
Other assets	1	10
TOTAL ASSETS	**$ 389,222**	**$ 421,076**
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses and other payables	$ 4,397	$ 2,972
Deferred compensation	-	64
Notes payable	-	3,770
Line of credit	1,000	-
Trusts and annuities payable	8,887	9,357
Deposit held for Michigan State University	17,690	19,716
Deferred gain on building sale	-	1,115
Obligations under life estate agreements	554	153
Total liabilities	**32,528**	**37,147**
Net assets:		
Unrestricted	304,792	334,404
Temporarily restricted	36,252	33,938
Permanently restricted	15,650	15,587
Total net assets	**356,694**	**383,929**
TOTAL LIABILITIES AND NET ASSETS	**$ 389,222**	**$ 421,076**

See accompanying notes

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30, 2016	Year ended June 30, 2015
	(in thousands)	
OPERATING REVENUES		
Student tuition and fees	$ 952,448	$ 908,774
Less: scholarship allowances	122,072	111,820
Net student tuition and fees	830,376	796,954
State of Michigan grants and contracts	12,025	10,477
Federal grants and contracts	325,210	323,509
Local and private sponsored programs	83,975	80,977
Interest and fees on student loans	945	981
Departmental activities (net of scholarship allowances of $5,716 in 2016 and $5,637 in 2015)	218,494	203,439
Auxiliary activities (net of room and board allowances of $25,614 in 2016 and $23,065 in 2015)	340,110	326,097
TOTAL OPERATING REVENUES	**1,811,135**	**1,742,434**
OPERATING EXPENSES		
Instruction and departmental research	706,312	668,570
Research	349,725	328,397
Public service	244,511	227,098
Academic support	128,192	104,886
Student services	54,301	51,830
Scholarships and fellowships	65,661	62,904
Institutional support	139,915	127,927
Operation and maintenance of plant	134,246	128,892
Auxiliary enterprises	317,792	306,949
Depreciation	146,540	155,358
Other operating expenses, net	4,107	4,290
TOTAL OPERATING EXPENSES	**2,291,302**	**2,167,101**
Operating loss	(480,167)	(424,667)
NONOPERATING REVENUES (EXPENSES)		
State operating appropriation	268,771	264,429
State AgBioResearch appropriation	32,508	32,028
State cooperative extension service appropriation	27,995	27,581
Federal Pell grant revenue	39,151	37,776
Gifts	60,009	72,509
Net investment income (loss)	(102,965)	93,076
Interest expense on capital asset related debt	(44,089)	(36,514)
Other nonoperating revenues, net	4,529	1,130
Net nonoperating revenues	285,909	492,015
INCOME (LOSS) BEFORE OTHER	**(194,258)**	**67,348**
State capital appropriations	44,089	47,302
Capital grants and gifts	176,222	54,197
Additions to permanent endowments	44,958	37,218
Increase in net position	71,011	206,065
Net position, beginning of year	3,378,976	3,172,911
NET POSITION, END OF YEAR	**$ 3,449,987**	**$ 3,378,976**

See accompanying notes

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended June 30, 2016			
	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
		(in thousands)		
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	$ 274	$ 5,446	$ 105	$ 5,825
Income (loss) from investments	(10,687)	(502)	455	(10,734)
Royalty income	1,482			1,482
Rental income	965			965
Rental expenses	(793)			(793)
Grants and contracts	2,204			2,204
Other income	1,273			1,273
Equity earnings from subsidiaries	116			116
Net assets released from restrictions:				
Satisfaction of program restrictions	(238)	248	(10)	-
Current year transfers	3,365	(2,878)	(487)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	(2,039)	2,314	63	338
EXPENSES:				
Contributions to Michigan State University	13,360			13,360
Expenses related to land held for investment, net	234			234
Investment management fees	3,566			3,566
Investment consulting fees	565			565
Adjustments to value of annuities payable	(375)			(375)
Management and general	1,740			1,740
Unrelated business income tax	(120)			(120)
Postretirement benefits:				
Net periodic benefit cost	267			267
Provision for uncollectible receivables, net	388			388
MBI program expenses	6,248			6,248
Spartan Innovations expenses, net	1,700			1,700
TOTAL EXPENSES	27,573	-	-	27,573
Change in net assets	(29,612)	2,314	63	(27,235)
Net assets, beginning of year	334,404	33,938	15,587	383,929
NET ASSETS, END OF YEAR	$ 304,792	$ 36,252	$ 15,650	$ 356,694

	Year ended June 30, 2015			
	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
		(in thousands)		
REVENUE, GAINS AND OTHER SUPPORT:				
Contributions	$ 159	$ 3,245	$ 279	$ 3,683
Income from investments	15,728	352	219	16,299
Royalty income	1,664			1,664
Rental income	933			933
Rental expenses	(961)			(961)
Grants and contracts	2,654			2,654
Other income	318			318
Equity earnings from subsidiaries	115			115
Net assets released from restrictions:				
Satisfaction of program restrictions	7	8	(15)	-
Current year transfers	6,710	(6,184)	(526)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	27,327	(2,579)	(43)	24,705
EXPENSES:				
Contributions to Michigan State University	16,100			16,100
Expenses related to land held for investment, net	(92)			(92)
Investment management fees	2,544			2,544
Investment consulting fees	619			619
Adjustments to value of annuities payable	83			83
Management and general	1,419			1,419
Unrelated business income tax	376			376
Postretirement benefits:				
Net periodic benefit cost	267			267
Changes other than net periodic benefit costs	709			709
Provision for uncollectible receivables, net	(147)			(147)
MBI program expenses	7,074			7,074
Spartan Innovations expenses, net	1,735			1,735
TOTAL EXPENSES	30,687	-	-	30,687
Change in net assets	(3,360)	(2,579)	(43)	(5,982)
Net assets, beginning of year	337,764	36,517	15,630	389,911
NET ASSETS, END OF YEAR	$ 334,404	$ 33,938	$ 15,587	$ 383,929

See accompanying notes

	Year ended June 30,	
	2016	2015
Cash flows from operating activities	(in thousands)	
Tuition and fees	$ 831,482	$ 797,076
Research grants and contracts	421,620	431,695
Auxiliary activities	358,675	317,165
Departmental activities	202,008	193,292
Interest and fees on student loans	945	982
Loans issued to students	(8,563)	(9,038)
Collection of loans from students	10,142	10,011
Scholarships and fellowships	(101,857)	(97,565)
Payments to suppliers	(543,193)	(480,927)
Payments to employees	(1,434,461)	(1,380,005)
Other payments	(18,603)	(670)
Net cash used by operating activities	(281,805)	(217,984)
Cash flows from noncapital financing activities		
State appropriations	328,322	320,738
Federal Pell grant revenue	39,151	37,776
Gifts	59,720	57,901
Endowment gifts	44,962	37,412
William D. Ford Direct Lending receipts	369,322	363,577
William D. Ford Direct Lending disbursements	(369,340)	(363,434)
Net cash provided by noncapital financing activities	472,137	453,970
Cash flows from capital and related financing activities		
Capital appropriations	58,645	34,751
Capital gifts and grants	152,878	53,913
Proceeds from issuance of debt and other long term obligations	20,135	318,188
Purchase of capital assets	(391,081)	(264,407)
Proceeds from sale of capital assets	1,794	1,228
Principal paid on capital debt	(84,985)	(85,375)
Interest paid	(46,935)	(43,222)
Other receipts	2,285	3,534
Net cash provided (used) by capital and related financing activities	(287,264)	18,610
Cash flows from investing activities		
Investment income, net	127,245	172,318
Proceeds from sales and maturities of investments	4,652,229	3,908,529
Purchase of investments	(4,876,845)	(4,129,422)
Net cash used by investing activities	(97,371)	(48,575)
Net increase (decrease) in cash	(194,303)	206,021
Cash and cash equivalents, beginning of year	216,037	10,016
Cash and cash equivalents, end of year	**$ 21,734**	**$ 216,037**

See accompanying notes

	Year ended June 30,	
Reconciliation of net operating loss to cash flows from operating activities:	**2016**	**2015**
	(in thousands)	
Operating loss	$ (480,167)	$ (424,667)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	146,540	155,358
Change in assets and liabilities:		
Accounts receivable	(13,347)	(10,961)
Student loans receivable	1,579	973
Inventories and other assets	377	(2,708)
Investments in joint ventures and other	(11,817)	(472)
Accounts payable	(1,050)	2,496
Accrued personnel costs	2,569	(4,506)
Payroll taxes and other payroll deductions	1,792	2,579
Deposits held for others	(3,671)	8,342
Unearned revenues	18,041	11,762
Accrued self-insurance liabilities	677	612
Net other postemployment benefit obligation	56,672	43,208
Net cash used by operating activities	**$ (281,805)**	**$ (217,984)**

See accompanying notes

1. Organization, basis of presentation, reporting entity, and summary of significant accounting policies

Organization:

Michigan State University (the "University") was founded in 1855 as the Agricultural College of the State of Michigan. It was the first institution of higher learning in the nation to teach scientific agriculture and in 1863 became a pioneer land grant college under the Morrill Act. The University has grown into a comprehensive research university providing undergraduate, graduate, and professional degree programs. The University is not a component unit of the State of Michigan as defined by the Governmental Accounting Standards Board (GASB).

