ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

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MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2011 and 2010

Prepared by:

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

ST. CLOUD STATE UNIVERSITY

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2011 and 2010

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INTRODUCTION

ST. CLOUD STATE UNIVERSITY

October 28, 2011

OFFICE OF THE PRESIDENT
720 Fourth Avenue South
St. Cloud, MN 56301-4498
tel 320.308.2122
fax 320.308.5139
www.stcloudstate.edu/president

Steven J. Rosenstone, Chancellor
500 Wells Fargo Place
30 East Seventh Street
St. Paul, MN 55101

Dear Chancellor Rosenstone:

I am pleased to submit to you the audited financial statements for St. Cloud State University for the fiscal year ending June 30, 2011. 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 32 colleges and universities in the Minnesota State Colleges and Universities (MnSCU) system. The university is governed by a Board of Trustees, which is comprised of community and business leaders and students appointed by the Governor. The System is led by a Chancellor, appointed by the Board of Trustees, who in turn appoints a president to oversee the operations of each of the seven MnSCU universities.

The mission of the St. Cloud State University is to prepare our graduates for life, work and citizenship in the 21st Century. In fiscal year 2011, the university served 18,123 students through our credit-based instruction with a full year equivalent of 14,980. In 2011 the university hosted 1,076 international students from 93 countries and sent SCSU students to 35 study-abroad programs in 20 countries.

During fiscal year 2011, the university completed reorganization of its academic programs and colleges to strategically align the academic and student support structures with the University's mission, goals and Strategic Action Plan. As a result of the process, starting on July 1, 2011, the University will be organized into six autonomous colleges and schools, with two schools embedded in each of the colleges. The resulting structure will enable academic program development from an interdisciplinary perspective and be more responsive to a rapidly changing environment.

During the last year the University also continued efforts to align its teaching, research and service with the needs of the region that we serve in order to provide our students with a relevant education that prepares them to make a difference in the world. A St. Cloud State education integrates classroom learning with real world practice in an environment where faculty members keep a close eye on the needs of the employers of our graduates. These few examples demonstrate why we are very proud of the accomplishments of our students. Students of the American Marketing Association partnered with W3i, a leading distribution and monetization network for software application developers, to kick start marketing for FlipToast, an application that allows users to do other things on their computers while experiencing Facebook. The university hosted the Society for Electro-Acoustic Music of the United States (SEAMUS) national conference which highlights the integration of natural and electronic, often computerized, generated sounds and effects. 160 composers, performers and teachers of from the U.S. and Europe shared over 120 compositions, installations and videos over three days. One of the determining factors for hosting the conference was the Bachelor of Arts in music degree which has an emphasis in new media. The university partners with Whirltronics who manufactures over a million lawn mower blades for over a dozen lawnmower manufacturers. The students work with the manufacturer to improve labor efficiencies, including innovation, design and automation as part of the presentation and technical report necessary for their class projects.

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 has broken ground for the Integrated Science and Engineering Laboratory Facility with an anticipated completion date of June 2013. The facility will be integral to the implementation of the goals of the academic reorganization. Looking further into the future, 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 2012. The addition and renovation will coordinate with the University joining the newly created National Collegiate Hockey Conference (HCNC). The University continues to tightly monitor its deferred maintenance which is an average of $18 per square foot in comparison to the system average of $29 per square foot. 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 maintenance and improvement.

This past year, the St. Cloud State University Foundation's net investment return was approximately 18%, building on the gains from the previous fiscal year. The annual faculty and staff fundraising campaign raised more than $195,000. Overall, donors contributed almost $3.2 million for scholarships, program support, and unrestricted purposes.

Within the financial statements, which were audited by the firm of Kern, DeWenter, Viere, Ltd. 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 2011 with total net assets of $174.5 million. The change in net assets during fiscal year 2011 was an increase of $10.9 million. For a summary review and explanation of the financial statements please review the Management Discussion and Analysis section of this report.

The faculty and staff roster is comprised of approximately 1,600 full and part-time employees. 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. St. Cloud State University is managing the renewal and transformation of its workforce to address new needs and challenges. Many employees are reaching retirement age; in the next several years turnover will increase and the opportunities to reshape our workforce will be significant. At the same time we will continue to rethink the way we work in order to protect our ability to meet Minnesota's future needs. The partnership with our bargaining units to design and implement essential changes to assure our future will never be more important than it is now.

