Annual Financial Report

For the Years Ended June 30, 2010 and 2009

St. Cloud State University™

A Member of the Minnesota State Colleges and Universities System

ST. CLOUD STATE UNIVERSITY

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

Prepared by:

Chief Financial Officer
St. Cloud State University
720 4th Avenue South, AS 124
St. Cloud, Minnesota 56301

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ST. CLOUD STATE UNIVERSITY

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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INTRODUCTION

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INTRODUCTION

ST. CLOUD STATE
UNIVERSITY
A tradition of excellence and opportunity

OFFICE OF THE PRESIDENT
720 Fourth Avenue South
St. Cloud, MN 56301-4498
Phone (320) 308-2122

November 1, 2010

James H. McCormick, Chancellor
500 Wells Fargo Place
30 East Seventh Street
St. Paul, MN 55101

Dear Chancellor McCormick:

I am pleased to submit to you the audited financial statements for St. Cloud State University for the fiscal year ending June 30, 2010. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of our financial activities for the year. The financial statements are presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

St. Cloud State University is one of thirty-two colleges and universities in the Minnesota State Colleges and Universities system. The university is governed by the Board of Trustees, which is comprised of community and business leaders and students. The Minnesota State Colleges and Universities system is led by the Chancellor, who is appointed by the Board of Trustees, who in turn appoints the President to oversee the operations of the university.

St. Cloud State University is the largest of the seven state universities in the Minnesota State Colleges and Universities system. The university is a regional comprehensive university with a high number of prestigious accreditations such as the Colleges of Education and Business, Mass Communications, Manufacturing and Electrical Engineering and a wide variety of others. In response to the educational needs of the community, state and nation, the university opened the Twin Cities Graduate Center located in Maple Grove, MN, offering the Masters of Business Administration, Regulatory Affairs Master Degree Program and Applied Clinical Research Masters Degree Program. Additional programs will be added as demand indicates. The mission of St. Cloud State University is that we are committed to excellence in teaching, learning, service, fostering scholarship and enhancing collaborative relationships in a global community. In fiscal year 2010, the university served 17,685 students through our credit-based instruction with a full year equivalent of 15,096, an enrollment increase of 3.7 percent. The university is home to 975 international students from 90 countries and has 40 study-abroad programs in 19 countries.

During fiscal year 2010, the university began phase one of the strategic program appraisal process to insure the academic programs offered strategically align with our mission, goals and future activities. As a result of this process, over 20 academic programs were eliminated, 6 were recommended for reduction or elimination, 37 were identified for continuation at current level or enhancement and phase two was begun. This was done in conjunction with the university's efforts toward implementing a comprehensive academic plan incorporating the integration of planning with budgeting. The university continued to move forward with a collaborative residential life initiative with a community foundation and the city, for an apartment student housing project with capacity of 450 students. This project in conjunction with the National

St. Cloud State University values diversity of all kinds, including but not limited to race, religion and ethnicity (full statement at bulletin.StCloudState.edu/ugb/generalinfo/nondiscrimination.html).
TTY: 1-800-627-3529 *SCSU is an affirmative action/equal opportunity educator and employer.*
This material can be made available in an alternative format. Contact the department/agency listed above.
Member of Minnesota State Colleges & Universities.

Hockey and Events Center reflects the commitment the university has toward collaboration with the community.

St. Cloud State University is very proud of the accomplishments of our students. More than 400 students participated in the 13th Annual Research Colloquium from various academic fields in all five academic colleges. The Institute of International Education affiliated with non-profit higher education in India selected the university as one of 10 U.S. institutions to participate in a pilot academic partnership program to insure the university students continue to have global experiences. A collaborative effort between UTVS, the campus TV station, and the St. Cloud Times improved both organization's local online news content with UTVS student reporters and video featured on the Times website. The Golden Key International Honor Society, a global non-profit organization that provides academic recognition to top performing students, was chartered at the university. The Criminal Justice program at the university has a 96% pass rate on the Minnesota Peace Officers Standards test and has interns at 130 sites.

St. Cloud State University employees understand they must be good stewards of its resources, including facilities. The university continued its programs of comprehensive planning and capital investment. The university completed its ten year Comprehensive Campus Plan process with approval in March 2010 of the university's template to sustainably meet student needs through the next decade. Construction was completed on the $12 million Brown Hall renovation. Programs in nursing, communication disorders and continuing studies and campus printing services began use of the renovated facility in January, 2010. The completed Riverview renovation project, a National Historic Register structure, received a preservation award from the Preservation Alliance of Minnesota. Planning and fund raising continue for the $31 million National Hockey and Event Center addition and renovation. A construction manager was selected and a guaranteed price set for the project. Construction is expected to begin in Fiscal Year 2011. Looking further into the future, the university is completing the design for the Integrated Science and Engineering Laboratory Facility anticipated for construction immediately upon legislative approval of funds. Continuing work on capital, HEAPRA and R&R projects resulted in the university's Facilities Condition Index of .07 which favorably compares to a benchmark of 0.10. Given the average age of the university's facilities, which are the oldest in Minnesota State Colleges and Universities system, this represents commitment to the University's continuous planning for facilities improvement.

This past year, the St. Cloud State University Foundation's net investment return was approximately 11%, regaining a portion of the lost ground from the previous two years. The annual faculty and staff fundraising campaign raised more than $284,000, an increase of 12% over last year. Overall, donors contributed over $5.3 million dollars, a near record for the Foundation, for scholarships, program support, and unrestricted purposes.

Within the financial statements, which were audited by the firm of Baker Tilly Virchow Krause, LLP, you will find a statement of net assets, a statement of revenue, expense and changes in net assets and a statement of cash flows. You will see that the university ended fiscal year 2010 with total net assets of $163.7 million. The change in net assets during fiscal year 2010 was an increase of $15.8 million. For a summary review and explanation of the financial statements please review the Management Discussion and Analysis section of this report.

St. Cloud State University is transitioning its faculty and staff workforce. Many employees are reaching retirement age and in the next several years, anticipated turnover will be higher. This, in conjunction with strategically reorganizing our academic programs, administrative structure and planning carefully between the university initiatives and budget constraints, will continue to keep the university competitive for the future. Organized bargaining units represent the majority of employees. All bargaining units are statewide in scope and all negotiations happen at the state level, either through the Office of the Chancellor within Minnesota State Colleges and Universities or through the Minnesota Department of Management and Budget. The faculty and staff roster is comprised of approximately 1,600 full and part-time employees.

The management of the university is responsible for assuring the accuracy, reliability, fairness and completeness of the information present in this report. The President relies upon the financial division of the organization for that assurance.

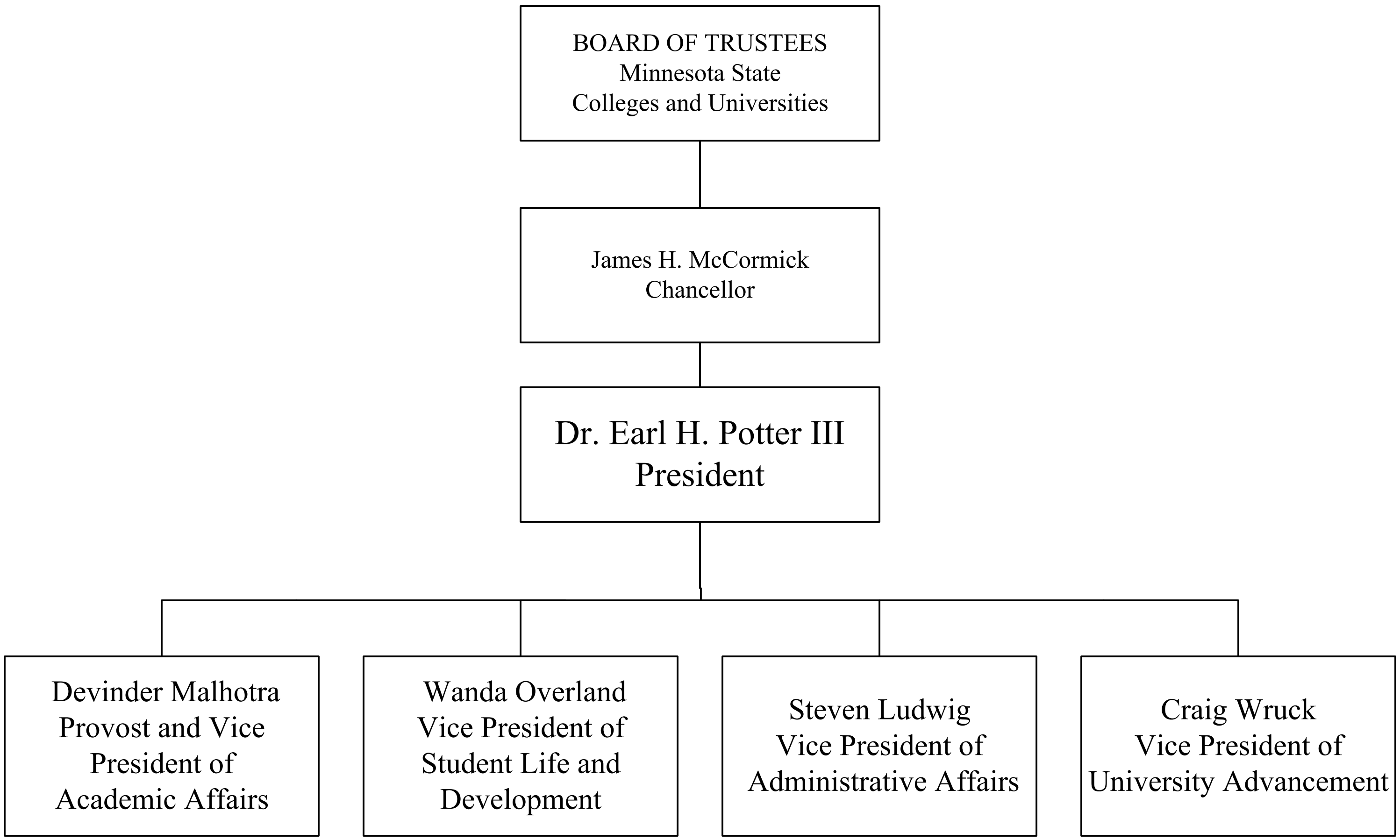
As a state institution, the people of Minnesota have put their trust in the university to answer the higher education needs of this fine state. University staff are honored and humbled by this awesome responsibility, and understand that it is a duty to be good stewards of the state's resources and to educate a workforce and a citizenry that will enhance Minnesota's community now and in the future.