Basis of presentation:

The University follows all applicable GASB pronouncements. The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and are presented in accordance with the reporting model prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities, as amended by GASB Statements No. 37, No. 38, and No. 63. The University follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the University's financial statements:

- Management's Discussion and Analysis.
- Basic Financial Statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements.

GASB Statement No. 34, as amended by No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- 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:

  Nonexpendable – Net position subject to externally imposed constraints that they be maintained permanently by the University. Nonexpendable net position includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

  Expendable – Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of the University's permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.
- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic, research, and outreach programs and initiatives, postemployment benefits, and capital asset renewals and replacements.

Reporting entity:

The Michigan State University Foundation (the "Foundation") is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, as amended by GASB No. 61. The Foundation provides financial support for the objectives, purposes, and programs of the University. Although the University does not control the timing, purpose, or amount of its receipts from the Foundation, the resources (and income thereon) which the Foundation holds and invests are dedicated to benefit the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its Statements of Financial Position and Statements of Activities and Changes in Net Assets are discretely presented in the University's financial statements. In addition, the Foundation's significant notes are summarized in Footnote 4.

The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

Complete financial statements for the Foundation can be obtained by a written request to:

Michigan State University Foundation, 2727 Alliance Drive, Suite C, Lansing, Michigan 48910-3338

Summary of significant accounting policies:

Cash and cash equivalents – For purposes of the Statement of Cash Flows, the University defines cash equivalents as highly liquid, short-term (90 days or less) investments that bear little or no market risk. Cash and cash equivalents held in the Liquidity Reserve Pool (LRP), Common Investment Fund (CIF), and other investment funds are included in investments because the intent of these funds is long-term appreciation. Any cash balances held in these funds at the date of the financial statements are due to timing of reinvesting the proceeds within the fund.

Restricted cash and cash equivalents and restricted investments – Restricted cash and cash equivalents and restricted investments represent unspent bond proceeds that are externally restricted for the construction or purchase of capital assets.

Pledges – Financial support in the form of pledges is received from business enterprises, foundations and individuals. Revenue from gift pledges is recorded only when there is an unconditional promise to pay and all eligibility requirements, including time requirements, have been met. Contributions to permanent and term endowments are not recognized as assets until actually received.

Inventories – Inventories are recorded using various methods, including last in first out (LIFO) and first in first out (FIFO).

Investments – Investments are stated at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The University values its investments using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University, while unobservable inputs reflect the University's own assumptions about how market participants would value an asset or a liability based on the best information available. The University uses various industry standard valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Capital assets – Capital assets are stated at cost or, when donated, at acquisition value at the date of the gift. Depreciation is computed using the straight-line method, with a full-year expense in the year of acquisition and none in the year of disposal. Assets are depreciated over the estimated useful lives ranging from four to forty years for the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The University does not capitalize certain works of art or historical treasures (except for certain museum collections) that are held for exhibition, education, research, or public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Deferred outflows of resources – As prescribed by GASB Statement No. 63, the Statement of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. Deferred outflows of resources consist of accumulated changes in the fair value of hedging derivative instruments and deferred losses on refunding of debt.

Compensated absences – University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at death, retirement, or termination. Unused hours exceeding these limitations are forfeited.

Unearned revenue – Unearned revenue consists primarily of advance ticket sales for athletic events, summer school tuition not earned during the current year, and contract and sponsored program advances.

Derivative instruments – Derivative instruments consist of interest rate swap agreements and are stated at fair value based on the zero coupon valuation method.

Operating and Nonoperating Revenues – Operating activities as reported in the Statements of Revenues, Expenses, and Changes in Net Position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 34, including state appropriations, federal Pell grant revenue, gifts, and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient University department within the guidelines of donor restrictions, if any.

Student tuition and fees – Student tuition and fee revenues are reported in the fiscal year in which the substantial portion of the educational term occurs, net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship allowances represent the difference between the stated charge for goods and services provided by the University and the amount that is paid by the students or third parties on behalf of the students, where the University has discretion over such expenses.

Auxiliary activities – Auxiliary activities primarily represent revenues generated from University Residential and Hospitality Services, Intercollegiate Athletics, and various other departmental activities that provide services to the student body, faculty, staff, and general public.

Donor restricted endowments – Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 ("UPMIFA"), the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Under the programmatic spending policy established by the Board, 5% of the average market value of endowment investments for the twenty quarters of the five calendar years prior to the beginning of the fiscal year has been authorized for expenditure.

Eliminations – In preparing the financial statements, the University eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statements of Net Position. Similarly, revenues and expenses related to internal service activities are also eliminated from the Statement of Revenues, Expenses, and Changes in Net Position. Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts where the University has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Use of estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Income taxes – The University is a part of the State of Michigan for purposes of Internal Revenue Code Section 115, and is an organization as described in Internal Revenue Code Section 501(c)(3). The University's income generally is exempt from federal income taxes, although income from certain activities may be subject to taxation as unrelated business income.

Change in accounting policy – Effective with the fiscal year ended June 30, 2016 the University adopted GASB Statement No. 72, Fair Value Measurement and Application. This statement provides guidance for determining and applying fair value measurement to certain investments for financial reporting and disclosure purposes. There were no changes to prior year balances as a result of applying the new standard.

2. Cash and cash equivalents

The University's cash and cash equivalents as of June 30, 2016 and 2015 were as follows:

	2016	2015
Cash and cash equivalents, current	$ 10,005	$ 8,768
Restricted cash and cash equivalents, noncurrent	11,729	207,269
Total cash and cash equivalents	$ 21,734	$ 216,037

Of the bank balances for cash, $525 of the total $36,580 in 2016 and $573 of the total $233,829 in 2015 were covered by federal depository insurance. Any remaining amounts were uninsured and uncollateralized, as banks holding deposits of the University are legally prohibited from collateralizing these deposits.

3. Investments

The University manages investments in accordance with the policy approved by the Board. The investment policy distinguishes guidelines for the Liquidity Pool (LP), Liquidity Reserve Pool (LRP), and Common Investment Fund (CIF). In addition, the University has other investments that are restricted by external agreements or by special donor limitations (Other).

As of June 30, 2016 and 2015, the University had the following investments:

	June 30, 2016				
Investment type	LP	LRP	CIF	Other	Total
Investment pools	$ 11,280	$ 30,457	$ 1,949,409	$ 64,098	$ 2,055,244
U.S. Treasury bonds	139,433	16,270	24,721	-	180,424
U.S. Government agencies	36,666	12,678	19,264	-	68,608
Municipal bonds	-	535	813	-	1,348
Corporate bonds	70,043	10,461	15,897	675	97,076
Asset-backed securities	65,464	9,148	13,902	2,325	90,839
U.S. equities	-	-	213,478	-	213,478
International equities	-	-	50,665	-	50,665
International bonds	31,074	2,575	3,913	-	37,562
Total	$ 353,960	$ 82,124	$ 2,292,062	$ 67,098	$ 2,795,244

	June 30, 2015				
Investment type	LP	LRP	CIF	Other	Total
Investment pools	$ 11,212	$ 32,375	$ 1,992,480	$ 49,884	$ 2,085,951
U.S. Treasury bonds	136,960	15,715	23,880	55	176,610
U.S. Government agencies	20,156	9,337	14,187	-	43,680
Municipal bonds	743	487	740	-	1,970
Corporate bonds	65,710	9,393	14,274	1,063	90,440
Asset-backed securities	51,853	9,207	13,990	2,342	77,392
U.S. equities	-	-	232,911	-	232,911
International equities	-	-	52,178	-	52,178
International bonds	25,002	3,343	5,079	-	33,424
Total	$ 311,636	$ 79,857	$ 2,349,719	$ 53,344	$ 2,794,556

Interest Rate Risk: As a means of managing its exposure to fair value losses arising from increasing interest rates, University investment policy limits the average duration of the LP portfolio to three years and the LRP and CIF portfolios to six years. At June 30, 2016 and 2015, the University was in compliance with its investment policy with regard to average duration. University policy does not address average duration of investments by investment type.