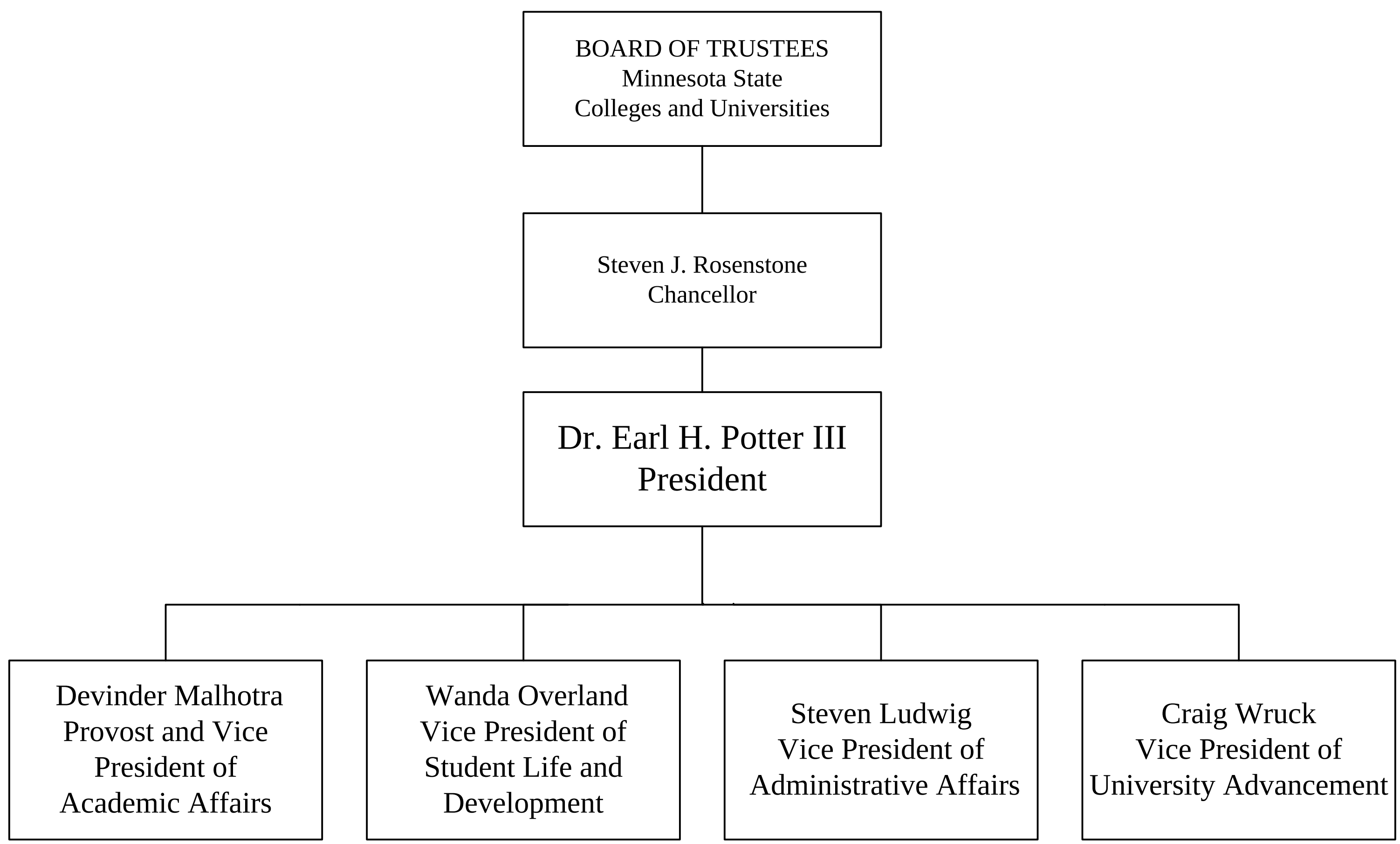
The management of the university is responsible for assuring the accuracy, reliability, fairness and completeness of the information present in this report. The President relies upon the financial division of the organization for that assurance. We take our responsibility very seriously and know that we must serve well to continue to deserve the trust of the people of Minnesota. As president of this University, I am proud of our team and of their commitment to our mission. Thank you for the opportunity to serve the people of Minnesota.

Sincerely,

Earl H. Potter III

Earl H. Potter III
President

St. Cloud State University
Organizational Chart



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

KDV

*Expert advice. When you need it.*SM

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Cloud State University
Minnesota State Colleges and Universities
St. Cloud, Minnesota

We have audited the accompanying financial statements of St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of and for the year ended June 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of St. Cloud State University Foundation, Inc., a component unit of the University, which statements reflect total assets of $ 43,984,568 at June 30, 2011 and total revenues of $ 9,274,840 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. The financial statements of St. Cloud State University and the St. Cloud State University Foundation, Inc., as of June 30, 2010, were audited by other auditors whose report dated November 1, 2010, expressed unqualified opinions on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope and 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 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 audit.

KDV

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress for Net Other Postemployment benefits, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the University. The accompanying introductory section identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us and, accordingly, we express no opinion on it.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
October 28, 2011

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, 2011, 2010, and 2009, 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 17,620 students including 1,810 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 2011. Assets totaled $312.4 million compared to liabilities of $137.9 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 $128.8 million, restricted assets of $25.2 million, and unrestricted assets of $20.5 million. The fiscal year 2011 net assets total of $174.5 million represents an increase of $10.8 million over fiscal year 2010 and $26.6 million over fiscal year 2009. The University's combined fiscal year 2011 appropriation revenue of $58.5 million represents a 0.7 percent decrease compared to fiscal year 2010, and a 9.2 percent decrease compared to fiscal year 2009.

USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: the statement of net assets, the statements 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.

Certain prior year amounts have been reclassified to conform with current year presentation. These classifications had no effect on net assets previously reported. Cost of goods sold has been reclassified from a reduction to sales revenue to an operating expense. State bond proceeds for projects below capitalization thresholds have been reclassified from a capital appropriation to general appropriation revenue.