Sincerely,

Earl H. Potter III

Earl H. Potter III
President

St. Cloud State University
Organizational Chart
June 30, 2010



The financial activity of St. Cloud State University is included in this report. The University is one of 32 colleges and universities included in the Minnesota State Colleges and Universities Annual Financial Report which is issued separately.

The University's portion of the Revenue Fund is also included in this report. The Revenue Fund activity is included both in the Minnesota State Colleges and Universities Annual Financial Report and in a separately issued Revenue Fund Annual Financial Report.

All financial activity of Minnesota State Colleges and Universities is included in the state of Minnesota Comprehensive Annual Financial Report.

FINANCIAL SECTION

BAKER TILLY

VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP
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Minneapolis, MN 55402-4661
tel 612 876 4500
fax 612 238 8900
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Minnesota State Colleges and Universities
St. Paul, Minnesota

We have audited the accompanying statements of net assets of St. Cloud State University, a member of the Minnesota State Colleges and Universities (MnSCU) system of the State of Minnesota, as of June 30, 2010 and 2009, and the statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of MnSCU and University management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of St. Cloud State University Foundation, Inc, a discretely presented component unit of St. Cloud State University, which statements reflect total assets of $40,334,466 and $37,251,771 at June 30, 2010 and 2009, respectively, and total revenues of $9,326,133 and $2,216,121, respectively, for the years then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for St. Cloud State University Foundation, Inc., 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the St. Cloud State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the financial position, changes in financial position and cash flows of St. Cloud State University and its component unit and are not intended to present fairly the financial position of the MnSCU system, changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of St. Cloud State University as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have issued a report dated November 1, 2010 on our consideration of St. Cloud 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* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis, as identified in the table of contents, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of St. Cloud State University. The introductory section identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on the introductory information.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of St. Cloud State University, a member of Minnesota State Colleges and Universities at June 30, 2010, 2009, and 2008, and for the years then ended. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying footnotes, which follow this section.

St. Cloud State University is one of 32 colleges and universities comprising Minnesota State Colleges and Universities. The Minnesota State Colleges and Universities system is governed by a 15 member Board of Trustees appointed by the governor. Twelve trustees serve six-year terms, eight representing each of Minnesota's congressional districts and four serving at large. Three student trustees – one from a state University, one from a community college and one from a technical college – serve two-year terms. The Board of Trustees selects the chancellor and has broad policy responsibility for system planning, academic programs, fiscal management, personnel, admissions requirements, tuition and fees.

The University is a comprehensive public institution of higher learning, with approximately 17,685 students including 1,830 graduate and professional students. Approximately 1,600 faculty and staff members are employed by the University. The University offers 200 majors, minors, and pre-professional programs in business, education, fine arts and humanities, science and engineering and social sciences, and 50 master's degrees through the School of Graduate Studies. Our largest programs are mass communications, criminal justice, management and accounting. Our most unique programs are meteorology, technology education, land surveying/mapping science and advertising. Professors rather than graduate assistants teach university classes, and students work side-by-side with our professors on research projects.

The University has nearly 220 student organizations in areas such as the arts, communication, fraternities and sororities, honorary, language and culture, political and social concerns, recreational sports and student government. We offer intercollegiate sports such as men's hockey, tennis, basketball, football, track, swimming and diving, cross country, golf, baseball, wrestling; women's hockey, volleyball, tennis, basketball, soccer, track, nordic skiing, swimming and diving, cross country, golf and softball.

FINANCIAL HIGHLIGHTS

The University's financial position improved, during fiscal year 2010. Assets totaled $257.3 million compared to liabilities of $93.6 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, is comprised of capital assets, net of related debt, of $127.1 million, restricted assets of $25 million, and unrestricted assets of $11.6 million. The fiscal year 2010 net assets total of $163.7 million represents an increase of $15.8 million over fiscal year 2009 and $24.9 million over fiscal year 2008. The University's combined fiscal year 2010 appropriation revenue of $58.9 million represents an 8.6 percent decrease compared to fiscal year 2009, and a 5.7 percent decrease compared to fiscal year 2008.

USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with applicable generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) through authoritative pronouncements.

STATEMENTS OF NET ASSETS

The statement of net assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University as measured using the accrual basis of accounting. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Capital assets are stated at historical cost less an allowance for depreciation, with current year depreciation reflected as a period expense on the Statement of Revenues, Expenses and Changes in Net Assets.

A summary of the University's assets, liabilities and net assets as of June 30, 2010, 2009, and 2008, respectively, is as follows:

	(In Thousands) 2010	2009	2008
Current assets	$ 77,629	$ 68,977	$ 68,772
Restricted assets	3,195	6,181	10,586
Noncurrent assets			
Student loans receivable	5,566	5,742	5,347
Capital assets, net	170,915	161,863	145,010
Total assets	257,305	242,763	229,715
Current liabilities	31,248	34,086	33,258
Noncurrent liabilities	62,396	60,772	57,627
Total liabilities	93,644	94,858	90,885
Net assets	$ 163,661	$ 147,905	$ 138,830

Current unrestricted assets consist primarily of cash, cash equivalents and investments totaling $69.9 million at June 30, 2010. This is an increase of $8.3 million over the prior year and represents approximately 4.4 months of operating expenses (excluding depreciation), which is an increase of 0.4 months from fiscal year 2009.

Total current assets increased by $8.7 million primarily due to an increase in cash from fiscal year 2009 to fiscal year 2010. Unrestricted cash and cash equivalents increased by $8.4 million from fiscal year 2009 to fiscal year 2010. The decrease in restricted assets from $6.2 million in fiscal year 2009 to $3.2 million in fiscal year 2010 is the result of normal differences in timing of capital projects activity. Unrestricted net assets represent reserves for University investments in future years and also provide for reserves set by board policy. The table of net assets below shows an increase in unrestricted net assets from $7.2 million in fiscal year 2009 to $11.6 million in fiscal year 2010; this was done to plan for upcoming state allocation shortfalls and leaves the University with an increased reserve for future years.

Current liabilities consist primarily of accounts and salaries payable. Salaries payable totaled $14.4 million at June 30, 2010, which represents no change over the prior year caused primarily by salary and benefit rates frozen at prior collective bargaining agreement settlement levels. Included within the salary payable accrual is $13.4 million representing approximately two months of earned salary for faculty who have elected to receive salaries over twelve months on a September 1 through August 31 year.

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets as of June 30, 2010, 2009, and 2008, respectively, are summarized as follows:

	(In Thousands) 2010	2009	2008
Invested in capital assets, net of related debt	$ 127,073	$ 119,337	$ 108,716
Restricted	25,006	21,401	20,686
Unrestricted	11,582	7,167	9,428
Total net assets	$ 163,661	$ 147,905	$ 138,830

Invested in capital assets, net of related debt, represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets primarily include capital projects, bond covenants, debt service, and funds reserved for faculty contract obligations. The continued improvement, in fiscal year 2010 net assets, reflects the overall improvement in the University's financial position.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the University's academic programs and residential life is the development and renewal of its capital assets. The University continues to implement its long-range plan to modernize its complement of older facilities, balanced with new construction. Capital assets, net of accumulated depreciation, as of June 30, 2010, totaled $170.9 million, an increase of $9 million over fiscal year 2009.

Capital outlay totaled $17.4 million in 2010, a decrease of $3.1 million from the prior year. Capital expenses are primarily comprised of recently completed new buildings, replacement and renovation of existing facilities, as well as significant investments in equipment.

Construction in process at June 30, 2010, totaled $8.5 million and is primarily comprised of costs associated with significant construction project planning. Planning funds include $2.4 million for the Integrated Science and Engineering Lab Facility and $1.1 million for the National Hockey and Event Center which are both funded by general obligation bonds.