The maturities of fixed income investments as of June 30, 2016 and 2015 are as follows:

June 30, 2016
Fixed Income Investment Maturities

Investment type	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Investment pools	$ -	$ -	$ 64,750	$ 2,384	$ 67,134
U.S. Treasury bonds	13,509	158,536	3,545	4,834	180,424
U.S. Government agencies	5,512	29,665	778	32,653	68,608
Municipal bonds	-	-	-	1,348	1,348
Corporate bonds	30,778	46,766	11,935	7,597	97,076
International bonds	11,932	21,845	2,854	931	37,562
Asset-backed securities	11,488	38,646	10,153	30,552	90,839
Total	$ 73,219	$ 295,458	$ 94,015	$ 80,299	$ 542,991

June 30, 2015
Fixed Income Investment Maturities

Investment type	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Investment pools	$ -	$ -	$ 66,054	$ 2,063	$ 68,117
U.S. Treasury bonds	55	169,722	2,727	4,106	176,610
U.S. Government agencies	-	17,430	1,759	24,491	43,680
Municipal bonds	-	743	-	1,227	1,970
Corporate bonds	23,518	49,847	9,079	7,996	90,440
International bonds	5,710	21,955	4,507	1,252	33,424
Asset-backed securities	96	26,016	20,547	30,733	77,392
Total	$ 29,379	$ 285,713	$ 104,673	$ 71,868	$ 491,633

The University invests in asset-backed securities such as mortgage pass-through securities issued by U.S. Government agencies. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Credit Risk: As a means of managing credit risk on its fixed income investments, University investment policy limits investments at time of purchase to the following ratings issued by nationally recognized statistical rating organizations: LP portfolio – short-term A1/P1, long-term BBB; LRP portfolio – short-term A2/P2, long-term B; CIF portfolio – short-term A2/P2, long-term BB. Thereafter, the minimum quality for separately managed funds in all three portfolios is limited to AA. University policy does not address credit risk by investment type.

The Standard & Poor's credit ratings for fixed income investments at June 30, 2016 and 2015 are as follows:

	June 30, 2016							
Rating	Investment pools	U.S. Treasury bonds	U.S. Government agencies	Municipal bonds	Corporate bonds	International bonds	Asset-backed securities	Total
AAA	$ -	$ -	$ -	$ -	$ 5,068	$ 2,015	$ 27,876	$ 34,959
AA	-	-	34,674	923	9,796	5,375	27,711	78,479
A	-	-	-	425	34,006	17,146	555	52,132
BBB	-	-	-	-	46,140	9,185	2,020	57,345
BB	-	-	-	-	165	-	-	165
Below BB	-	-	-	-	-	-	-	-
Not rated	67,134	180,424	33,934	-	1,901	3,841	32,677	319,911
Total	$ 67,134	$ 180,424	$ 68,608	$ 1,348	$ 97,076	$ 37,562	$ 90,839	$ 542,991

	June 30, 2015							
Rating	Investment pools	U.S. Treasury bonds	U.S. Government agencies	Municipal bonds	Corporate bonds	International bonds	Asset-backed securities	Total
AAA	$ -	$ -	$ -	$ -	$ 510	$ 524	$ 33,134	$ 34,168
AA	-	-	-	1,378	8,276	1,501	5,769	16,924
A	-	-	-	592	40,692	20,161	-	61,445
BBB	-	-	-	-	38,805	10,159	1,038	50,002
BB	-	-	-	-	-	181	-	181
Below BB	-	-	-	-	-	-	-	-
Not rated	68,117	176,610	43,680	-	2,157	898	37,451	328,913
Total	$ 68,117	$ 176,610	$ 43,680	$ 1,970	$ 90,440	$ 33,424	$ 77,392	$ 491,633

Concentration of Credit Risk: As a means of managing the concentration of credit risk, University investment policy limits the concentration of investments as follows: LP portfolio – No more than 15% of the portfolio's market value may be invested in dollar denominated foreign securities of developed countries (i.e., no emerging markets). No more than 10% of the portfolio's market value will be invested in securities of any single issuer, except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies. LRP portfolio – No more than 10% of the portfolio's market value may be invested in securities below BBB. No more than 10% of the portfolio's market value may be invested in securities of any single issuer, except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies. CIF portfolio – Investments are managed in accordance with asset allocation guidelines and manager guidelines established at the time of manager appointment and consist of equities, real assets, limited partnerships, absolute return funds, and fixed income assets.

As of June 30, 2016 and 2015, not more than 5% of the University's total investments were invested in any one issuer except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. University investment policy does not limit the value of investments that may be held by an outside party. Of the University's investments at June 30, 2016, $180,424 of the U.S. Treasury bonds, $68,608 of the U.S. Government agencies, $1,348 of the municipal bonds, $97,076 of the corporate bonds, $37,562 of the international bonds, $90,839 of the asset-backed securities, $213,128 of the U.S. equities, $50,665 of the international equities, and $24,447 of the external investment pools are held by the University's counterparty, not in the name of the University. Of the University's investments at June 30, 2015, $176,555 of the U.S. Treasury bonds, $43,680 of the U.S. Government agencies, $1,970 of the municipal bonds, $90,440 of the corporate bonds, $33,424 of the international bonds, $77,392 of the asset-backed securities, $232,911 of the U.S. equities, $52,178 of the international equities, and $27,364 of the external investment pools are held by the University's counterparty, not in the name of the University.

Foreign Currency Risk: University investment policy limits foreign currency risk on its LRP portfolio to 30% of the portfolio's market value.

4. Foundation Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position.

The Foundation has entered into various limited partnerships and managed accounts with investment managers. These investments are secured by the underlying value of the securities composing the portfolios.

Foundation investments at June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Short-term investments	$ 2,136	$ 1,334
Domestic equities	56,006	66,331
Foreign equities	81,403	84,817
Fixed income	16,400	8,073
Mutual funds - Equities	24,742	26,815
Mutual funds - Fixed	13,585	12,827
Limited partnerships	96,795	141,639
Venture capital	60,814	54,067
Total	$ 351,881	$ 395,903

Marketable securities: The fair values for marketable debt and equity securities are based on quoted market prices. Securities traded on national securities exchanges are valued at the reported sales price on the last business day of the year. Investments traded over the counter on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

Limited partnership investments: The carrying amount reported in the Statements of Financial Position is stated at market value or estimated market value.

Venture capital investments: The carrying amount reported in the Statement of Financial Position is stated at market value or estimated market value. Management, external consultants, and the Board of Directors evaluate these investments for impairments on a quarterly basis. As of June 30, 2016, the Foundation has an outstanding commitment to fund limited partnership and venture capital investments in the amount of $66,795.

In determining the fair value of investments, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset, including assumptions about risk and/or the risks inherent in the inputs to the valuation techniques. The Foundation’s total investment fair value measurement is categorized according to a fair value hierarchy that ranks the quality and reliability of the information used to determine the fair value. The three valuation categories include: (1) Valuations from quoted prices in active markets that the entity has the ability to access as of the measurement date ($149,231 and $154,113 in 2016 and 2015, respectively); (2) Valuations obtained from other observable inputs such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observing market data ($45,041 and $46,084 in 2016 and 2015, respectively); (3) Valuations from unobservable inputs that reflect the entity's own assumptions about the assumptions that market participants would use in pricing as asset ($157,609 and $195,706 in 2016 and 2015, respectively).

Research park investment (not included in the above summary): The Foundation is also invested in a research park development, which consists of land transferred at historical cost from the University plus costs incurred to develop the infrastructure of the research park.

5. Accounts and interest receivable

The composition of accounts and interest receivable at June 30, 2016 and 2015 is summarized as follows:

	2016	2015
State appropriations	$ 59,868	$ 58,916
Research and sponsored programs	54,944	52,898
Departmental activities	44,469	33,325
Capital appropriations	-	14,564
Interest receivable	1,533	1,280
Other	22,573	22,001
	183,387	182,984
Less: allowance for doubtful accounts	15,012	14,604
Total accounts and interest receivable, net	$ 168,375	$ 168,380

6. Student loans and pledges receivable

The composition of student loans and pledges receivable at June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Student loans receivable:		
Perkins Federal Loan Program	$ 37,723	$ 38,141
Health Professions Student Loan Programs	9,378	8,742
Other	3,355	3,619
	50,456	50,502
Less: allowance for doubtful accounts	7,344	5,810
Total student loans receivable, net	43,112	44,692
Pledges receivable:		
Capital	54,655	28,720
Operations	33,102	32,752
	87,757	61,472
Less: allowance for doubtful accounts	9,673	7,018
Total pledges receivable, net	78,084	54,454
Total student loans and pledges receivable, net	121,196	99,146
Less current portion - student loans	9,456	8,984
Less current portion - pledges	23,731	16,484
Noncurrent portion	$ 88,009	$ 73,678

Principal repayment and interest rate terms of federal and University student loans vary considerably. Campus-based federal loan programs are funded principally with federal and institutional contributions to the University under the Perkins and various health professions loan programs.