STATEMENTS OF NET ASSETS

The statements of net assets present the financial position of the University at the end of the fiscal year and include 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, 2011, 2010, and 2009, respectively, is as follows:

	(In Thousands)		
	2011	2010	2009
Current assets	$ 86,762	$ 77,629	$ 68,977
Current restricted assets	20,113	3,177	6,160
Noncurrent assets			
Student loans receivable	5,102	5,566	5,742
Capital assets, net	197,489	170,915	161,863
Restricted assets	2,995	18	21
Total assets	312,461	257,305	242,763
Current liabilities	36,397	31,248	34,086
Noncurrent liabilities	101,522	62,396	60,772
Total liabilities	137,919	93,644	94,858
Net assets	$ 174,542	$ 163,661	$ 147,905

Current unrestricted assets consist primarily of cash, cash equivalents and investments totaling $77.4 million at June 30, 2011. This is an increase of $7.5 million over the prior year and represents approximately 4.9 months of operating expenses (excluding depreciation), which is an increase of 0.5 months from fiscal year 2010.

Total current assets increased by $9.1 million primarily due to an increase in cash from fiscal year 2010 to fiscal year 2011. Unrestricted cash and cash equivalents increased by $7.6 million from fiscal year 2010 to fiscal year 2011. The increase in restricted assets from $3.2 million in fiscal year 2010 to $23.1 million in fiscal year 2011 is the result of normal differences in timing of capital projects activity including $16.0 million of bond receipts for Shoemaker Hall renovation. 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 $11.6 million in fiscal year 2010 to $20.5 million in fiscal year 2011; 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 $14.8 million at June 30, 2011, which represents an increase of $0.4 million over the prior year. Included within the salary payable accrual is $14.0 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, 2011, 2010, and 2009, respectively, are summarized as follows:

	(In Thousands)		
	2011	2010	2009
Invested in capital assets, net of related debt	$ 128,842	$ 128,151	$ 119,337
Restricted	25,196	23,928	21,401
Unrestricted	20,504	11,582	7,167
Total net assets	$ 174,542	$ 163,661	$ 147,905

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 2011 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, 2011, totaled $200.5 million, an increase of $29.6 million over fiscal year 2010.

Capital outlay totaled $39.9 million in 2011, an increase of $22.5 million from the prior year. The University entered into capital leases totaling $31.6 million for residence hall and Welcome Center space in Coborn Plaza. Additional 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 progress at June 30, 2011, totaled $11.0 million and is primarily funded by general obligation bonds or revenue fund bonds. This includes $3.2 million for the Shoemaker Hall renovation, $2.5 million for the Integrated Science and Engineering Lab Facility, $1.7 million for the National Hockey and Event Center, and $2.5 million for elevator modernizations.

Long-term debt payable on June 30, 2011 consisted of $18.9 million of general obligation bonds, $27.4 million of revenue bonds and $39.1 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 from $88.5 million in fiscal year 2010 to $93.2 million in fiscal year 2011 as a result of a 5 percent increase in tuition rates. Total state appropriations totaled $58.5 million in 2011, a decrease of $0.4 million. Additionally, federal aid received through the American Recovery and Reinvestment Act of 2009 the University recognized $4.7 million and $4.5 million in fiscal years 2011 and 2010, respectively, that was used to provide additional instructional salaries and mitigate tuition increases each year. The University has fully utilized the funds allocated through this program.

The resources expended for compensation and benefits decreased $0.6 million to $142.5 million in fiscal year 2011. In part this decrease is due to employee retirements and attrition.

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

	(In Thousands)		
	2011	2010	2009
Operating revenue:			
Student tuition and fees	$ 80,569	$ 77,104	$ 74,495
Room and board	17,303	16,446	15,543
Sales	12,641	12,545	13,055
Other	4,282	3,705	4,255
Total operating revenue	114,795	109,800	107,348
Nonoperating revenue:			
State appropriations	58,476	58,905	64,410
Grants	37,002	37,763	24,946
Capital appropriations	2,474	10,487	10,749
Other	507	1,332	913
Total nonoperating revenue	98,459	108,487	101,018
Total revenue	213,254	218,287	208,366
Operating expense:			
Salaries and benefits	142,467	143,146	141,360
Supplies and services	43,570	43,252	44,607
Depreciation	10,343	8,392	7,846
Financial aid	3,534	5,494	3,451
Total operating expense	199,914	200,284	197,264
Nonoperating expense:			
Loss on disposal of capital assets	—	38	11
Grants to other organizations	204	144	198
Interest expense	2,255	2,065	1,818
Total nonoperating expense	2,459	2,247	2,027
Total expense	202,373	202,531	199,291
Increase in net assets	10,881	15,756	9,075
Net assets, beginning of year	163,661	147,905	138,830
Net assets, end of year	$ 174,542	$ 163,661	$ 147,905

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 2012, 2013 and beyond.