Long-term debt payable on June 30, 2010 consisted of $21.3 million of general obligation bonds, $10.8 million of revenue bonds and $11.3 million of capital leases. The general obligation bonds are primarily issued to finance construction of buildings and repairs. Additional information on capital debt and debt activities can be found in notes 6 and 8 in the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets represents the University's results of operations for the year. Users of these statements should note that GASB requires classification of state appropriations as non-operating revenue.

Tuition and state appropriations are the primary sources of funding for the University's academic programs. Tuition revenue increased in fiscal year 2010 as a result of a 5 percent increase in tuition, of which 2 percent was provided from federal aid through the American Recovery and Reinvestment Act of 2009. Total state appropriations totaled $58.9 million in 2010, a decrease of $5.5 million. This decrease was offset by $2.8 million of federal aid provided through the American Recovery and Reinvestment Act of 2009.

The resources expended for compensation and benefits increased $1.7 million to $143.1 million in fiscal year 2010. In part this increase is due to a change in presentation of employee tuition waivers as fringe benefits which in prior years were a reduction in tuition revenue.

A summary table of the information contained in the statements of revenues, expenses and changes in net assets follows:

	(In Thousands)		
	2010	2009	2008
Operating revenue:			
Student tuition and fees	$ 81,313	$ 79,067	$ 75,768
Room and board	21,709	20,518	19,827
Other revenue	3,707	4,255	3,846
Total operating revenue	106,729	103,840	99,441
Nonoperating revenue:			
State appropriations	58,891	64,410	62,430
Grants and donated capital asset additions	37,763	24,946	23,019
Capital appropriations and capital grants	10,501	10,749	9,142
Other	1,332	913	1,225
Total nonoperating revenue	108,487	101,018	95,816
Total revenue	215,216	204,858	195,257
Operating expense:			
Salaries and benefits	143,146	141,360	129,670
Supplies and services	40,181	41,099	39,297
Depreciation	8,392	7,846	7,356
Financial aid	5,494	3,451	2,742
Total operating expense	197,213	193,756	179,065
Nonoperating expense:			
Loss on disposal of capital assets	38	11	183
Grants to other organizations	144	198	495
Interest expense	2,065	1,818	1,876
Total nonoperating expense	2,247	2,027	2,554
Total expense	199,460	195,783	181,619
Increase in net assets	15,756	9,075	13,638
Net assets, beginning of year	147,905	138,830	125,192
Net assets, end of year	$ 163,661	$ 147,905	$ 138,830

COMPONENT UNIT

The St. Cloud State University Foundation is a component unit of St. Cloud State University. As such, the separately audited financial statements for the Foundation are included, but shown separately from those of the University in compliance with the requirements of GASB Statement No. 39.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Looking toward the future, management believes that the University is positioned to continue its strong financial condition and level of excellence. However, the University will face challenges in maintaining adequate state appropriation support in future years. As a result, the University is strategically managing a variety of core university functions to insure better effectiveness and efficiency in the future. The uncertain state appropriation picture coupled with student enrollment that has remained stable during the past 5 years may result in serious financial challenges for the University in fiscal years 2011, 2012 and beyond.

REQESTS FOR INFORMATION

This financial report is designed to provide a general overview of St. Cloud State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director, Business Services
St. Cloud State University
720 Fourth Avenue South, AS124
St. Cloud, MN 56301-4498

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ST. CLOUD STATE UNIVERSITY
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2010 AND 2009
(IN THOUSANDS)

Assets	2010	2009
Current Assets		
Cash and cash equivalents	$ 67,363	$ 58,997
Investments	2,498	2,599
Grants receivable	1,154	942
Accounts receivable, net	3,072	3,295
Prepaid expense	2,253	1,660
Inventory	132	132
Student loans and other assets, net	1,157	1,352
Total current assets	77,629	68,977
Current Restricted Assets		
Cash and cash equivalents	3,177	6,160
Total current restricted assets	3,177	6,160
Noncurrent Restricted Assets		
Other assets	18	21
Total noncurrent restricted assets	18	21
Total restricted assets	3,195	6,181
Noncurrent Assets		
Student loans and other assets, net	5,566	5,742
Capital assets, net	170,915	161,863
Total noncurrent assets	176,481	167,605
Total Assets	257,305	242,763
Liabilities		
Current Liabilities		
Salaries and benefits payable	14,447	14,400
Accounts payable	3,292	3,505
Unearned revenue	5,942	5,581
Payable from restricted assets	1,020	3,999
Interest payable	170	177
Funds held for others	1,776	2,179
Current portion of long-term debt	2,720	2,486
Other compensation benefits	1,881	1,759
Total current liabilities	31,248	34,086
Noncurrent Liabilities		
Noncurrent portion of long-term debt	40,701	39,928
Other compensation benefits	15,700	14,687
Capital contributions payable	5,995	6,157
Total noncurrent liabilities	62,396	60,772
Total Liabilities	93,644	94,858
Net Assets		
Invested in capital assets, net of related debt	127,073	119,337
Restricted expendable, bond covenants	18,185	15,106
Restricted expendable, other	6,821	6,295
Unrestricted	11,582	7,167
Total Net Assets	$ 163,661	$ 147,905

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2010 AND 2009
(IN THOUSANDS)

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	$ 265	$ 575
Investments	23,953	21,187
Restricted cash and cash equivalents	1,379	1,378
Pledges and contributions receivable	560	511
Other receivables	2	1
Accrued investment/Interest income	117	122
Finance lease receivable from University	725	700
Total current assets	27,001	24,474
Noncurrent Assets		
Long-term pledges receivable	1,922	576
Finance lease receivable from University	10,558	11,283
Annuities/Remainder interests/Trusts	253	289
Investment Property	148	148
Property and equipment, net	187	194
Other assets	265	288
Total noncurrent assets	13,333	12,778
Total Assets	$ 40,334	$ 37,252
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 130	$ 52
Interest payable	105	109
Annuities payable	18	14
Bonds payable	725	700
Other liabilities	161	136
Total current liabilities	1,139	1,011
Noncurrent Liabilities		
Annuities payable	265	230
Bonds payable	12,095	12,820
Total noncurrent liabilities	12,360	13,050
Total Liabilities	13,499	14,061
Net Assets		
Unrestricted	7	(693)
Temporarily restricted	11,423	8,666
Permanently restricted	15,405	15,218
Total Net Assets	26,835	23,191
Total Liabilities and Net Assets	$ 40,334	$ 37,252

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(IN THOUSANDS)

	2010	2009
Operating Revenues		
Tuition, net	$ 65,111	$ 62,789
Fees, net	8,201	8,196
Sales, net	8,001	8,082
Restricted student payments, net	21,709	20,518
Other income	3,707	4,255
Total operating revenues	106,729	103,840
Operating Expenses		
Salaries and benefits	143,146	141,360
Purchased services	20,509	20,493
Supplies	8,420	8,467
Repairs and maintenance	1,393	1,647
Depreciation	8,392	7,846
Financial aid, net	5,494	3,451
Other expense	9,859	10,492
Total operating expenses	197,213	193,756
Operating loss	(90,484)	(89,916)
Nonoperating Revenues (Expenses)		
Appropriations	58,891	64,410
Federal grants	25,051	14,117
State grants	9,483	7,873
Private grants	3,229	2,956
Interest income	1,032	913
Interest expense	(2,065)	(1,818)
Grants to other organizations	(144)	(198)
Total nonoperating revenues (expenses)	95,477	88,253
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	4,993	(1,663)
Capital appropriations	10,501	10,649
Donated assets and supplies	300	-
Capital grants	-	100
Loss on disposal of capital assets	(38)	(11)
Change in net assets	15,756	9,075
Total Net Assets, Beginning of Year	147,905	138,830
Total Net Assets, End of Year	$ 163,661	$ 147,905

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(IN THOUSANDS)

	2010	2009
Support and Revenue		
Contributions	$ 4,329	$ 2,144
In-kind contributions	2,109	1,749
Investment income	1,237	1,741
Realized losses	(62)	(574)
Unrealized gains and (losses)	1,713	(2,844)
Total support and revenue	9,326	2,216
Expenses		
Program services		
Program services	2,231	2,882
Scholarships	899	1,148
Total program services	3,130	4,030
Supporting services		
Interest expense	651	678
Management and general	951	908
Fundraising expenses	950	816
Total supporting services	2,552	2,402
Total expenses	5,682	6,432
Change in Net Assets	3,644	(4,216)
Net Assets, Beginning of Year	23,191	27,407
Net Assets, End of Year	$ 26,835	$ 23,191

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(IN THOUSANDS)