For the year ended June 30, 2016 and 2015, the University distributed $368,039 and $363,059, respectively, for student loans through the U.S. Department of Education William D. Ford Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements.

As discussed in Note 1, pledges for permanent endowments do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Accordingly, pledges for permanent endowments totaling $34,504 and $33,411 at June 30, 2016 and 2015, respectively, are not recognized as assets in the accompanying financial statements, but are expected to be received in future years.

Payments on pledges receivable at June 30, 2016, expected to be received in the following fiscal years ended June 30, are summarized below. The allowance for uncollectible pledges receivable is made based on prior collection experience and management judgment. Gift pledges expected to be collected in the future years are reported at the net present value of the related cash flows discounted at 4%.

2017	$	26,775
2018		18,855
2019		15,927
2020		13,475
2021		6,509
2022 and beyond		6,216
Total discounted pledges receivable		87,757
Less: allowance for uncollectible pledges		9,673
Total pledges receivable, net	$	78,084

7. Investments in joint ventures and other

The composition of investment in joint ventures and other at June 30, 2016 and 2015 is summarized as follows:

	2016		2015	
Investment in joint ventures	$	7,584	$	6,027
Other assets		11,410		1,150
Total investment in joint ventures and other	$	18,994	$	7,177

The University is a member of four separate incorporated nonprofit joint ventures, most of which are accounted for under the equity method. The University and Sparrow Health System are members of Mid-Michigan MRI, Inc., which provides high technology cross-sectional diagnostic imaging services. University Rehabilitation Alliance, Inc. has the University and Peckham Vocational Industries of Lansing as members and is an enterprise for the treatment of persons with brain injury. Alliance Corporation is an enterprise formed with Spectrum Health System to support and direct the collaboration of physicians and researchers to enhance patient treatments and increase the investigation of leading-edge medical research. The University is a 50% member in each of the foregoing nonprofit corporations. Additionally, the University is a one-third member in Radiation Oncology Alliance, a nonprofit corporation formed with McLaren Greater Lansing and the University of Michigan to provide radiation oncology services. Copies of financial statements for these entities can be obtained by a written request to: Office of the Controller, Michigan State University, 426 Auditorium Rd., John A. Hannah Administration Building Room 305, East Lansing, Michigan 48824-1046.

Subsequent to year end, the University has entered into an agreement with McLaren Greater Lansing that will terminate the University's one-third membership with Radiation Oncology Alliance, which totaled $956 at June 30, 2016.

Other assets is comprised of $10,350 deposits made related to a facilities agreement with Consumers Energy and $1,060 of assets originally granted to the University under the Morrill Act as a pioneer land-grant college. The Consumers agreement calls for the University to fund an initial deposit of $23,000 to Consumers Energy that will be used for the construction of a 138kV electrical substation to provide energy to the University. The facility will be owned and operated by Consumers Energy. Once placed in service, the University will be entitled to an annual utility expense rebate from Consumers Energy, based in part on annual energy consumption, for a period of up to 25 years or up to an accumulated rebate total of $23,000. Any portion of the initial deposit not applied to future energy expenses through the annual rebate amount within the 25 year period will be forfeited.

8. Capital assets and collections

Capital asset and collection activity for the years ended June 30, 2016 and 2015 follows:

	2015	Additions	Disposals	Transfers	2016
Non-depreciated capital assets:					
Land	$ 41,479	$ 1,399	$ (90)	$ -	$ 42,788
Construction in progress	316,226	341,948	-	(199,157)	459,017
Museum collections	13,329	159	-	(5)	13,483
Total non-depreciated capital assets	371,034	343,506	(90)	(199,162)	515,288
Depreciated capital assets:					
Buildings and site improvements	2,775,681	-	(2,953)	199,157	2,971,885
Software and other intangibles	95,611	-	-	-	95,611
Equipment and other	777,039	62,673	(13,474)	5	826,243
Less: accumulated depreciation					
Buildings and site improvements	(1,219,787)	(94,441)	2,111	-	(1,312,117)
Software and other intangibles	(92,564)	(1,670)	-	-	(94,234)
Equipment and other	(600,303)	(50,429)	12,746	-	(637,986)
Total depreciated capital assets	1,735,677	(83,867)	(1,570)	199,162	1,849,402
Total capital assets	$ 2,106,711	$ 259,639	$ (1,660)	$ -	$ 2,364,690

	2014	Additions	Disposals	Transfers	2015
Non-depreciated capital assets:					
Land	$ 38,935	$ 2,544	$ -	$ -	$ 41,479
Construction in progress	213,639	212,188	(99)	(109,502)	316,226
Museum collections	12,589	730	-	10	13,329
Total non-depreciated capital assets	265,163	215,462	(99)	(109,492)	371,034
Depreciated capital assets:					
Buildings and site improvements	2,680,703	-	(6,573)	101,551	2,775,681
Software and other intangibles	95,611	-	-	-	95,611
Equipment and other	734,879	56,555	(22,336)	7,941	777,039
Less: accumulated depreciation					
Buildings and site improvements	(1,133,851)	(88,440)	2,504	-	(1,219,787)
Software and other intangibles	(73,442)	(19,122)	-	-	(92,564)
Equipment and other	(573,627)	(47,796)	21,120	-	(600,303)
Total depreciated capital assets	1,730,273	(98,803)	(5,285)	109,492	1,735,677
Total capital assets	$ 1,995,436	$ 116,659	$ (5,384)	$ -	$ 2,106,711

9. Deferred outflows of resources

The composition of deferred outflows of resources at June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Accumulated changes in fair value of hedging derivative instruments	$ 62,009	$ 48,064
Loss on refunding of debt at June 30, 2010	12,227	13,360
Total deferred outflows of resources	$ 74,236	$ 61,424

10. Contingencies and risk management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To manage these risks, the University uses commercial insurance with various self-insured retentions. Self-insured amounts are calculated based on current and historical claims experience.

The University's liability for various medical professional liability claims is funded based on actuarial valuations. The University carries excess commercial medical professional liability insurance to manage the liability. The liability is reported at its present value of $5,647 and $5,763 as of June 30, 2016 and 2015, respectively. The discount rate used was 2%, which is based on industry standards.

The University is also self-insured for various employee benefits which include health care and dental insurance, workers compensation, and unemployment compensation. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported. The workers compensation liability, which will be settled by fixed payments over an extended period of time, is reported at its present value of $3,680 and $3,240 as of June 30, 2016 and 2015, respectively. The discount rate used was 4%, which is based in part on the University's internal cost of capital.

Changes in the total reported general, professional, and self-insured employee benefit liabilities during 2016, 2015, and 2014 were as follows:

	2016	2015	2014
Balance, beginning of year	$ 21,724	$ 21,112	$ 22,361
Claims incurred and changes in estimates	168,723	158,630	141,840
Claim payments	(168,046)	(158,018)	(143,089)
Balance, end of year	22,401	21,724	21,112
Less: current portion	14,609	14,096	14,949
Noncurrent portion	$ 7,792	$ 7,628	$ 6,163

For those risks that the University has purchased commercial insurance, settled claims have not exceeded the commercial coverage in any of the past three years.

In the normal course of its activities, the University has been a party in various legal actions. Historically, the University has not experienced material losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on the financial statements.

11. Retirement benefits

The University has a defined contribution base retirement program administered through TIAA-CREF and Fidelity Investments for all qualified employees. All regular employees are eligible to participate based on the service requirements specific to their employee group. Participants maintain individual accounts with the base retirement vendors and are fully vested.