REQUESTS 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. 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, 2011 AND 2010
(IN THOUSANDS)

Assets	2011	2010
Current Assets		
Cash and cash equivalents	$ 74,931	$ 67,363
Investments	2,465	2,498
Grants receivable	1,408	1,154
Accounts receivable, net	4,211	3,072
Prepaid expense	2,203	2,253
Inventory	128	132
Student loans, net	1,000	800
Other assets	416	357
Total current assets	86,762	77,629
Current Restricted Assets		
Cash and cash equivalents	20,113	3,177
Total current restricted assets	20,113	3,177
Noncurrent Restricted Assets		
Other assets	17	18
Construction in progress	2,978	-
Total noncurrent restricted assets	2,995	18
Total restricted assets	23,108	3,195
Noncurrent Assets		
Student loans, net	5,102	5,566
Capital assets, net	197,489	170,915
Total noncurrent assets	202,591	176,481
Total Assets	312,461	257,305
Liabilities		
Current Liabilities		
Salaries and benefits payable	14,838	14,447
Accounts payable	3,167	3,292
Unearned revenue	5,394	5,942
Payable from restricted assets	2,818	1,020
Interest payable	378	170
Funds held for others	1,482	1,776
Current portion of long-term debt	6,172	2,720
Other compensation benefits	2,148	1,881
Total current liabilities	36,397	31,248
Noncurrent Liabilities		
Noncurrent portion of long-term debt	80,791	40,701
Other compensation benefits	14,799	15,700
Capital contributions payable	5,932	5,995
Total noncurrent liabilities	101,522	62,396
Total Liabilities	137,919	93,644
Net Assets		
Invested in capital assets, net of related debt	128,842	128,151
Restricted expendable, bond covenants	18,548	18,185
Restricted expendable, other	6,648	5,743
Unrestricted	20,504	11,582
Total Net Assets	$ 174,542	$ 163,661

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010
(IN THOUSANDS)

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 1,226	$ 265
Investments	27,661	23,953
Restricted cash and cash equivalents	1,379	1,379
Pledges and contributions receivable	572	560
Other receivables	10	2
Accrued investment/Interest income	100	117
Finance lease receivable from University	750	725
Total current assets	31,698	27,001
Noncurrent Assets		
Long-term pledges receivable	1,669	1,922
Finance lease receivable, net	9,808	10,558
Annuities/Remainder interests/Trusts	288	253
Investment Property	100	148
Property and equipment, net	178	187
Other assets	244	265
Total noncurrent assets	12,287	13,333
Total Assets	$ 43,985	$ 40,334
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 41	$ 130
Interest payable	100	105
Annuities payable	46	36
Bonds payable	750	725
Other liabilities	92	161
Total current liabilities	1,029	1,157
Noncurrent Liabilities		
Annuities payable	317	247
Bonds payable	11,345	12,095
Total noncurrent liabilities	11,662	12,342
Total Liabilities	12,691	13,499
Net Assets		
Unrestricted	735	7
Temporarily restricted	14,675	11,423
Permanently restricted	15,884	15,405
Total Net Assets	31,294	26,835
Total Liabilities and Net Assets	$ 43,985	$ 40,334

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, 2011 AND 2010
(IN THOUSANDS)

	2011	2010
Operating Revenues		
Tuition, net	$ 67,650	$ 65,111
Fees, net	9,477	8,642
Sales, net	12,523	11,070
Restricted student payments, net	20,863	21,272
Other income	4,282	3,705
Total operating revenues	114,795	109,800
Operating Expenses		
Salaries and benefits	142,467	143,146
Purchased services	21,093	20,509
Supplies	10,522	11,491
Repairs and maintenance	2,543	1,393
Depreciation	10,343	8,392
Financial aid, net	3,534	5,494
Other expense	9,412	9,859
Total operating expenses	199,914	200,284
Operating loss	(85,119)	(90,484)
Nonoperating Revenues (Expenses)		
Appropriations	58,476	58,905
Federal grants	28,254	25,051
State grants	6,393	9,483
Private grants	2,355	3,229
Interest income	419	1,032
Interest expense	(2,255)	(2,065)
Grants to other organizations	(204)	(144)
Total nonoperating revenues (expenses)	93,438	95,491
Income Before Other Revenues, Expenses, Gains, or Losses	8,319	5,007
Capital appropriations	2,474	10,487
Donated assets and supplies	-	300
Gain (loss) on disposal of capital assets	88	(38)
Change in net assets	10,881	15,756
Total Net Assets, Beginning of Year	163,661	147,905
Total Net Assets, End of Year	$ 174,542	$ 163,661

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Support and Revenue					
Contributions	$ 342	$ 1,755	$ 544	$ 2,641	$ 4,329
In-kind contributions	1,564	522	12	2,098	2,109
Investment income	725	372	6	1,103	1,237
Realized gain/(loss)	100	220	4	324	(62)
Unrealized gain	960	2,112	37	3,109	1,713
Transfers	(31)	155	(124)	-	-
Net assets released from restrictions	1,884	(1,884)	-	-	-
Total support and revenue	5,544	3,252	479	9,275	9,326
Expenses					
Program services					
Program services	661	-	-	661	2,231
Scholarships	1,752	-	-	1,752	899
Total program services	2,413	-	-	2,413	3,130
Supporting services					
Interest expense	610	-	-	610	651
Management and general	788	-	-	788	951
Fundraising	1,005	-	-	1,005	950
Total supporting services	2,403	-	-	2,403	2,552
Total expenses	4,816	-	-	4,816	5,682
Change in Net Assets	728	3,252	479	4,459	3,644
Net Assets, Beginning of Year	7	11,423	15,405	26,835	23,191
Net Assets, End of Year	$ 735	$ 14,675	$ 15,884	$ 31,294	$ 26,835

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(IN THOUSANDS)