	2010	2009
Cash Flows from Operating Activities		
Cash received from customers	$ 110,075	$ 106,842
Cash repayment of program loans	800	750
Cash paid to suppliers for goods or services	(42,396)	(45,293)
Cash payments to employees	(142,133)	(138,851)
Financial aid disbursements	(5,656)	(4,623)
Cash payments of program loans	(843)	(752)
Net cash flows used in operating activities	(80,153)	(81,927)
Cash Flows from Noncapital Financing Activities		
Appropriations	58,891	64,410
Agency activity	(403)	387
Federal grants	25,123	13,893
State grants	9,553	7,873
Private grants	3,229	2,956
Grants to other organizations	(144)	(198)
Net cash flows from noncapital financing activities	96,249	89,321
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(20,956)	(18,786)
Capital appropriation	10,501	10,649
Capital grants	-	100
Proceeds from borrowing	3,375	3,868
Proceeds from bond premium	239	325
Interest paid	(2,231)	(1,967)
Repayment of lease principal	(700)	(660)
Repayment of bond principal	(2,107)	(1,762)
Net cash flows used in capital and related financing activities	(11,879)	(8,233)
Cash Flows from Investing Activities		
Investment earnings	1,166	900
Net cash flows from investing activities	1,166	900
Net Increase in Cash and Cash Equivalents	5,383	61
Cash and Cash Equivalents, Beginning of Year	65,157	65,096
Cash and Cash Equivalents, End of Year	$ 70,540	$ 65,157

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(IN THOUSANDS)

	2010	2009
Operating Loss	$ (90,484)	$ (89,916)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	8,392	7,846
Provision for loan defaults	12	8
Loan principal repayments	800	750
Loans issued	(843)	(752)
Loans forgiven	157	148
Change in assets and liabilities		
Inventory	-	58
Accounts receivable	223	(591)
Accounts payable	614	(2,043)
Salaries and benefits payable	47	1,165
Other compensation benefits	1,135	1,330
Capital contributions payable	(162)	197
Unearned revenues	50	87
Other assets and liabilities	(94)	(214)
Net reconciling items to be added to operating income	10,331	7,989
Net cash flow used in operating activities	$ (80,153)	$ (81,927)
Non-Cash Investing, Capital, and Financing Activites		
Capital projects on account	$ 1,329	$ 5,180
Change in fair market value of investment	(102)	33
Investment earnings on account	77	221
Amortization of bond premium	112	94
Donated equipment	300	-

ST. CLOUD STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — The reporting policies of St. Cloud State University, a member of Minnesota State Colleges and Universities system, conform to Generally Accepted Accounting Principles (GAAP) in the United States, as prescribed by the Governmental Accounting Standards Board (GASB). The statements of net assets, statements of revenues, expenses and changes in net assets, and statements of cash flows include financial activities of St. Cloud State University.

Financial Reporting Entity — Minnesota State Colleges and Universities is an agency of the state of Minnesota and receives appropriations from the state legislature, substantially all of which are used to fund general operations. St. Cloud State University receives a portion of Minnesota State Colleges and Universities' appropriation. The operations of most student organizations are included in the reporting entity because the Board of Trustees has certain fiduciary responsibilities for these resources.

Discretely presented component units are legally separate organizations that raise and hold economic resources for the direct benefit of a college or university in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The St. Cloud State University Foundation is considered significant to the University and is included as a discretely presented component unit and separately identified in Note 18. Complete financial statements may be obtained from the St. Cloud State University Foundation, Alumni and Foundation Center, 720 Fourth Avenue South, St. Cloud, MN 56301-4498.

Basis of Accounting — The basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. The accompanying financial statements have been prepared as a special purpose government entity engaged in business type activities. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Eliminations have been made to minimize the double counting of internal activities. Interfund receivables and payables have been eliminated in the statements of net assets.

Minnesota State Colleges and Universities applies all applicable Financial Accounting Standards Board (FASB) statements issued prior to November 30, 1989, and GASB statements issued since that date.

Budgetary Accounting — University budgetary accounting, which is the basis for annual budgets and the allocation of state appropriations, differs from GAAP. University budgetary accounting includes all receipts and expenses up to the close of the books in August for the budget fiscal year. Revenues not yet received by the close of the books are not included. The criterion for recognizing expenses is the actual disbursement, not when the goods or services are received.

The state of Minnesota operates on a two year (biennial) budget cycle ending on June 30 of odd-numbered years. Minnesota State Colleges and Universities is governed by a 15 member board of trustees appointed by the Governor with the advice and consent of the state senate. The Board approves the University biennial budget request and allocation as part of Minnesota State Colleges and Universities' total budget.

Budgetary control is maintained at the University. The University President has the authority and responsibility to administer the budget and can transfer money between programs within the University without Board approval. The budget of the University can be legally amended by the authority of the Vice Chancellor/Chief Financial Officer.

The state appropriations do not lapse at year end. Any unexpended appropriation from the first year of a biennium is available for the second year. Any unexpended balance may also carry over into future bienniums.

Capital Appropriation Revenue —Minnesota State Colleges and Universities is responsible for paying one third of the debt service for certain general obligation bonds sold for capital projects, as specified in the authorizing legislation. The portion of general obligation bond debt service that is payable by the state of Minnesota is recognized by Minnesota State Colleges and Universities as capital appropriation revenue when the related expenses are incurred. Individual colleges and universities are allocated cash, capital appropriation revenue, and debt based on capital project expenses.

Cash and Cash Equivalents —The cash balance represents cash in the state treasury and demand deposits in local bank accounts as well as cash equivalents. Cash equivalents are short term, highly liquid, investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash and cash equivalents include amounts in demand deposits, savings accounts, cash management pools, repurchase agreements, and money market funds.

Restricted cash is cash held for capital projects and cash in the Revenue Fund for capital projects and debt service.

The Revenue Fund is used to account for the revenues, expenses and net assets of revenue producing facilities which are supported through usage. It has the authority to sell revenue bonds for the construction and maintenance of revenue producing facilities.

All balances related to the state appropriation, tuition revenues, and most fees are in the state treasury. The University also has two accounts in a local bank. The activities handled through the local bank include financial aid, student payroll, auxiliary, and student activities.

Investments — The Minnesota State Board of Investment invests the University's balances in the state treasury, except for the Revenue Fund, as part of a state investment pool. This asset is reported as a cash equivalent. Interest income earned on pooled investments is retained by the Office of the Chancellor and allocated to the colleges and universities as part of the appropriation allocation process.

Cash in the Revenue Fund is invested separately. The Fund contracts with the Minnesota State Board of Investment and US Bank, N.A. for investment management services. Investments are reported at fair value.

Receivables — Receivables are shown net of an allowance for uncollectibles.

Inventories — Inventories are valued at cost using the first in, first out method.

Prepaid Expense — Prepaid expense consists primarily of deposits in the state of Minnesota Debt Service Fund for future general obligation bond payments.

Capital Assets — Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. Estimated historical cost has been used when actual cost is not available. Such assets are depreciated or amortized on a straight line basis over the useful life of the assets. Estimated useful lives are as follows:

Buildings	35-40 years
Building improvements	15-20 years
Equipment	3-20 years
Library collections	7 years

Equipment includes all items with an original cost of $10,000 and over for items purchased since July 1, 2008; $5,000 and over for items purchased between July 1, 2003 and June 30, 2008; and $2,000 and over for items purchased prior to July 1, 2003. Buildings, building improvements, and internally developed software include all projects with a cost of $250,000 and over for projects started since July 1, 2008, and $100,000 and over for projects started prior to July 1, 2008. All land and library collection purchases are capitalized regardless of amount spent.

Funds Held for Others — Funds held for others are assets mainly held for student organizations, student prepayments, and payables to third parties.

Long Term Liabilities — The state of Minnesota appropriates for and sells general obligation bonds to support construction and renovation of Minnesota State Colleges and Universities' facilities as approved through the state's capital budget process. The University is responsible for a portion of the debt service on the bonds sold for some of its projects. The University may also enter into capital lease agreements for certain capital assets. Other long term liabilities include compensated absences, net other postemployment benefits, workers' compensation claims, early termination benefits, notes payable, and capital contributions associated with Perkins Loan agreements with the United States Department of Education.

Minnesota State Colleges and Universities may finance the construction, renovation, and acquisition of facilities for student residences and student unions through the sale of revenue bonds. These activities are accounted for and reported in the Revenue Fund included herein. Details on the Revenue Fund bonds are available in the separately audited and issued Revenue Fund financial report. Copies are available from the Financial Reporting Director, Minnesota State Colleges and Universities, Wells Fargo Place, 30 7th St. E., Suite 350, Saint Paul, MN 55101-7804.

Operating Activities — Operating activities as reported in the statements of revenues, expenses and changes in net assets are those 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, including state appropriations, federal, state and private grants, and investment income.

Unearned Revenue — Unearned revenue consists primarily of tuition received, but not yet earned, for summer and fall session. It also includes room deposits and amounts received from grants that have not yet been earned under the terms of the agreement, and advanced athletic ticket revenue received.

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances of $24,930,895 and $19,237,918, for fiscal years 2010 and 2009, respectively. Sales are also net of cost of goods sold of $3,068,156 and $3,504,512, for fiscal years 2010 and 2009, respectively.

Restricted Student Payments — Restricted student payments consist of room, board, sales, and fee revenue restricted for payment of revenue bonds, and are net of scholarship allowances of $776,888 and $476,430, for fiscal years 2010 and 2009, respectively. Sales are also net of cost of goods sold of $3,158 and $3,170, for fiscal years 2010 and 2009, respectively.