Participating employees contribute 5% of their base salary or wages and the University contributes 10% of the employee's base salary or wages, subject to applicable University guidelines and Internal Revenue Service limits. In addition, for certain employees hired after June 30, 2010, and who are not eligible to receive postemployment benefits upon retirement, the University contributes an additional 0.5% or 0.75% (depending on total years of service) of the employee's base salary or wages, subject to applicable limits. Participants may elect to contribute additional amounts to a supplemental program and/or a deferred compensation plan, within specified limits, which are not matched by University contributions. Plan provisions and contribution requirements of plan members and the University are established and may be amended in accordance with University policies, union contracts, or plan provisions. Contributions under the base program, excluding the participants' supplemental contributions, for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
University contributions	$ 81,567	$ 76,543
Employee contributions	40,099	38,271

In addition, the University has a single-employer, defined benefit plan covering 383 employees hired prior to January 1, 1973. The plan is closed to new entrants and monies have been internally reserved by the University to fully fund program costs, which are estimated to be $5,478 based on an actuarial valuation as of January 1, 2016. The plan is not funded through a pension trust. The benefits are based on the employee's compensation during the last three years of employment and/or years of service. There were no required annual contributions and no pension costs for each of the three preceding years ended June 30, 2016.

12. Other postemployment benefits (OPEB)

Plan Description: The University provides retiree health and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries. This is a closed single employer defined benefit plan administered by the University. Benefits are provided to eligible faculty, academic staff and support staff who meet normal retirement requirements while still working for the University. Currently, the plan has approximately 14,000 members. The plan does not issue a separate stand-alone financial statement.

Funding Policy: The University's medical plans are self-funded and each plan's premiums are updated annually based on actual claims. The University contributes to the lowest cost health plan's single rate cost for which retirees are eligible. No payment is required by retirees who select the lowest cost health plan for coverage. In the event a retiree selects an alternative health plan, the retiree is responsible for payment of the difference in premium costs. Retirees are responsible for various co-payments. The University funds OPEB on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

Funding Progress: For the year ended June 30, 2016, the University has estimated the cost (annual expense) of providing retiree health and dental care benefits through an actuarial valuation as of January 1, 2016. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which 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 over a period not to exceed thirty years. This valuation's computed contribution and actual funding are summarized as follows:

	2016	2015	2014
Annual required contribution	$ 90,165	$ 74,039	$ 70,095
Interest on the prior year's net OPEB obligation	24,480	20,975	18,415
Less: adjustment to the annual required contribution	(21,808)	(18,102)	(15,425)
Annual OPEB cost	92,837	76,912	73,085
Amounts contributed:			
Payments of current premiums and claims	(36,165)	(33,704)	(29,660)
Increase in net OPEB obligation	56,672	43,208	43,425
OPEB obligation - beginning of year	349,711	306,503	263,078
OPEB obligation - end of year	$ 406,383	$ 349,711	$ 306,503

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years are as follows:

	Fiscal year ended June 30,		
	2016	2015	2014
Annual OPEB cost	$ 92,837	$ 76,912	$ 73,085
Percentage contributed	39.0%	43.8%	40.6%
Net OPEB obligation	$ 406,383	$ 349,711	$ 306,503

The funding progress of the plan as of the most recent and two preceding valuation dates are as follows:

	Valuation as of January 1,		
	2016	2015	2014
Actuarial value of assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)	1,027,390	865,747	823,312
Unfunded AAL (UAAL)	$ 1,027,390	$ 865,747	$ 823,312
Funded ratio	0.0%	0.0%	0.0%
Annual covered payroll (annual payroll of active employees covered by the plan)	$ 690,071	$ 693,596	$ 710,116
UAAL as a percentage of covered payroll	148.9%	124.8%	115.9%

Actuarial methods and assumptions: 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 are determined regarding the funded status of the plan, and the 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.

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.

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term and short-term investment returns on the University's own assets to be used for funding the current liability, and an annual health care cost trend rate of 5%, which includes a 4% inflation assumption. As part of the January 1, 2016, valuation, the University adopted updated mortality assumptions based on the RP-2014 General Healthy Mortality Tables, projected back to 2007 using scale MP-2014 and then projected forward using MP-2015. The UAAL is being amortized over 30 years as a level percentage of projected payroll on a closed basis, with 21 years remaining as of June 30, 2016.

13. Long term debt and other obligations

Long term debt and other obligations for the years ended June 30, 2016 and 2015 are summarized as follows:

	2015	Borrowed	Retired	2016	Current Portion
General Revenue Bonds:					
Series 2015A	$ 192,890	$ -	$ -	192,890	$ 1,000
Series 2013A	167,800	-	3,255	164,545	3,405
Series 2010A	205,000	-	-	205,000	-
Series 2010C	235,930	-	13,190	222,740	13,700
Series 2007A	11,730	-	3,725	8,005	3,910
Series 2007B	25,000	-	-	25,000	-
Series 2005	54,140	-	-	54,140	-
Series 2003A	48,205	-	-	48,205	-
Series 2000A	77,135	-	5	77,130	-
	1,017,830	-	20,175	997,655	22,015
General Revenue Commercial Paper:					
Series B taxable	83,000	16,920	7,030	92,890	92,890
Series E tax-exempt	109,105	3,215	57,635	54,685	54,685
	192,105	20,135	64,665	147,575	147,575
Unamortized bond premiums	54,549	-	2,110	52,439	2,581
Student loan deposits	39,142	1,283	765	39,660	-
Line of credit	536	-	536	-	-
Lease obligations and other	1,339	-	145	1,194	151
	$ 1,305,501	$ 21,418	$ 88,396	$ 1,238,523	$ 172,322

	2014	Borrowed	Retired	2015	Current Portion
General Revenue Bonds:					
Series 2015A	$ -	$ 192,890	$ -	192,890	$ -
Series 2013A	170,950	-	3,150	167,800	3,255
Series 2010A	205,000	-	-	205,000	-
Series 2010C	248,615	-	12,685	235,930	13,190
Series 2007A	15,280	-	3,550	11,730	3,725
Series 2007B	25,000	-	-	25,000	-
Series 2005	54,140	-	-	54,140	-
Series 2003A	48,205	-	-	48,205	-
Series 2000A	77,135	-	-	77,135	-
	844,325	192,890	19,385	1,017,830	20,170
General Revenue Commercial Paper:					
Series B taxable	90,855	-	7,855	83,000	83,000
Series D tax-exempt	55,820	-	55,820	-	-
Series E tax-exempt	1,000	110,280	2,175	109,105	109,105
	147,675	110,280	65,850	192,105	192,105
Unamortized bond premiums	41,284	15,017	1,752	54,549	2,110
Student loan deposits	38,624	518	-	39,142	-
Line of credit	911	-	375	536	-
Lease obligations and other	1,479	-	140	1,339	145
	$ 1,074,298	$ 318,705	$ 87,502	$ 1,305,501	$ 214,530

All bonds are secured by General Revenues and certain variable rate issues bear interest based on weekly or quarterly rates determined by the indexing agent or remarketing agent and are amortized through mandatory redemptions as follows:

- Series 2007B: from fiscal 2020 through 2037
- Series 2005: from 2021 through 2034
- Series 2003A: from 2021 through 2033
- Series 2000A: from 2022 through 2031

With the exception of the Series 2007B bonds, the foregoing bonds may be converted to a permanent fixed rate provided certain conditions are met.

The Series 2015A bonds bear interest at fixed rates from 2% to 5% and mature either serially through fiscal 2036 or are subject to mandatory redemption from fiscal 2037 through 2046.

The Series 2013A bonds bear interest at fixed rates from 3% to 5% and mature either serially through fiscal 2034 or are subject to mandatory redemption from fiscal 2035 through 2042.

The Series 2010A bonds bear interest at 6.17% and are subject to mandatory redemption from fiscal 2044 through 2050. Prior to March 1, 2013, in accordance with the Build America Bonds program, the University received semi-annual federal credit payments equal to 35% of actual interest expense incurred on the outstanding principal balance of the bonds. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions took place on March 1, 2013. These required reductions included a reduction to refundable credits applicable to certain qualified bonds, including Series 2010A. The sequestration reduction rate is 6.8% for payments processed on or after October 1, 2015 and on or before September 30, 2016. The sequestration reduction rate was 7.3% from October 1, 2014 to September 30, 2015. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration rate is subject to change.

The Series 2010C bonds bear interest at fixed rates from 3% to 5.125% and mature either serially through fiscal 2029 or are subject to mandatory redemption from 2030 through 2044.

The Series 2007A bonds bear interest at 5% and mature serially through fiscal 2019.

The University utilizes variable-rate commercial paper to provide interim financing. The Board has authorized the issuance of up to $250,000 in commercial paper secured by General Revenues and allows for tax-exempt and taxable issuances. Outstanding commercial paper debt is converted to long-term financing, as appropriate, within the normal course of business. Outstanding tax-exempt balances bear interest at rates from 0.40% to 0.48% and taxable balances bear interest at rates from 0.41% to 0.56% , with principal and accrued interest payments due within a maximum of 270 days from the date of issuance.