	2011	2010
Cash Flows from Operating Activities		
Cash received from customers	$ 112,222	$ 110,075
Cash repayment of program loans	1,001	800
Cash paid to suppliers for goods or services	(43,361)	(42,396)
Cash payments for employees	(142,710)	(142,133)
Financial aid disbursements	(3,596)	(5,656)
Cash payments of program loans	(864)	(843)
Net cash flows used in operating activities	(77,308)	(80,153)
Cash Flows from Noncapital Financing Activities		
Appropriations	58,476	58,905
Agency activity	(297)	(403)
Federal grants	28,842	25,123
State grants	6,393	9,553
Private grants	2,355	3,229
Grants to other organizations	(204)	(144)
Net cash flows from noncapital financing activities	95,565	96,263
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(6,712)	(20,956)
Capital appropriation	2,474	10,487
Proceeds from sale of capital assets	134	-
Proceeds from borrowing	17,213	3,375
Proceeds from bond premium	615	239
Interest paid	(1,982)	(2,231)
Repayment of lease principal	(3,804)	(700)
Repayment of bond principal	(2,002)	(2,107)
Net cash flows from capital and related financing activities	5,936	(11,893)
Cash Flows from Investing Activities		
Investment earnings	311	1,166
Net cash flows from investing activities	311	1,166
Net Increase in Cash and Cash Equivalents	24,504	5,383
Cash and Cash Equivalents, Beginning of Year	70,540	65,157
Cash and Cash Equivalents, End of Year	$ 95,044	$ 70,540

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(IN THOUSANDS)

	2011	2010
Operating Loss	$ (85,119)	$ (90,484)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	10,343	8,392
Provision for loan defaults	28	12
Loan principal repayments	1,001	800
Loans issued	(864)	(843)
Loans forgiven	99	157
Change in assets and liabilities		
Accounts receivable	(1,139)	223
Accounts payable	137	614
Salaries and benefits payable	391	47
Other compensation benefits	(634)	1,135
Capital contributions payable	(62)	(162)
Unearned revenues	(1,434)	50
Other assets and liabilities	(55)	(94)
Net reconciling items to be added to operating income	7,811	10,331
Net cash flow used in operating activities	$ (77,308)	$ (80,153)
Non-Cash Investing, Capital, and Financing Activites		
Capital projects on account	$ 2,910	$ 1,329
Fixed assets acquired through a capital lease	31,656	-
Loss on retirement of capital assets	(46)	-
Change in fair market value of investments	(32)	(102)
Investment earnings on account	64	77
Amortization of bond premium	154	112
Donated Equipment	-	300

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 19. 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.

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 the 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, and 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 annual financial report. Copies are available from the Financial Reporting Director, Minnesota State Colleges and Universities, 30 7th St. E., Suite 350, St. Paul, Minnesota 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. Sales consist of room, board and other miscellaneous sales and services. See Note 12 for additional information.

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. See Note 12 for additional information.

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 years 2011 and 2010, $4,721,410 and $4,450,603 of federal aid was recognized as revenue related to the American Recovery and Reinvestment Act of 2009, respectively. Of this amount, $1,270,639 and $1,214,644, respectively, 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 with current year presentation. These classifications had no effect on net assets previously reported. Cost of goods sold in the amount of $3,071,314, reported in fiscal year 2010 as a reduction to sales revenue, was reclassified to an operating expense. Capital appropriation revenue in the amount of $14,466 was reclassified as state appropriation revenue. Additionally, fiscal year 2010 restricted expendable net assets restricting in the amount of $1,077,728 was reclassified to invested in capital assets, net of related debt.

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)

	2011	2010
Capital projects	$ 16	$ —
Debt service	3,942	3,210
Donations	505	309
Faculty contract obligations	1,471	1,502
Loans	714	722
Total	$ 6,648	$ 5,743

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

The following table summarizes cash and cash equivalents:

Year Ended June 30 (In Thousands) Carrying Amount		2011		2010
Cash in bank – US Currency	$	82	$	1,030
Cash in bank – Foreign currencies		120		322
Repurchase agreements		10,726		5,924
Change fund		28		24
Cash – trustee account (US Bank)		13,531		1,078
Total local cash and cash equivalents		24,487		8,378
Total treasury cash accounts		70,557		62,162
Grand Total	$	95,044	$	70,540

At June 30, 2011 and 2010, the University's bank balances were $11,443,879 and $6,844,450, 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 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, 2011 and 2010, the University had $10,725,878 and $5,924,022, 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 2011, the fair value is $120,000 in U.S. dollars, of which $13,345 is represented in Euros, and $106,655 is represented in British Pounds. The fair value of these accounts for fiscal year 2010 is $322,001 in US dollars, of which $46,486 is represented in Euros and $275,515 is represented in British Pounds.

Investments —The Minnesota State Board of Investment manages the majority of the state's investments. All investments managed by Minnesota State Board of Investment 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 State Board of Investment 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, 2011 and 2010, 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:

Year Ended June 30
(In Thousands)

Investment Type	2011 Fair Value	Weighted Maturity (years)	2010 Fair Value	Weighted Maturity (years)
U.S. Agencies	$ 1,640	6.90	$ 2,084	5.95
Municipal Obligations	825	1.00	414	4.50
Total fair value	$ 2,465		$ 2,498	
Portfolio weighted average maturity		4.93		5.71

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals and businesses. At June 30, 2011 and 2010, the total accounts receivable balances for the University were $7,670,377 and $6,200,224, respectively, less an allowance for uncollectible receivables of $3,459,534 and $3,127,993, respectively.