Federal Grants — St. Cloud State University participates in several federal grant programs. The largest programs include Pell, Supplemental Educational Opportunity Grant and Federal Work Study. Federal Grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* During fiscal year 2010, $4,450,603 of federal aid was recognized as revenue related to the American Recovery and Reinvestment Act of 2009. Of this amount, $1,214,644 was used to mitigate tuition increases that would have otherwise been necessary. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

Capital Grants — The University receives federal, state, and private grants which are restricted for the acquisition or construction of capital assets.

Reclassifications — Certain prior year amounts have been reclassified to conform to current year presentation. These classifications had no effect on net assets previously reported. Fiscal year 2009 federal and state grant revenue in the amount of $14,116,308 and $7,873,259, respectively, have been reclassified from operating to nonoperating revenue. This reclassification increases the total operating loss by $21,989,567 while increasing total nonoperating revenue by the same amount.

Use of Estimates — To prepare the basic financial statements in conformity with generally accepted accounting principles management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas that require the use of management's estimates relate to allowances for uncollectible accounts, scholarship allowances, workers' compensation claims, and compensated absences.

Net Assets — The difference between assets and liabilities is net assets. Net assets are further classified for accounting and reporting purposes into the following three net asset categories:

- *Invested in capital assets, net of related debt*: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted expendable*: Net assets subject to externally imposed stipulations. Net asset restrictions for St. Cloud State University are as follows:

  Restricted for bond covenants — revenue bond restrictions;
  Restricted for other — includes restrictions for the following:
  Capital projects — restricted for completion of capital projects,
  Debt service — legally restricted for bond debt repayment,
  Donations — donation restrictions,
  Faculty contract obligations — faculty development and travel required,
  Loans — University capital contribution for Perkins loans.

Net Assets Restricted for Other
(In Thousands)

	2010	2009
Capital projects	$ 2,157	$ 2,161
Debt service	2,131	1,660
Donations	309	354
Faculty contract obligations	1,502	1,379
Loans	722	741
Total	$ 6,821	$ 6,295

- *Unrestricted*: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management, Office of the Chancellor, or the Board of Trustees.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents — All balances related to the appropriation, tuition, and most fees are in the state treasury. In addition, the University has two accounts in a local bank. The activities handled through the local bank include financial aid, student payroll, auxiliary, and student activities.

Minnesota Statute, Section 118A.03, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. This statute further requires that such insurance and collateral shall be at least 10 percent greater than the amount on deposit.

Cash and Cash Equivalents at June 30
(In Thousands)

Carrying Amount		2010		2009
Cash in bank – US Currency	$	1,030	$	(703)
Cash in bank – Foreign currencies		322		255
Repurchase agreements		5,924		6,164
Change fund		24		22
Cash – trustee account (US Bank)		1,078		1,078
Total local cash and cash equivalents		8,378		6,816
Total treasury cash accounts		62,162		58,341
Grand Total	$	70,540	$	65,157

At June 30, 2010 and 2009, the University's bank balances were $6,844,450 and $6,928,672, respectively. These balances were adjusted by items in transit to arrive at the University's cash in bank balance. The University's balance in the state treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment (Minnesota SBI) as part of the state investment pool. This asset is reported as a cash equivalent.

The University's excess cash in the local bank is swept nightly to purchase interest bearing cash equivalents. As of June 30, 2010 and 2009, the University had $5,924,022 and $6,164,340, respectively, in repurchase agreements.

The cash accounts are invested in short term, liquid, high quality debt securities.

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. St. Cloud State University has foreign checking accounts, denominated in both the European Euro and the British Pound. For fiscal year 2010, the fair value is $322,001 in U.S. dollars, of which $46,486 is represented in Euros, and $275,515 is represented in British Pounds. The fair value of these accounts for fiscal year 2009 is $255,331 in US dollars, of which $52,428 is represented in Euros and $202,903 is represented in British Pounds.

Investments —The Minnesota SBI manages the majority of the state's investments. All investments managed by SBI are governed by Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24, broadly restricts investments to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short term obligations of specified high quality, and restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds. Generally, when applicable, the statutes limit investments to those rated within the top four quality rating categories of a nationally recognized rating agency. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

Within statutory parameters, Minnesota SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Custodial Credit Risk — Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Board procedure 7.5.1 requires compliance with Minnesota Statutes, Section 118A.03, and further excludes the use of FDIC insurance when meeting collateral requirements.

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with Minnesota

Statutes, Section 118A.04. This statute limits investments to the top quality rating categories of a nationally recognized rating agency.

At June 30, 2010 and 2009, the University's debt securities were rated equivalent to *Standard and Poor's* AA or higher.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with Board procedure 7.5.1 which recommends investments be diversified by type and issuer.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University complies with Board procedure 7.5.1 that recommends considering fluctuation interest rates and cash flow needs when purchasing short-term and long-term investments.

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

Fair Value of Investments at June 30
(In Thousands)

Investment Type	2010 Fair Value	Weighted Maturity (years)	2009 Fair Value	Weighted Maturity (years)
U.S. Agencies	$ 2,084	5.95	$ 1,938	9.81
Municipal Obligations	414	4.50	661	3.04
Total fair value	$ 2,498		$ 2,599	
Portfolio weighted average maturity		5.71		8.09

Securities Lending Transactions — State statutes do not prohibit the state of Minnesota from participating in securities lending transactions. The Minnesota SBI has, by way of custodial trust agreements, authorized State Street Bank and Trust Company (State Street) and Wells Fargo Bank, Minnesota, N.A. (Wells Fargo) to act as agents in lending Minnesota's securities to broker/dealers and banks pursuant to a form of loan agreement.

During fiscal years 2010 and 2009, State Street and Wells Fargo lent, on behalf of the state of Minnesota, certain securities held by State Street or Wells Fargo as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral. The securities lending activity for Wells Fargo ceased in May 2009. Neither State Street nor Wells Fargo has the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100 percent of the fair value of the loaned securities.

The state of Minnesota did not impose any restrictions during the fiscal years on the amount of the loans that either State Street or Wells Fargo made on its behalf. State Street and Wells Fargo indemnified the state of Minnesota by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. No borrower failed to return loaned securities or pay distributions thereon during fiscal years 2010 or 2009. In addition, there were no losses during the fiscal years resulting from default of the borrowers, State Street, or Wells Fargo.

During fiscal years 2010 and 2009, the state of Minnesota and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in the separately managed funds of the Minnesota SBI. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2010 and 2009, the state of Minnesota had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The University had no security lending allocation for fiscal year 2010 and 2009. The following tables provide information related to the securities invested by State Street:

Security Lending Analysis, State Street, at June 30
(In Thousands)

	2010	2009
Fair value of securities on loan	$3,720,274	$6,587,602
Collateral held	3,845,017	6,829,949
Average duration	8 days	37 days
Average weighted maturity	43 days	201 days

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals and businesses. At June 30, 2010 and 2009, the total accounts receivable balances for the University were $6,200,224 and $6,448,276, respectively, less an allowance for uncollectible receivables of $3,127,993 and $3,152,603, respectively.

Summary of Accounts Receivable
(In Thousands)

	2010	2009
Tuition	$ 3,576	$ 3,648
Room and board	1,272	1,047
Fees	916	1,017
Sales and services	214	518
Contractual services	3	6
Other income	219	212
Total accounts receivable	6,200	6,448
Allowance for uncollectible accounts	(3,128)	(3,153)
Net accounts receivable	$ 3,072	$ 3,295

The allowance for uncollectible accounts has been computed based on the following aging schedule:

Fiscal Year 2010
(In Thousands)

Year	Allowance Amount	Allowance Percentage
Summer 2010	$ 14	10%
2010	696	25%
2009	545	50%
2008	574	80%
2007 and before	1,299	100%
Total	$ 3,128	

Fiscal Year 2009
(In Thousands)

Year	Allowance Amount	Allowance Percentage
Summer 2009	$ 9	10%
2009	709	25%
2008	538	50%
2007	485	80%
2006 and before	1,412	100%
Total	$ 3,153	

4. PREPAID EXPENSE

Prepaid expense consists of $2,130,608 and $1,659,672 for fiscal years 2010 and 2009, respectively, which have been deposited in the state's Debt Service Fund for future general obligation bond payments. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand at December 1, of each year, an amount sufficient to pay all general obligation bond principal and interest due, and to become due, through July 1 of the second year. In addition, as of June 30, 2010 the University had prepaid expenses of $122,501, primarily for software fees.

5. LOANS RECEIVABLE

Loans receivable balances consist primarily of loans under the Federal Perkins Loan Program. The federal government provides most of the funding for the loans with amounts collected used for new loan advances. The University is responsible for loan collections. As of June 30, 2010 and 2009, the loans receivable for this program totaled $6,575,908 and $6,689,726, respectively, less an allowance for uncollectible loans of $209,635 and $197,636, respectively.