Hedging derivative instrument payments and hedged debt: Using rates as of June 30, 2016, scheduled fiscal year maturities of bonds payable and related interest expense are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. See Footnote 14 for information on derivative instruments.

Fiscal Year	Fixed-Rate Bonds		Variable-Rate Bonds		Hedging	
Ending June 30,	Principal	Interest	Principal	Interest	Derivatives, Net	Total
2017	$ 22,015	$ 38,849	$ -	$ 1,065	$ 7,310	$ 69,239
2018	23,455	37,707	-	1,065	7,277	69,504
2019	24,460	36,514	-	1,065	7,242	69,281
2020	23,290	35,385	1,990	1,057	7,177	68,899
2021	18,205	34,617	7,980	1,027	6,993	68,822
2022-2026	70,990	162,393	73,460	4,071	27,586	338,500
2027-2031	64,165	148,504	89,155	1,814	11,517	315,155
2032-2036	93,245	132,989	30,890	325	1,270	258,719
2037-2041	134,130	106,809	1,000	6	-	241,945
2042-2046	184,925	68,282	-	-	-	253,207
2047-2051	134,300	18,085	-	-	-	152,385
Total	$ 793,180	$ 820,134	$ 204,475	$ 11,495	$ 76,372	$ 1,905,656

Interest expense was $44,089 (net of $5,573 capitalized interest) and $36,514 (net of $6,313 capitalized interest) for 2016 and 2015, respectively.

Unamortized bond premiums totaled $52,439 ($2,581 current) at June 30, 2016. Bond premium amounts are amortized over the applicable bond issue life.

Student loan deposits represent funds from the federal government and other private entities related to various student loan programs.

During the year ended June 30, 2016, the University repaid the principal balance of $536 on a $4,100 non-revolving line of credit related to the University's servicing of unsold graduate and professional degree student loans under the Federal Family Education Loan Program.

The University holds $75,000 in revolving lines of credit that are available for maintaining the required operating cash reserves of the University and providing necessary funds to meet extraordinary cash flow needs, if necessary. For the years ending June 30, 2016 and 2015, no amounts were drawn on these lines of credit.

Lease obligations and other is comprised entirely of lease obligations of $1,194 and $1,339 at June 30, 2016 and 2015, respectively.

Accrued personnel costs include vacation and sick leave days earned but unused, including the University's share of payroll taxes, valued at the current rate of pay. Changes in the balances of accrued personnel costs during 2016 and 2015 were as follows:

	2016	2015
Balance, beginning of year	$ 84,763	$ 89,269
Additions	6,459	4,154
Reductions	(3,890)	(8,660)
Balance, end of year	87,332	84,763
Less: current portion	54,271	51,812
Noncurrent portion	$ 33,061	$ 32,951

14. Derivative instruments

At June 30, 2016 and 2015, the University was party to eight separate pay-fixed, receive-variable interest rate swaps and five separate pay-variable, receive-variable interest rate swaps. After considering any netting arrangements or other rights of offsets that may exist with each counterparty, interest rate swaps are reported at the net fair value as of the balance sheet date as either a noncurrent asset or noncurrent liability in the Statement of Net Position.

The fair value and notional amounts of derivative instruments outstanding at June 30, 2016 and 2015 are as follows:

	June 30, 2016		June 30, 2015	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivative instruments - swap asset:				
Investment derivatives:				
Pay variable interest rate swaps	$ 47,495	$ 584	$ 53,230	$ 676
Derivative instruments - swap liability:				
Cash flow hedging derivatives				
Pay-fixed interest rate swaps	$ 207,535	$ (62,009)	$ 208,255	$ (48,064)
Investment derivatives:				
Pay-variable interest rate swaps	383,380	18,144	400,050	13,229
Pay-fixed interest rate swaps	71,685	(29,820)	71,685	(19,953)
Total Derivative instruments - swap liability	$ 662,600	$ (73,685)	$ 679,990	$ (54,788)

In accordance with GASB Statement No. 53, an interest rate swap is considered an effective cash flow hedge if the swap payment received substantially offset the payment made on the associated debt and changes in fair value are deferred as either a deferred outflow or a deferred inflow of resources. An interest rate swap that is not considered an effective cash flow hedge, in accordance with the provisions of the Statement, is deemed to be an investment derivative instrument and changes in fair value are recorded as net investment income (loss). For the fiscal year ending June 30, 2016 and 2015, the fair value of hedging derivative instruments decreased $13,945 and $2,261, respectively, while the fair value of investment derivative instruments decreased $5,044 and $2,068, respectively.

Fair Value: The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the dates of each future net settlement on the swaps.

Objective: The University is party to eight separate derivative instruments which are pay-fixed, receive-variable interest rate swaps that hedge the changes in cash flows on various variable-rate debt series. In order to protect against the potential of rising interest rates, the University entered into these derivative instruments at a cost less than what the University would have paid to issue fixed-rate debt. In order to benefit from both expected changes in the relationship of short and long-term interest rates and the relationships between the SIFMA Municipal Swap Index and both the ten-year USD-ISDA Index and the one-month USD-LIBOR-BBA Index and the relationship between the one-month USD-LIBOR-BBA Index and the ten-year USD-ISDA Index, the University also entered into five separate investment derivative instruments which are pay-variable, receive-variable interest rate swaps which relate to various debt series.

Terms, Fair Values, and Credit Risk: The following table displays the terms and fair values of the University's hedging derivative instruments outstanding at June 30, 2016 and 2015, along with the notional amounts and credit rating of the associated counterparty as of June 30, 2016.

Type	Cash Flow Hedge for Debt Series	2016 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2016 Fair Value	2015 Fair Value
Pay-fixed interest rate swap	2000A	$ 71,535	11/3/2008	8/15/2029	4.074%	67% USD-LIBOR-BBA one month	Deutsche Bank AG / Baa2/BBB+	$ (22,560)	$ (18,162)
Pay-fixed interest rate swap	CP Series B	1,350	10/17/2002	8/15/2018	4.330%	USD-LIBOR-BBA one month	Deutsche Bank AG / Baa2/BBB+	(79)	(128)
Pay-fixed interest rate swap	CP Series B	2,040	10/17/2002	8/15/2022	5.280%	USD-LIBOR-BBA one month	Deutsche Bank AG / Baa2/BBB+	(452)	(423)
Pay-fixed interest rate swap	2003A	48,205	11/3/2008	2/15/2033	3.618%	67% USD-LIBOR-BBA one month	Barclays Bank PLC / A2/A-	(14,477)	(10,766)
Pay-fixed interest rate swap	CP Series B	8,265	11/3/2008	2/15/2033	5.330%	USD-LIBOR-BBA one month	Barclays Bank PLC / A2/A-	(3,149)	(2,432)
Pay-fixed interest rate swap	2005	54,140	11/3/2008	2/15/2034	3.647%	67% USD-LIBOR-BBA one month	Barclays Bank PLC / A2/A-	(16,470)	(12,283)
Pay-fixed interest rate swap	2007B & CP Series E	22,000	5/17/2007	2/15/2028	4.139%	67% USD-LIBOR-BBA three month plus .58%	JP Morgan Chase Bank / Aa3/A+	(4,822)	(3,870)
		$ 207,535						$ (62,009)	$ (48,064)

The following table displays the terms and fair values of the University's investment derivative instruments outstanding at June 30, 2016 and 2015, along with the notional amounts and credit rating of the associated counterparty as of June 30, 2016:

Type	Associated Debt Series	2016 Notional Amount	Effective Date	Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating	2016 Fair Value	2015 Fair Value
Pay-variable interest rate swap	2000A, 2003A, 2005, 2010C	$ 238,370	8/15/2009	2/15/2034	67% USD-LIBOR-BBA one month	67% USD-ISDA Swap Rate ten year less 0.407%	Deutsche Bank AG / Baa2/BBB+	$ 10,048	$ 8,901
Pay-variable interest rate swap	CP Series B	11,655	5/26/2006	2/15/2033	USD-LIBOR-BBA one month	USD-LIBOR-BBA ten year less 0.575%	Deutsche Bank AG / Baa2/BBB+	702	680
Pay-variable interest rate swap	2010C	31,665	5/17/2010	8/15/2032	SIFMA Municipal Swap Index	67% USD-LIBOR-BBA one month plus 0.44%	Deutsche Bank AG / Baa2/BBB+	389	451
Pay-variable interest rate swap	2010C	47,495	5/17/2010	8/15/2032	SIFMA Municipal Swap Index	67% USD-LIBOR-BBA one month plus 0.44%	Bank of New York Mellon / Aa2/AA-	584	676
Pay-variable interest rate swap	2007A, 2007B, 2010C	101,690	5/17/2007	2/15/2037	SIFMA Municipal Swap Index	67% USD-ISDA Swap Rate ten year plus 0.0063%	JP Morgan Chase Bank / Aa3/A+	7,005	3,197
Pay-fixed interest rate swap	2007B, CP Series B & E	71,685	5/17/2010	2/15/2037	4.226%	67% USD-LIBOR-BBA three month plus 0.63%	JP Morgan Chase Bank / Aa3/A+	(29,820)	(19,953)
		$ 502,560						$ (11,092)	$ (6,048)

Subsequent to the original effective dates, the University amended three of its pay-variable, receive-variable interest rate swaps per the terms listed in the table below. After the amendment periods, these interest rate swaps revert back to the original terms as outlined in the table above.