Summary of Accounts Receivable
(In Thousands)

	2011	2010
Tuition	$ 3,966	$ 3,576
Room and board	1,457	1,272
Fees	1,170	916
Sales and services	233	214
Contractual services	—	3
System office	630	—
Other income	214	219
Total accounts receivable	7,670	6,200
Allowance for uncollectible accounts	(3,459)	(3,128)
Net accounts receivable	$ 4,211	$ 3,072

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

Fiscal Year 2011
(In Thousands)

Year	Allowance Amount	Allowance Percentage
Summer 2011	$ 26	10%
2011	813	25%
2010	506	50%
2009	597	80%
2008 and before	1,517	100%
Total	$ 3,459	

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	

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state's Debt Service Fund for future general obligation bond payments in the amounts of $2,083,961 and $2,130,608 for fiscal years 2011 and 2010, respectively. 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. Also, included in prepaid expense for fiscal years 2011 and 2010 was $119,232 and $122,511, respectively, stemming from prepaid software maintenance agreements, 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, 2011 and 2010, the loans receivable for this program totaled $6,339,849 and $6,575,908, respectively, less an allowance for uncollectible loans of $237,887 and $209,635, respectively.

6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2011 and 2010 follow:

Year Ended June 30, 2011
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 13,634	$ —	$ —	$ —	$ 13,634
Construction in-progress	8,497	7,056	—	(4,544)	11,009
Total capital assets, not depreciated	22,131	7,056	—	(4,544)	24,643
Capital assets, depreciated:					
Buildings and improvements	237,455	31,656	—	4,544	273,655
Equipment	17,362	524	801	—	17,085
Library collections	7,912	713	1,142	—	7,483
Total capital assets, depreciated	262,729	32,893	1,943	4,544	298,223
Less accumulated depreciation:					
Buildings and improvements	96,682	8,325	—	—	105,007
Equipment	12,606	949	747	—	12,808
Library collections	4,657	1,069	1,142	—	4,584
Total accumulated depreciation	113,945	10,343	1,889	—	122,399
Total capital assets, depreciated, net	148,784	22,550	54	4,544	175,824
Total capital assets, net	$ 170,915	$ 29,606	$ 54	$ —	$ 200,467

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

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)

	2011	2010
Capital projects	$ 92	$ 309
Supplies	1,133	832
Purchased services	1,153	759
Repairs & maintenance	139	543
Student Payroll	194	207
Other	456	642
Total	$ 3,167	$ 3,292

In addition, as of June 30, 2011 and 2010, the University also had payables from restricted assets in the amounts of $2,818,165 and $1,019,945, which were related to capital projects financed by general obligation bonds and revenue 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 2011 and 2010 follow:

Year Ended June 30, 2011
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,146	$ 615	$ 154	$ 1,607	$ —
Capital leases	11,284	31,656	3,804	39,136	4,142
General obligation bonds	20,207	98	1,437	18,868	1,454
Revenue bonds	10,784	17,115	547	27,352	576
Total long term debt	$ 43,421	$ 49,484	$ 5,942	$ 86,963	$ 6,172

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

The changes in other compensation benefits for fiscal years 2011 and 2010 follow:

Year Ended June 30, 2011
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 15,540	$ 217	$ 1,499	$ 14,258	$ 1,568
Early termination benefits	130	393	130	393	393
Net other postemployment benefits	1,311	1,138	578	1,871	—
Workers' compensation	600	366	541	425	187
Total other compensation benefits	$ 17,581	$ 2,114	$ 2,748	$ 16,947	$ 2,148

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

Bond Premium — In fiscal years 2011 and 2010 bonds were issued, resulting in premiums of $614,939 and $238,960, 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*. See Note 11 for details.

General Obligation Bonds — 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— 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 3.0 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 2032. Annual principal and interest payments on the bonds are expected to require less than 5.95 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $40,745,643. Principal and interest paid for the current year and total customer net revenues were $1,301,562 and $21,886,528 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 Benefits — Early termination benefits are benefits received for discontinuing service earlier than planned. See Note 9 for details.

Net Other Postemployment Benefits — 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 $424,690 and $600,030, at June 30, 2011 and 2010, 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 $5,932,346 and $5,994,645 at June 30, 2011 and 2010, respectively, represent the amount the University would owe the federal government if it were to discontinue the Perkins loan program. The net decrease is $62,299 for fiscal year 2011. There was a net decrease of $162,420 for fiscal year 2010.

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
2012	$ 4,142	$ 731	$ 1,454	$ 880	$ 576	$ 1,306
2013	4,103	838	1,441	813	1,226	1,194
2014	4,077	943	1,441	743	1,269	1,145
2015	4,056	1,041	1,428	672	1,322	1,094
2016	4,037	1,136	1,419	602	1,366	1,038
2017-2021	17,696	5,854	6,060	2,042	7,769	4,220
2022-2026	1,025	116	3,920	828	7,259	2,366
2027-2031	—	—	1,705	118	5,330	1,000
2028-2036	—	—	—	—	1,235	31
Total	$ 39,136	$ 10,659	$ 18,868	$ 6,698	$ 27,352	$ 13,394

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 2011 and 2010.