6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2010 and 2009 follow:

Year Ended June 30, 2010
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 13,634	$ —	$ —	$ —	$ 13,634
Construction in-progress	15,767	15,919	—	(23,189)	8,497
Total capital assets, not depreciated	29,401	15,919	—	(23,189)	22,131
Capital assets, depreciated:					
Buildings and improvements	214,266	—	—	23,189	237,455
Equipment	17,558	757	953	—	17,362
Library collections	8,225	755	1,068	—	7,912
Total capital assets, depreciated	240,049	1,512	2,021	23,189	262,729
Less accumulated depreciation:					
Buildings and improvements	90,426	6,256	—	—	96,682
Equipment	12,566	1,006	966	—	12,606
Library collections	4,595	1,130	1,068	—	4,657
Total accumulated depreciation	107,587	8,392	2,034	—	113,945
Total capital assets, depreciated, net	132,462	(6,880)	(13)	23,189	148,784
Total capital assets, net	$ 161,863	$ 9,039	$ (13)	$ —	$ 170,915

Year Ended June 30, 2009
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 13,634	$ —	$ —	$ —	$ 13,634
Construction in-progress	21,992	18,308	—	(24,533)	15,767
Total capital assets, not depreciated	35,626	18,308	—	(24,533)	29,401
Capital assets, depreciated:					
Buildings and improvements	189,733	—	—	24,533	214,266
Equipment	16,725	1,124	291	—	17,558
Library collections	8,222	1,086	1,083	—	8,225
Total capital assets, depreciated	214,680	2,210	1,374	24,533	240,049
Less accumulated depreciation:					
Buildings and improvements	84,794	5,632	—	—	90,426
Equipment	11,806	1,039	279	—	12,566
Library collections	4,503	1,175	1,083	—	4,595
Total accumulated depreciation	101,103	7,846	1,362	—	107,587
Total capital assets, depreciated, net	113,577	(5,636)	12	24,533	132,462
Total capital assets, net	$ 149,203	$ 12,672	$ 12	$ —	$ 161,863

7. ACCOUNTS PAYABLE

Accounts payable represent amounts due for goods and services received prior to the end of the fiscal year.

Summary of Accounts Payables at June 30
(In Thousands)

	2010	2009
Capital projects	$ 309	$ 1,181
Supplies	832	940
Purchased services	759	727
Repairs & maintenance	543	122
Student Payroll	207	171
Other	642	364
Total	$ 3,292	$ 3,505

In addition, as of June 30, 2010 and 2009, the University also had payables from restricted assets in the amounts of $1,019,945 and $3,999,027, which was related to capital projects financed by general obligation bonds.

8. LONG TERM OBLIGATIONS

Summaries of amounts due within one year are reported in the current liability section of the statements of net assets. The changes in long term debt for fiscal years 2010 and 2009 follow:

Year Ended June 30, 2010
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,019	$ 239	$ 112	$ 1,146	$ —
Capital leases	11,984	—	700	11,284	725
General obligation bonds	18,104	3,375	1,272	20,207	1,448
Revenue bonds	11,307	—	523	10,784	547
Total long term debt	$ 42,414	$ 3,614	$ 2,607	$ 43,421	$ 2,720

Year Ended June 30, 2009
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 788	$ 325	$ 94	$ 1,019	$ —
Capital leases	12,644	—	660	11,984	700
General obligation bonds	15,374	3,868	1,138	18,104	1,264
Revenue bonds	11,809	—	502	11,307	522
Total long term debt	$ 40,615	$ 4,193	$ 2,394	$ 42,414	$ 2,486

The changes in other compensation benefits for fiscal years 2010 and 2009 follow:

Year Ended June 30, 2010
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 14,908	$ 1,842	$ 1,210	$ 15,540	$ 1,499
Early termination benefits	139	130	139	130	130
Net other postemployment benefits	939	846	474	1,311	—
Workers’ compensation	460	521	381	600	252
Total other compensation benefits	$ 16,446	$ 3,339	$ 2,204	$ 17,581	$ 1,881

Year Ended June 30, 2009
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 14,027	$ 1,956	$ 1,075	$ 14,908	$ 1,436
Early termination benefits	206	139	206	139	139
Net other postemployment benefits	510	821	392	939	—
Workers’ compensation	374	291	205	460	184
Total other compensation benefits	$ 15,117	$ 3,207	$ 1,878	$ 16,446	$ 1,759

Bond Premium — In fiscal years 2010 and 2009 bonds were issued, resulting in premiums of $238,960 and $325,098, respectively. Amortization is calculated using the straight line method and amortized over the average remaining life of the bonds.

Capital Leases — Liabilities for capital leases include those leases that meet the criteria in the FASB Accounting Standards Codification (ASC) 840, *Leases* (previously FAS 13). See Note 11 for details.

General Obligation Bonds Liability — The state of Minnesota sells general obligation bonds to finance most of Minnesota State Colleges and Universities' capital projects. The interest rate on these bonds ranges from 2.0 to 5.5 percent. Minnesota State Colleges and Universities is responsible for paying one third of the debt service for certain general obligation bonds sold for those capital projects, as specified in the authorizing legislation. This debt obligation is allocated to the colleges and universities based primarily upon the specific projects funded. The general obligation bond liability included in these financial statements represents the University's share.

Revenue Bonds Liability — The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $300,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for residence hall, food service, student union, and other revenue-producing and related facilities at the state universities. Revenue bonds currently outstanding have interest rates between 3.25 percent and 6.5 percent.

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through fiscal year 2026. Annual principal and interest payments on the bonds are expected to require less than 4.88 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $15,262,899. Principal and interest paid for the current year and total customer net revenues were $1,087,194 and $22,576,519, respectively.

Compensated Absences — University employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. The liability for compensated absences is payable as severance pay under specific conditions. This leave is liquidated only at the time of termination from state employment.

Early Termination — Early termination benefits are benefits received for discontinuing service earlier than planned. See Note 9 for details.

Net Other Postemployment Benefit — Other postemployment benefits are health insurance benefits for certain retired employees under a single employer fully insured plan. Under the health benefits program retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. See Note 10 for further details.

Workers' Compensation — The State of Minnesota Department of Management and Budget manages the self insured workers' compensation claims activities for the state of Minnesota. The reported liability for workers' compensation of $600,030 and $459,590, at June 30, 2010 and 2009, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end, and is an undiscounted estimate of future payments.

Capital Contributions — Liabilities of $5,994,645 and $6,157,065 at June 30, 2010 and 2009, respectively, represent the amount the University would owe the federal government if it were to discontinue the Perkins loan program. The net decrease is $162,420 for fiscal year 2010. There was a net increase of $197,124 for fiscal year 2009.

Principal and interest payment schedules are provided in the following table for revenue bonds, general obligation bonds, and capital leases. There are no payment schedules for bond premium, compensated absences, early termination benefits, other postemployment benefits, workers' compensation, or capital contributions.

Long Term Debt Repayment Schedule
(In Thousands)

Fiscal Years	Capital Leases		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 725	$ 570	$ 1,448	$ 946	$ 547	$ 546
2012	750	543	1,448	878	576	520
2013	790	514	1,436	809	606	492
2014	830	484	1,435	739	639	462
2015	875	445	1,423	669	667	430
2016-2020	5,100	1,575	6,484	2,338	3.881	1,564
2021-2025	2,214	286	4,197	1,016	3,513	457
2026-2030	—	—	2,336	207	355	9
Total	$ 11,284	$ 4,417	$ 20,207	$ 7,602	$ 10,784	$ 4,480

9. EARLY TERMINATION BENEFITS

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. Certain bargaining unit contracts, Inter Faculty Organization (IFO) and Minnesota State University Association of Administrative Service Faculty (MSUAASF) contracts provide for this benefit.

The following is a description of the different benefit arrangements for each contract, including number of retired faculty receiving the benefit, and the amount of future liability as of the end of fiscal years 2010 and 2009.

Inter Faculty Organization (IFO) contract

The IFO contract allows faculty members who meet certain eligibility and combination of age and years of service requirements to receive an early retirement incentive cash payment based on base salary at time of separation, as well as an amount equal to the employer's contribution for one year's health insurance premiums deposited in his/her health care savings plan at time of separation. The cash incentive can be paid either in one or two payments.

The number of retired faculty who received this benefit and the amount of future liability for those faculty, as of the end of fiscal years 2010 and 2009, follow:

Fiscal Year	No. of Faculty	Future Liability (In thousands)
2010	6	$ 130
2009	7	139

10. NET OTHER POSTEMPLOYMENT BENEFITS

The University provides health insurance benefits for certain retired employees under a single employer , fully insured plan, as required by Minnesota Statute 471.61 subdivision 2B. Active employees who retire when eligible to receive a retirement benefit from a Minnesota public pension plan and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the health benefits program. Retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2008 there were approximately 58 retirees receiving health benefits from the health plan.