2016 Notional Amount	Amendment Effective Date	Amendment Termination Date	Rate Paid	Rate Received	Counterparty/ Counterparty Credit Rating
$ 238,370	8/15/2011	8/14/2014	0%	1.407%	Deutsche Bank AG / Baa2/BBB+
	8/15/2014	8/14/2019	0%	0.857%	
$ 11,655	8/15/2011	8/14/2014	0%	2.1725%	Deutsche Bank AG / Baa2/BBB+
	8/15/2014	8/14/2019	0%	1.3530%	
$ 101,690	8/1/2011	7/31/2014	SIFMA Municipal Swap Index	67% USD-LIBOR-BBA one month plus 1.8653%	JP Morgan Chase Bank / Aa3/A+
	8/1/2014	2/14/2021	SIFMA Municipal Swap Index	67% USD-LIBOR-BBA one month plus 1.1245%	

Credit Risk: The University is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the University's policy to require counterparty collateral posting provisions. The University has never failed to access collateral when required. The aggregate fair value of derivative instruments in asset positions at June 30, 2016 and 2015 was $18,728 and $13,905, respectively. This represents the maximum loss that would be recognized at the reporting date if the counterparties to those derivatives failed to perform as contracted. This maximum exposure is offset by negative hedging and investment derivative fair values included in netting arrangements with the same counterparties as the derivative instruments in asset positions. The net exposure to credit risk with any individual counterparty is $584 and $676 at June 30, 2016 and 2015, respectively.

The following table demonstrates the thresholds and minimum transfers for collateralization:

Credit Rating	Deutsche Bank AG Threshold	Deutsche Bank AG Minimum Transfer	JP Morgan Chase Bank N.A. Threshold	JP Morgan Chase Bank N.A. Minimum Transfer	Bank of New York Mellon Threshold	Bank of New York Mellon Minimum Transfer	Barclays Bank PLC Threshold	Barclays Bank PLC Minimum Transfer
Aaa/AAA	$ 40,000	$ 1,000	$ 40,000	$ 1,000	$ 40,000	$ 1,000	$ 40,000	$ 1,000
Aa3/AA- to Aa1/AA+	6,000*	1,000	20,000	1,000	6,000*	1,000	6,000	1,000
A3/A- to A1/A+	1,500	500	5,000	500	1,500	500	1,500	500
Baa1/BBB+	500	250	500	250	500	250	500	250
Below Baa1/BBB+	-	250	-	250	-	250	-	-

* Threshold for the University is $20,000

Interest Rate Risk: The University is not exposed to interest rate risk on its derivative instruments.

Basis Risk: The University is exposed to basis risk on its pay-fixed, receive-variable interest rate swaps because the variable-rate payments received by the University on these hedging derivative instruments are based on a rate or index other than interest rates the University pays on its variable-rate debt, which bear interest based on periodic rates determined by the indexing agent or remarketing agent. These pay-fixed, receive-variable swaps expose the University to basis risk should the rates resulting from the 67% of USD-LIBOR-BBA swaps not equal the rate the University pays on the 2000A, 2003A, 2005, 2007B, and tax-exempt Commercial Paper Series debt, and should the rates resulting from the USD-LIBOR-BBA swaps not equal the rate the University pays on the taxable Commercial Paper Series debt.

Termination Risk: The University or any of the involved counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the University would be liable to the appropriate counterparty for a payment equal to the liability, subject to any netting arrangement.

Rollover Risk: The University is not exposed to rollover risk on its derivative instruments.

Contingencies: All of the University’s derivative instruments include provisions that require the University to post collateral at certain thresholds depending on the University’s credit rating. See the table under “Credit Risk” for thresholds and minimum transfers for collateralization. As of June 30, 2016, the University’s credit ratings were Aa1 as assigned by Moody’s and AA+ as assigned by Standard & Poor’s. The aggregate fair value of all derivative instruments with these collateral posting provisions as of June 30, 2016 was ($73,101). The related collateral postings totaled $38,489 posted by the University to its counterparties and $0 held by the University posted by its counterparties.

15. Net position

Restricted and unrestricted net position for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Restricted - nonexpendable:		
Permanent endowments	$ 582,740	$ 529,578
Restricted - expendable:		
Gifts, endowment income and sponsored programs	$ 374,763	$ 440,968
Quasi and term endowments	176,195	190,897
Capital projects	77,244	50,281
Student loans	7,188	8,608
Total Restricted - expendable	$ 635,390	$ 690,754
Total Restricted Net Position	$ 1,218,130	$ 1,220,332
Unrestricted:		
Designated/Committed	$ 1,004,747	$ 1,097,616
Uncommitted	585	5,914
Total Unrestricted Net Position	$ 1,005,332	$ 1,103,530

Restricted – Net position is restricted when it is subject to externally imposed constraints.

Unrestricted – Unrestricted net position is not subject to externally imposed constraints. However, this net position is subject to internal designations. Unrestricted net position includes amounts designated for specific purposes by action of the Board or management or may otherwise be subject to pending contractual commitments with external parties. Substantially all unrestricted net position is internally designated for programmatic initiatives or capital asset renewals.

16. Grants and contracts

The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. University management believes adjustments of costs, if any, resulting from such examination by the granting agency would not be material.

17. Commitments

At June 30, 2016, the University had initiated plans and incurred certain contractual commitments related to the construction or capital improvement of various facilities. The costs to complete the projects are estimated to be $689,884 and are to be funded from debt proceeds, capital grants, private gifts, and other University funds. Certain University facilities have been, or are scheduled to be, financed in whole or in part by SBA bond issues secured by a pledge of rentals to be received from the State of Michigan pursuant to lease agreements among the SBA, the State of Michigan, and the University. During the lease terms, the SBA will hold title to the respective buildings, the State of Michigan will make all lease payments to the SBA, and the University will pay certain operating and maintenance costs. The SBA will be obligated to sell each building to the University for one dollar, after full payment of all rentals due under the related lease.

At June 30, 2016, the University had entered into various limited partnerships with investment managers of hedge, oil and gas, real estate, venture capital, private equity, and restructuring funds. As of June 30, 2016, $681,229 of the initial $1,331,067 investment commitment remains outstanding.

At June 30, 2016, the University had entered into an electric power purchase and site access agreement for renewable solar energy. Under the terms of the contract, the University has granted a third party access to construct, operate, and maintain solar arrays on the University's property. The University is committed to purchase, at a fixed rate, all of the electric power generated from the solar arrays. The University has the option to purchase the solar array infrastructure at specific dates throughout the term of the contract.

18. Fair value measurements

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following describes this hierarchy and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis:

Level 1: Quoted prices in active markets for identical assets or liabilities. Market-price data are generally obtained from relevant exchanges or dealer markets.