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 2011 and 2010, follow:

Fiscal Year	No. of Faculty	Future Liability (In Thousands)
2011	20	$ 393
2010	6	130

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, 2010 there were approximately 67 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 2011 and 2010, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Components of the Annual OPEB Cost
(In Thousands)

	2011	2010
Annual required contribution (ARC)	$ 1,127	$ 837
Interest on net OPEB obligation	62	45
Adjustment to ARC	(51)	(36)
Annual OPEB cost	1,138	846
Contributions during the year	(578)	(474)
Increase in net OPEB obligation	560	372
OPEB obligation, beginning of year	1,311	939
OPEB obligation, end of year	$ 1,871	$ 1,311

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2011 and 2010 were as follows:

For Year Ended June 30
(In Thousands)

	2011	2010
Beginning of year net OPEB obligation	$ 1,311	$ 939
Annual OPEB cost	1,138	846
Employer contribution	(578)	(474)
End of year net OPEB obligation	$ 1,871	$ 1,311
Percentage contributed	50.79%	56.03%

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, 2010	—	$ 11,506	$ 11,506	0.00%	$ 113,311	10.15%

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, 2010 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 6.25 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, 2011 and 2010, totaled $495,340 and $527,604, respectively.

Future minimum lease payments for existing lease agreements follow:

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2012	$ 523
2013	475
2014	391
2015	200
Total	$ 1,589

Income Leases — The University has entered into several income lease agreements, primarily for building space. Lease income for the years ended June 30, 2011 and 2010, totaled $638,073 and $703,315 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 follow:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2012	$ 104
2013	64
2014	60
2015	49
2016	20
2017-2021	61
Total	$ 358

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, 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.

In fiscal year 2011, the University entered into lease agreements with Wedum St. Cloud Housing LLLC for the Coborn Plaza residence hall and Welcome Center space 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.

12. TUITION, FEES, AND SALES, NET

The following table provides information related to tuition, fees, and sales revenue:

For the Year Ended June 30
(In Thousands)

	2011			2010		
Description	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 93,176	$ (25,526)	$ 67,650	$ 88,464	$ (23,353)	$ 65,111
Fees	10,732	(1,255)	9,477	9,779	(1,137)	8,642
Sales	12,570	(47)	12,523	11,070	—	11,070
Restricted student payments	21,834	(971)	20,863	22,490	(1,218)	21,272
Total	$ 138,312	$ (27,799)	$ 110,513	$ 131,803	$ (25,708)	$ 106,095

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The following tables provide information related to operating expenses by functional classification:

For the Year Ended June 30, 2011
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 13,617	$ 3,916	$ 6,512	$ 123	$ 24,168
Institutional support	9,790	3,313	7,269	92	20,464
Instruction	63,696	17,342	11,135	568	92,741
Public service	807	191	1,352	10	2,360
Research	1,293	243	1,373	11	2,920
Student services	15,004	4,210	7,059	522	26,795
Auxiliary enterprises	6,688	2,357	19,213	929	29,187
Scholarships & fellowships	—	—	3,534	—	3,534
Less interest expense	—	—	—	(2,255)	(2,255)
Total operating expenses	$ 110,895	$ 31,572	$ 57,447	$ —	$ 199,914

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

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 14,654	$ 4,072	$ 6,510	$ 132	$ 25,368
Institutional support	8,988	3,249	7,294	86	19,617
Instruction	62,443	17,621	10,810	565	91,439
Public service	923	187	1,232	8	2,350
Research	1,461	313	1,274	13	3,061
Student services	15,983	4,281	7,444	548	28,256
Auxiliary enterprises	6,730	2,241	17,080	713	26,764
Scholarships & fellowships	—	—	5,494	—	5,494
Less interest expense	—	—	—	(2,065)	(2,065)
Total operating expenses	$ 111,182	$ 31,964	$ 57,138	$ —	$ 200,284

14. 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 55103-3000.

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. For fiscal year 2009 the funding requirement for both employer and employee was 4.5 percent. For fiscal year 2010 the funding requirement was 4.75 percent for both employer and employee. For fiscal year 2011 the funding requirement was 5 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
2011	$ 1,254
2010	1,098
2009	1,089

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 55103-3000.

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. For fiscal years 2009, 2010 and 2011 the funding requirement was 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 0.5 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
2011	$ 730
2010	786
2009	817

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

General Information — The 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 both 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
2011	$ 3,252	$ 2,427
2010	3,364	2,504
2009	3,293	2,457

Supplemental Retirement Plan (SRP)

Participation — Every 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 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
2011	$ 1,663
2010	1636
2009	1,650

15. 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)

	2011	2010
CONDENSED STATEMENTS OF NET ASSETS		
Assets		
Current assets	$ 18,394	$ 17,398
Restricted assets	22,113	2,175
Noncurrent assets	32,893	33,962
Total assets	73,400	53,535
Liabilities		
Current liabilities	4,042	2,478
Noncurrent liabilities	30,626	14,143
Total liabilities	34,668	16,621
Net Assets		
Invested in capital assets, net of related debt	18,310	17,651
Restricted for bond covenants	20,422	19,263
Total net assets	$ 38,732	$ 36,914
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	$ 21,898	$ 22,576
Operating expenses	(19,338)	(19,252)
Net operating income	2,560	3,324
Non-operating revenues (expenses)	(742)	(506)
Change in net assets	1,818	2,818
Net assets, beginning of year	36,914	34,096
Net assets, end of year	$ 38,732	$ 36,914
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ 4,396	$ 4,457
Investing activities	148	336
Capital and related financing activities	12,845	(2,370)
Noncapital financing activities	—	(3,000)
Net increase (decrease)	17,389	(577)
Cash, beginning of year	17,938	18,515
Cash, end of year	$ 35,327	$ 17,938

16. 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 19). 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*.