Annual OPEB Cost and Net OPEB Obligation — The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the annual OPEB cost for 2010 and 2009, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Components of the Annual OPEB Cost
(In Thousands)

	2010	2009
Annual required contribution (ARC)	$ 837	$ 817
Interest on net OPEB obligation	45	24
Adjustment to ARC	(36)	(20)
Annual OPEB cost	846	821
Contributions during the year	(474)	(392)
Increase in net OPEB obligation	372	429
OPEB obligation, beginning of year	939	510
OPEB obligation, end of year	$ 1,311	$ 939

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2010 and 2009 were as follows:

For Year Ended June 30
(In Thousands)

	2010	2009
Beginning of year net OPEB obligation	$ 939	$ 510
Annual OPEB cost	846	821
Employer contribution	(474)	(392)
End of year net OPEB obligation	$ 1,311	$ 939
Percentage contributed	56.03%	47.75 %

Funding Status — There are currently no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2008	—	$ 8,915	$ 8,915	0.00%	$ 109,829	8.12%

Actuarial Methods and Assumptions — Actuarial valuations 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 healthcare cost trends. Amounts 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 (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent discount rate, which is based on the estimated long term investment yield on the general assets, using an underlying long-term inflation assumption of 3.00 percent. The annual healthcare cost trend rate is 8.97 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after twenty years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period.

11. LEASE AGREEMENTS

Operating Leases — The University is committed under various leases primarily for building space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the years ended June 30, 2010 and 2009, totaled $527,604 and $318,833, respectively.

Future minimum lease payments for existing lease agreements follow:

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2011	$ 496
2012	419
2013	385
2014	372
2015	200
Total	$ 1,872

Income Leases — The University has entered into several income lease agreements, primarily for building space. Lease income for the years ended June 30, 2010 and 2009, totaled $703,315 and $676,734 respectively, and is included in other income in the statements of revenues, expenses, and changes in net assets.

Future expected income receipts for existing lease agreements are as follows:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2011	$ 582
2012	46
2013	32
2014	32
2015	20
2016-2020	81
Total	$ 793

Capital Leases — The University has entered into several capital lease agreements. The leases meet the criteria of a capital lease as defined by the FASB ASC 840, *Leases* (previously FAS 13), which defines a capital lease generally as one that transfers benefits and risk of ownership to the lessee.

In fiscal year 2004, the University entered into a lease agreement with the Foundation for the Atwood Memorial Center in the amount of $3,924,434 for construction costs. In fiscal year 2005, the Atwood Memorial Center was completed and an additional $779,910 was added to the lease agreement. Also, in 2005, a second lease agreement was added for a newly completed stadium and recreation center in the amount of $10,084,954.

12. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The following table provides information related to operating expenses by functional classification:

For the Year Ended June 30, 2010 (In Thousands)

Description	Salaries/ Benefits	Other	Total
Academic support	$ 17,872	$ 5,047	$ 22,919
Institutional support	11,679	6,337	18,016
Instruction	76,409	4,149	80,558
Operation & maintenance of plant	6,532	4,758	11,290
Public service	1,059	1,145	2,204
Research	1,693	1,135	2,828
Student services	19,340	5,384	24,724
Auxiliary enterprises	8,562	12,226	20,788
Depreciation	—	8,392	8,392
Scholarships & fellowships	—	5,494	5,494
Total operating expenses	$ 143,146	$ 54,067	$ 197,213

For the Year Ended June 30, 2009
(In Thousands)

Description	Salaries/ Benefits	Other	Total
Academic support	$ 18,450	$ 5,669	$ 24,119
Institutional support	11,319	7,384	18,703
Instruction	76,842	4,302	81,144
Operation & maintenance of plant	6,682	4,893	11,575
Public service	750	659	1,409
Research	1,450	1,115	2,565
Student services	18,158	5,307	23,465
Auxiliary enterprises	7,709	11,770	19,479
Depreciation	—	7,846	7,846
Scholarships & fellowships	—	3,451	3,451
Total operating expenses	$ 141,360	$ 52,396	$ 193,756

13. EMPLOYEE PENSION PLANS

The University participates in three retirement plans: the State Employees Retirement Fund, administered by the Minnesota State Retirement System; the Teachers Retirement Fund, administered by the Minnesota Teachers Retirement Association; and Minnesota State Colleges and Universities Defined Contribution Retirement Plan.

State Employees Retirement Fund (SERF)

Pension fund information is provided by the Minnesota State Retirement System, which prepares and publishes its own stand alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103.

The SERF is a cost sharing, multiple employer defined benefit plan. All classified employees are covered by this plan. A classified employee is one who serves in a civil service position. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of the members' average salary, which is defined as the highest salary paid in five successive years of service. Minnesota State Colleges and Universities, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for SERF is Minnesota Statutes, Chapter 352. Beginning July 1, 2007 the funding requirement for both employer and employee was 4.25 percent. The funding contribution rate increases 0.25 percent in each of the subsequent years until reaching 5 percent from July 1, 2010, and thereafter. For the period July 1, 2009 to June 30, 2010, the funding requirement is 4.75 percent for both employer and employee. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)

Fiscal Year	Amount
2010	$ 1,098
2009	1,089
2008	955

Teachers Retirement Fund (TRF)

Pension fund information is provided by the Minnesota Teachers Retirement Association, which prepares and publishes its own stand alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from Minnesota Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103.

The TRF is a cost sharing, multiple employer defined benefit plan. Teachers and other related professionals may participate in TRF. Normal retirement age is 65. Coordinated membership includes participants who are covered by the Social Security Act. The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for coordinated members are 1.2 percent and 1.7 percent for service rendered before July 1, 2006, and 1.4 percent and 1.9 percent for service rendered on or after July 1, 2006. Minnesota State Colleges and Universities, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for TRF is Minnesota Statutes, Chapter 354. Effective July 1, 2007, the funding requirement is 5.5 percent for both employer and employee coordinated members. Beginning July 1, 2011, both employee and employer contribution rate increases will be phased-in with a .5 percent increase occurring every July 1 over four years until it reaches a contribution rate of 7.5 percent on July 1, 2014. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)	
Fiscal Year	Amount
2010	$ 786
2009	817
2008	760

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

General Information — Minnesota State Colleges and Universities Defined Contribution Retirement Fund includes two plans, an Individual Retirement Account Plan and a Supplemental Retirement Plan. Both plans are mandatory, tax deferred, single employer defined contribution plans authorized by Minnesota Statutes, Chapters 354B and 354C. The plans are designed to provide retirement benefits to unclassified employees. An unclassified employee is one who belongs to Minnesota State Colleges and Universities specific bargaining units. The plans cover unclassified teachers, librarians, administrators and certain other staff. The plans are mandatory for qualified employees. Vesting occurs immediately. The administrative agent of the two plans is Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Separately issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Individual Retirement Account Plan (IRAP)

Participation — Each employee who is in unclassified service is required to participate in TRF or IRAP upon achieving eligibility. An unclassified employee is one who serves in a position deemed unclassified according to Minnesota Statutes. This includes presidents, vice presidents, deans, administrative or service faculty, teachers, and other managers and professionals in academic and academic support programs. Eligibility begins with the employment contract for the first year of unclassified service in which the employee is hired for more than 25 percent of a full academic year, excluding summer session. An employee remains a participant of the plan, even if employed for less than 25 percent of a full academic year, in subsequent years.

Contributions — There are two member groups participating in the IRAP, a faculty group and an administrators group. For faculty and administrators, the employer and employee statutory contribution rates are 6 percent and 4.5 percent, respectively. The contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Required contributions for St. Cloud State University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2010	$ 3,364	$ 2,504
2009	3,293	2,457
2008	2,704	2,011

Supplemental Retirement Plan (SRP)

Participation — Each employee who has completed two full time years of unclassified service with Minnesota State Colleges and Universities must participate upon achieving eligibility. The eligible employee is enrolled on the first day of the fiscal year following completion of two full time years. Vesting occurs immediately and normal retirement age is 55.

Contributions — Participants contribute to the SRP portion of the plan 5 percent of the eligible compensation up to a defined maximum annual contribution as specified in the following table.

Member Group	Eligible Compensation	Annual Maximum
Inter Faculty Organization	$ 6,000 to $ 51,000	$ 2,250
Minnesota State University Association of Administrative & Service Faculty	6,000 to 50,000	2,200
Administrators	6,000 to 60,000	2,700
Minnesota Association of Professional Employees Unclassified	6,000 to 40,000	1,700
Middle Management Association Unclassified	6,000 to 40,000	1,700
Other Unclassified Members	6,000 to 40,000	1,700

The University matches amounts equal to the contributions made by participants. The contributions are made under the authority of Minnesota Statutes, Chapter 354C.

Required contributions for St. Cloud State University were:

(In Thousands)	
Fiscal Year	Amount
2010	$ 1,636
2009	1,650
2008	1,336

14. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, and liabilities that are required by an external party to be accounted for separately.

Minnesota State Colleges and Universities issues revenue bonds to finance St. Cloud State University residence halls and student union.