Level 2: Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for similar assets or liabilities. Inputs are obtained from various sources, including market participants, dealers, and brokers.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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

The University's recurring estimated fair value of investments and derivatives at June 30, 2016 and 2015, grouped by the valuation hierarchy outlined above are as follows:

		Fair value measurement at June 30, 2016 using:		
	Balance at June 30, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Equity securities:				
U.S. equities	$ 357,792	$ 357,792	$ -	$ -
International equities	78,854	31,948	46,906	-
Debt securities:				
U.S Treasury bonds	179,424	179,424	-	-
U.S Government agencies	68,608	-	68,608	-
Corporate bonds	97,076	-	97,076	-
International bonds	37,561	-	37,561	-
Municipal bonds	1,348	-	1,348	-
Asset-backed securities	90,839	-	89,650	1,189
Other fixed income	2,939	2,939	-	-
Real assets	53,269	24,611	-	28,658
Money market and mutual funds	20,819	20,819	-	-
Funds held at MSU Foundation	17,691	-	-	17,691
Other investments	22,510	19,714	-	2,796
Total investments by fair value level	1,028,730	$ 637,247	$ 341,149	$ 50,334
Investments measured at the net asset value (NAV):				
Hedge funds - event driven	197,964			
Hedge funds - long/short	389,255			
International equities	488,886			
Private investments - opportunistic	34,067			
Private investments - private equity	202,391			
Private investments - secondaries	41,446			
Private investments - venture capital	121,267			
Real assets	163,875			
Fixed income	64,750			
U.S. equities	42,323			
Total investments measured at NAV	1,746,224			
Total investments measured at fair value	$ 2,774,954			

	Fair value measurement at June 30, 2016 using:			
	Balance at June 30, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative instruments by fair value:				
Investment derivatives - swap assets	$ 584	$ -	$ 584	$ -
Cash flow hedging derivatives - swap liability	(62,009)	-	(62,009)	-
Investment derivatives - swap liability	(11,676)	-	(11,676)	-
Total derivative instruments by fair value	$ (73,101)	$ -	$ (73,101)	$ -

	Fair value measurement at June 30, 2015 using:			
	Balance at June 30, 2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Equity securities:				
U.S. equities	$ 364,282	$ 364,282	$ -	$ -
International equities	84,365	36,736	47,629	-
Debt securities:				
U.S Treasury bonds	176,610	176,610	-	-
U.S Government agencies	43,680	-	43,680	-
Corporate bonds	90,440	-	90,440	-
International bonds	33,424	-	33,424	-
Municipal bonds	1,970	-	1,970	-
Asset-backed securities	77,392	-	73,748	3,644
Other fixed income	2,728	2,728	-	-
Real assets	54,556	27,579	-	26,977
Money market and mutual funds	22,692	22,692	-	-
Funds held at MSU Foundation	19,569	-	-	19,569
Other investments	24,654	19,126	-	5,528
Total investments by fair value level	996,362	$ 649,753	$ 290,891	$ 55,718
Investments measured at the net asset value (NAV):				
Hedge funds - event driven	304,585			
Hedge funds - long/short	402,330			
International equities	520,256			
Private investments - opportunistic	30,742			
Private investments - private equity	164,102			
Private investments - secondaries	27,279			
Private investments - venture capital	98,848			
Real assets	131,811			
Fixed income	66,054			
U.S. equities	50,887			
Total investments measured at NAV	1,796,894			
Total investments measured at fair value	$ 2,793,256			
Derivative instruments by fair value:				
Investment derivatives - swap assets	$ 676	$ -	$ 676	$ -
Cash flow hedging derivatives - swap liability	(48,064)	-	(48,064)	-
Investment derivatives - swap liability	(6,724)	-	(6,724)	-
Total derivative instruments by fair value	$ (54,112)	$ -	$ (54,112)	$ -

As prescribed by GASB Statement No. 72, certain investments held by the University are to be valued using methods other than fair value. For the fiscal year ending June 30, 2016 and 2015, the University valued U.S. Treasury bond investments with original maturities of less than one year at amortized cost that totaled $1,000 and $0, respectively. In addition, certain funds held by interest rate swap counterparties totaling $19,290 and $1,300 at June 30, 2016 and 2015, respectively, reflect cash balances on deposit in accordance with counterparty collateral posting provisions.

Investments classified in Level 1 at June 30, 2016 and 2015 are valued using prices quoted in active markets for those securities.

The fair value of various equity and debt securities held at June 30, 2016 and 2015 was determined primarily on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Investments classified in Level 3 at June 30, 2016 and 2015 are valued using the University's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

The University holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value (or its equivalent) of the investment companies as a practical expedient. For the year ended June 30, 2016 and 2015, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

			As of June 30, 2016		
	June 30, 2016	June 30, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$ 587,219	$ 706,915	$ 12,000	Various	17-180 days
International equities	488,886	520,256	-	Various	1-90 days
Private investments	399,171	320,971	408,349	Not applicable	Not applicable
Real assets	163,875	131,811	100,538	Monthly	60 days
Other fixed income	64,750	66,054	-	Daily	10 days
U.S. equities	42,323	50,887	-	Various	90 days
Total	$ 1,746,224	$ 1,796,894	$ 520,887		

The University invests in hedge funds seeking equity-like returns while reducing volatility . The University will consider funds with a diversifier mandate (lower expected volatility and lower correlation to broad market trends) as well as funds with a growth-oriented mandate (higher expected volatility and higher correlation to broad market trends). Managers with either type of mandate will employ risk management techniques intended to reduce downside potential to a degree considered appropriate for their respective strategy. Managers employing "long/short" strategies invest primarily in equities and mitigate market risk by purchasing equity shares that are expected to appreciate in value and selling short equity shares that are expected to decline in value. Managers employing event-driven and arbitrage strategies seek to maximize returns by investing in publicly announced corporate transactions, such as mergers, tender offers, liquidations, bankruptcies and reorganizations or in arbitraging temporary discrepancies in securities pricing in the equity and fixed income markets. Distressed security managers invest primarily in bonds and bank loans trading at a significant discount to par value as a result of the debtor's troubled financial condition.

The University invests in international equities that are marketable equity securities in developed and emerging countries outside the U.S. The investment is intended to provide long-term performance similar to or in excess of U.S. equities and provide diversification.

The University seeks to enhance the total return of the CIF by investing a portion of its funds in private investments, which include distressed, private equity, and venture capital investments. These investments are illiquid and higher risk/return assets than marketable securities. Risk will be controlled by diversifying across a number of fund managers and by geographic focus, industry emphasis, financing stage, and vintage year. This core private investments portfolio may be supplemented with less diversified specialty funds or direct investments.

The University seeks to reduce volatility and provide a hedge against sudden, unanticipated inflation by investing in both public and private real assets. Risks related to the investments will be minimized by diversifying through use of investment pools or partnerships that are varied as to property type, location, investment life cycle, and investment manager. This core real asset portfolio may be supplemented with less diversified specialty funds or direct investments.

The University invests in other fixed income assets that are intended to reduce exposure to market risk and provide a hedge against sudden, unanticipated deflation.

The University invests in U.S. equities that are marketable equity securities of primarily U.S.-based companies. Several sub-categories of this asset class include: large capitalization companies, small capitalization companies, value-style investing, and growth-style investing.

The investments in the private investments class (limited partnerships) are committed to funds for extended periods of time, often multiple years. The pacing of investment returns is determined by market activity and the discretion of the general partner. Secondary markets exist into which limited partnerships can sell their interest in funds, but often at a steep discount to the fair value of the investment. In addition, $97,582 and $76,257 of the real asset class at June 30, 2016 and 2015, respectively, and $5,238 and $5,987 of the hedge fund class at June 30, 2016 and 2015, respectively, can never be redeemed. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 1 to 10 years.

Approximately, 7% of the value of the investments in the hedge funds class, 7% of the value of the investments in the international equities class, and 9% of the value in the U.S. equities class cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments ranged from 3 to 34 months at June 30, 2016. Generally, longer redemption restrictions are offered with a lower fee structure.

19. New accounting pronouncements

The University will be required to implement the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* effective with the fiscal year ending June 30, 2017. This GASB Statement aims to improve the usefulness of information about pensions included in the financial statements for plans that are not within the scope of GASB 67 and 68. The University is in the process of determining the full impact of this standard on its financial statements.

The University will be required to implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective with the fiscal year ending June 30, 2018. This GASB Statement aims to improve accounting and financial reporting of postemployment benefits other than pensions (other post employment benefits, or OPEB). The University is in the process of determining the full impact of this standard on its financial statements.

The University will be required to implement the provisions of GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14,* effective with the fiscal year ending June 30, 2017. This GASB Statement aims to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The University is in the process of determining the full impact of this standard on its financial statements.

The University will be required to implement the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* effective with the fiscal year ending June 30, 2017. This GASB Statement aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The University is in the process of determining the full impact of this standard on its financial statements.

Financial report prepared under the direction of Mark P. Haas, Vice President for Finance and Treasurer;
Glen J. Klein, Director of Treasury and Financial Management; Gregory J. Deppong, Controller; and
John L. Thelen, Manager of Financial Analysis and Reporting.

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
Michigan State University

We have audited, in accordance with the 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, the financial statements of Michigan State University (the "University") and its discretely presented component unit as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 27, 2016. Our report includes a reference to other auditors who audited the financial statements of Michigan State Univerisity Foundation (the "Foundation"), as described in our report on the Michigan State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Michigan State University Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management and the Board of Trustees
Michigan State University

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Univerisity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 27, 2016

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