During fiscal year 2011, the University completed 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 secured bonding from the state of Minnesota in July 2011 to fund construction of the $42.3 million facility. The ISELF facility is scheduled to open for classes in August of 2013.

During fiscal year 2011, 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.

In August 2010, the University entered into operating agreements with Wedum St. Cloud Housing LLLC for residence hall and Welcome Center space 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. The operating agreements contain lease terms meeting the criteria of a capital lease, as defined by Financial Accounting Standards Board ASC 840, *Leases*.

17. 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, 2011 and 2010.

	(In Thousands)			
	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/11	$ 600	$ 366	$ 541	$ 425
Fiscal Year Ended 6/30/10	460	521	381	600

18. CONTINGENT LIABILITIES — LITIGATION

Lawsuits furnish a basis for potential liability. The following cases, or categories of cases, in which St. Cloud State University, its officers or employees are defendants have been noted because an adverse decision in each case or category of cases could result in an expenditure of monies of over $250,000.

Onyiah v. St. Cloud State University and Minnesota State Colleges & Universities
Current employee asserts discrimination. The case was dismissed at the district court on summary judgment. It is currently on appeal by Plaintiff to the eighth circuits of appeals. The University and Minnesota State Colleges and Universities will continue to vigorously defend this case.

19. 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. 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 $1,551,299 and $1,507,317, respectively, for fiscal years 2011 and 2010.

An additional estimated $1,281,538 and $1,983,558, respectively, is included in both the Foundation's and the University's revenues and expenditures in fiscal years 2011 and 2010, as a result of planned transfers of Foundation funds to the University, whereby actual subsequent purchases are made from University accounts.

The Foundation expended $2,329,293 and $3,060,500, respectively, toward University educational program purposes during fiscal years 2011 and 2010. Of these amounts, approximately $660,763 and $898,860 respectively went to support student scholarships, talent grants, and other awards during fiscal years 2011 and 2010. In addition to providing the University with supplemental funds for current operations, the Foundation's total assets increased $3,650,102 and 3,082,695, respectively, for fiscal years 2011 and 2010.

Investments — The foundation's investments are presented in accordance with FASB ASC 958-320, *Investments-Debt and Equity Securities*. 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.

Schedule of Investments
(In Thousands)

Investments	2011	2010
Money market & CD's	$ 6,363	$ 6,809
Balanced mutual funds	14,137	11,096
Equity based mutual funds	181	130
Fixed income/bonds/US Treasuries	3,295	3,805
Equity securities	3,685	2,113
Real estate (held for investments)	100	148
Total investments	$ 27,761	$ 24,101

Capital Assets— Summaries of the foundations' capital assets for fiscal years 2011 and 2010 are:

Schedule of Capital Assets at June 30
(In Thousands)

	2011	2010
Capital assets, not depreciated:		
Land	$ 175	$ 175
Capital assets, depreciated		
Equipment	250	250
Accumulated depreciation	(247)	(238)
Total capital assets depreciated, net	3	12
Total capital assets, net	$ 178	$ 187

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)	
2012	$ 750
2013	790
2014	830
2015	875
2016	920
Thereafter	7,930
Total	$ 12,095

Endowment Funds— The Foundation's endowment includes both donor-restricted funds and funds designated by the Foundation Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets as of June 30, 2011 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2011
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Net assets, beginning of year	$ (793)	$ 2,751	$ 15,405	$ 17,363
Change in value of trusts	697	2,389	41	3,127
Contributions	1	103	556	660
Investment income	95	326	6	427
Amounts appropriated for expenditures	(50)	(966)	—	(1,016)
Other transfers	—	83	(124)	(41)
Net assets, end of year	$ (50)	$ 4,686	$ 15,884	$ 20,520

Changes in endowment net assets as of June 30, 2010 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2010
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Net assets, beginning of year	$ (1,722)	$ 2,076	$ 15,218	$ 15,572
Change in value of trusts	737	738	—	1,475
Contributions	—	—	381	381
Investment income	195	195	—	390
Amounts appropriated for expenditures	(3)	(340)	—	(343)
Other transfers	—	82	(194)	(112)
Net assets, end of year	$ (793)	$ 2,751	$ 15,405	$ 17,363

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

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ST. CLOUD STATE UNIVERSITY
SCHEDULE OF FUNDING PROGRESS FOR NET OTHER POSTEMPLOYMENT BENEFITS

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, 2006	—	$ 9,105	$ 9,105	0.00%	$ 99,283	9.17%
July 1, 2008	—	8,915	8,915	0.00	103,060	8.65
July 1, 2010	—	11,506	11,506	0.00	113,311	10.15

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SUPPLEMENTARY SECTION

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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*

Board of Trustees
St. Cloud State University
Minnesota State Colleges and Universities
St. Paul, Minnesota

We have audited the financial statements of St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. We did not audit the financial statements of St. Cloud State University Foundation, Inc., a component unit of the University. These statements were audited by other auditors for the year ended June 30, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of St. Cloud State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

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 the internal control 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 the 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 of the Audit Committee, management, the Board of Trustees and state regulatory agencies and is not intended to be and should not be used by anyone other than those specified parties.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
October 28, 2011

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