St. Cloud State University Portion of the Revenue Fund
(In Thousands)

	2010	2009
CONDENSED STATEMENTS OF NET ASSETS		
Assets		
Current assets	$ 17,398	$ 17,601
Restricted assets	2,175	2,180
Noncurrent assets	33,962	32,268
Total assets	53,535	52,049
Liabilities		
Current liabilities	2,478	3,038
Noncurrent liabilities	14,143	14,915
Total liabilities	16,621	17,953
Net Assets		
Invested in capital assets, net of related debt	16,573	16,829
Restricted	20,341	17,267
Total net assets	$ 36,914	$ 34,096
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	$ 22,576	$ 21,044
Operating expenses	(19,252)	(18,928)
Net operating income	3,324	2,116
Non-operating revenues (expenses)	(506)	(34)
Change in net assets	2,818	2,082
Net assets, beginning of year	34,096	32,014
Net assets, end of year	$ 36,914	$ 34,096
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ 4,457	$ 3,994
Investing activities	336	700
Capital and related financing activities	(2,370)	(4,612)
Noncapital financing activities	(3,000)	—
Net increase (decrease)	(577)	82
Cash, beginning of year	18,515	18,433
Cash, end of year	$ 17,938	$ 18,515

15. COMMITMENTS

In March 2002, the University guaranteed revenue bonds issued by the city of Saint Cloud, Minnesota Housing and Redevelopment Authority to the Foundation (see Note 18). The proceeds of the bonds were used to fund University projects of a stadium, student recreation center, and an addition to the Atwood Memorial Center. The University entered into an operating agreement with the Foundation. The operating agreement contains lease terms meeting the criteria of a capital lease, as defined by Financial Accounting Standards Board ASC 840, *Leases* (previously FAS Statement No. 13).

During fiscal year 2010, the University continued on the $2.5 million design of the Integrated Science and Engineering Lab Facility (ISELF). This innovative facility will have large, open, flexible spaces suitable for multidisciplinary teaching, research and student project development. The University will seek bonding from the state of Minnesota to fund construction of the $42.3 million ISELF facility in the spring of 2011.

During fiscal year 2010, the University continued the $29.3 million design and construction of the National Hockey Center renovation and addition. Two of the goals of this project are to enhance the fan experience and create an event center for Central Minnesota. The project is being funded by a $6.5 million investment from the state of Minnesota and private fund raising, sponsorships and naming rights projected at nearly $23 million.

The University has entered into leases with Wedum St. Cloud Housing LLLC for residence hall and Welcome Center space starting August 15, 2010 for a term of ten years with two successive options for five year extensions. The annual rent ranges from $3,579,960 to $4,165,032.

16. RISK MANAGEMENT

Minnesota State Colleges and Universities is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; error or omissions; and employer obligations. Minnesota State Colleges and Universities manage these risks through state of Minnesota insurance plans including the state of Minnesota Risk Management Fund and through purchased insurance coverage.

Automobile liability coverage is required by the state and is provided by the Minnesota Risk Management Fund. Property and casualty coverage is required by Minnesota State Colleges and Universities policy. The University also purchased professional liability for employed physicians, and student health services professional liability. Property coverage's offered by the Minnesota Risk Management Fund are as follows:

Coverage	Amount
Institution deductible	$2,500 to $250,000
Fund responsibility	Deductible to $1,000,000
Primary re-insurer coverage	$1,000,001 to $25,000,000
Catastrophic re-insurers' coverage	$25,000,001 to $1,000,000,000
Bodily injury and property damage per person	$500,000
Bodily injury and property damage per occurrence	$1,500,000
Annual maximum paid by fund, excess by reinsurer	$4,000,000
Maintenance deductible for additional claims	$25,000

St. Cloud State University retains the risk of loss. The University did not have any settlements in excess of coverage the last three years.

The Minnesota Risk Management Fund purchased student intern professional liability insurance on the open market for the University.

Minnesota State Colleges and Universities participate in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

Workers' compensation is covered through state participation in the Workers' Compensation Reinsurance Association, which pays for catastrophic workers' compensation claims. Other workers' compensation risks are covered through self insurance for which Minnesota State Colleges and Universities pays the cost of claims through the state Workers' Compensation Fund. A Minnesota State Colleges and Universities workers' compensation payment pool helps institutions manage the volatility of such claims. Annual premiums are assessed by the pool based on salary dollars and claims history. From this pool all workers' compensation claims are paid to the state Workers' Compensation Fund.

The following table presents changes in the balances of workers' compensation liability during the fiscal years ended June 30, 2010 and 2009.

	(In Thousands)			
	Beginning Liability	Net Additions & Changes	Payments	Ending Liability
Fiscal Year Ended 6/30/10	$ 460	$ 521	$ 381	$ 600
Fiscal Year Ended 6/30/09	374	291	205	460

17. CONTINGENT LIABILITIES — LITIGATION

Lawsuits and other claims furnish a basis for potential liability. The following claim, in which St. Cloud State University and the Board of Trustees of Minnesota State Colleges and Universities are defendants, has been noted because an adverse decision in the matter could result in an expenditure of monies of over $100,000.

Onyiah v. St. Cloud State University
A current employee brought suit in federal district court against the University, asserting discrimination on the basis of race, age and national origin. The University will continue to vigorously defend this case.

18. COMPONENT UNITS

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the following foundation affiliated with St. Cloud State University is a legally separate, tax exempt entity and reported as a component unit.

The St. Cloud State University Foundation is a separate legal entity formed for the purpose of obtaining and disbursing funds for the sole benefit of the University. The University does not appoint any members of the board and the resources held by the Foundation can only be used by, or for, the benefit of the University. The Foundation's relationship with the institution is such that exclusion of the Foundation's financial statements would cause the University financial statements to be misleading or incomplete. The Foundation is considered a component unit of the University and their statements are discretely presented in the University's financial statements.

The foundations financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB ASC 958-205, *Presentation of Financial Statements* (previously FAS Statement No. 117). Net assets, which are classified on the existence or absence of donor imposed restrictions, are classified and reported according to the following classes:

- *Unrestricted:* Net assets that are not subject to donor imposed stipulations.

- *Temporarily Restricted Net Assets:* Net assets subject to donor imposed restrictions as to how the assets are to be used.

- *Permanently Restricted Net Assets:* Net assets subject to donor imposed stipulations that they be maintained permanently by each foundation. Generally, the donors of these assets permit the foundation to use all or part of the income earned on any related investments for general or specific purposes.

The University has an agreement with the Saint Cloud State University Foundation whereby the University has agreed to furnish services for the operation of the Foundation. The values of such services, which are included in the University's expenses, are estimated at $1,507,317 and $1,399,037, respectively, for fiscal years 2010 and 2009.

An additional estimated $1,983,558 and $2,289,999, respectively, is included in both the Foundation's and the University's revenues and expenditures in fiscal years 2010 and 2009, as a result of planned transfers of Foundation funds to the University, whereby actual subsequent purchases are made from University accounts.

The Foundation expended $3,060,500 and $3,947,009, respectively, toward University educational program purposes during fiscal years 2010 and 2009. Of these amounts, approximately $898,860 and $1,148,180, respectively, went to support student scholarships, talent grants, and other awards during fiscal years 2010 and 2009. In addition to providing the University with supplemental funds for current operations, the Foundation's total assets increased / (decreased) $3,082,695 and ($4,885,488), respectively, for fiscal years 2010 and 2009.

Investments — The foundation's investments are presented in accordance with FASB ASC 958-320, *Investments-Debt and Equity Securities* (previously FAS 124). Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. At June 30, 2010, $17,362,314 of the foundation's total investments was related to endowments.

Schedule of Investments
(In Thousands)

Investments	2010	2009
Money market & CD's	$ 6,809	$ 5,797
Balanced mutual funds	11,096	9,892
Equity based mutual funds	130	109
Fixed income/bonds/US Treasuries	3,805	3,641
Equity securities	2,113	1,748
Real estate (held for investments)	148	148
Total investments	$ 24,101	$ 21,335

Capital Assets— Summaries of the foundations' capital assets for fiscal years 2010 and 2009 are:

Schedule of Capital Assets at June 30
(In Thousands)

	2010	2009
Capital assets, not depreciated:		
Land	$ 175	$ 175
Capital assets, depreciated		
Equipment	250	248
Accumulated depreciation	(238)	(229)
Total capital assets depreciated, net	12	19
Total capital assets, net	$ 187	$ 194

Long Term Obligations — The Foundation entered into an agreement with the Housing and Redevelopment Authority in and for the city of St. Cloud, MN and U.S. Bank National Association to issue $16,515,000 in revenue bonds. Future scheduled debt payments are as follows:

Year Ended June 30
(In Thousands)

2011	$ 725
2012	750
2013	790
2014	830
2015	875
Thereafter	8,850
Total	$ 12,820

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SUPPLEMENTAL SECTION

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INDEPENDENT AUDITORS' 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*

To the Board of Trustees
Minnesota State Colleges and Universities
St. Paul, Minnesota

We have audited the financial statements of St. Cloud State University, a member of the Minnesota State College and University system of the State of Minnesota, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 1, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of St. Cloud State University Foundation, Inc., a discretely presented component unit of St. Cloud State University, as described in our report on St. Cloud State University's financial statements. The financial statements of the St. Cloud State University Foundation Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Cloud State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Cloud State University's internal control over financial reporting. Accordingly, we do not express on opinion on the effectiveness of St. Cloud State University's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Cloud State University's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Trustees, management and funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 1, 2010

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