



ST. CLOUD STATE  
UNIVERSITY

EDUCATION FOR LIFE.

# ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014



A member of the Minnesota State Colleges and Universities system.





# **ST. CLOUD STATE UNIVERSITY**

**A MEMBER OF THE  
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM**

## **ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED JUNE 30, 2015 and 2014**

Prepared by:

Chief Financial Officer  
St. Cloud State University  
720 Fourth Avenue South, AS 124  
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# ST. CLOUD STATE UNIVERSITY

## ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED JUNE 30, 2015 and 2014

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# INTRODUCTION



November 13, 2015

Board of Trustees  
Steven Rosenstone, Chancellor  
Minnesota State Colleges and Universities  
30 Seventh Street East, Suite 350, St. Paul, MN 55101

**OFFICE OF THE PRESIDENT**

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Dear Board of Trustees and Chancellor Rosenstone:

I invite your attention to the audited financial statements for St. Cloud State University for the fiscal year ending June 30, 2015. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of our financial activities for the fiscal 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 31 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 St. Cloud State University is to prepare our graduates for life, work and citizenship in the 21<sup>st</sup> century. In fiscal year 2015, the University served 19,623 unduplicated individual students through our credit-based instruction with a full-year equivalent of 11,851.

In fiscal year 2015 the University hosted 1,117 international students from 91 countries and sent university students to 29 countries through 26 University programs and 16 third-party programs.

St. Cloud State University was again recognized for its international and diversity efforts with multiple awards during fiscal year 2015.

In October our internationalization efforts earned the inaugural International Education Award from the American Association of State Colleges and Universities (AASCU) at its Excellence and Innovation Award program in Washington D.C. The award is a testament to the work being done by students, faculty and staff to make internationalization a component of every experience on campus. For the third year in a row, the University received the Higher Education Excellence in Diversity (HEED) Award from Insight Into Diversity Magazine. The award recognizes exemplary diversity and inclusion initiatives and the ability to embrace a broad definition of diversity on university and college campuses. These efforts include gender, race, ethnicity, veterans, people with disabilities, members of the LGBT community and others.

A partnership with information technology programs at our fellow MnSCU institutions Century College and Lake Superior College led to a \$2.78 million Scholarship for Service Award for student scholarships to train future cybersecurity professionals. The award from the National Science Foundation and the Department of Homeland Security will provide scholarships for students pursuing an undergraduate degree in information technology security or master's degree in information assurance and will encourage students from Century College and Lake Superior College to continue their education at the University. The grant also provided funds to hold Generation Cyber camps at St. Cloud State University and Lake Superior College to create an interest in cybersecurity at a young age.



St. Cloud State University values diversity of all kinds, including but not limited to race, religion and ethnicity (full statement at [bulletin.stcloudstate.edu/ugb/generalinfo/nondiscrimination.asp](http://bulletin.stcloudstate.edu/ugb/generalinfo/nondiscrimination.asp)).

TTY: 1-800-627-3529 SCSU is an affirmative action/equal opportunity educator and employer.

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**Member of Minnesota State Colleges & Universities.**



Grants earned in 2014-15 are also supporting students studying in science, technology, engineering and mathematics (STEMS) and counseling disciplines. A \$614,000 National Science Foundation (NSF) grant is providing scholarships for 45 students who are pursuing degrees in 4+1 information assurance, information systems, computer science, computer engineering, mechanical engineering and manufacturing engineering. A nearly \$1 million Rehabilitation Long-Term Training grant from the U.S. Department of Education is providing almost \$200,000 per year to provide graduate student scholarships in the rehabilitation counseling program through 2019.

The University also partnered with William Mitchell College of Law to create a 3+3 program to allow students to complete college and earn a law degree in six years, instead of the traditional seven years. The program helps students save on tuition and advance earlier to their chosen career path. It positions the University as a flagship institution for pre-law students by offering efficient and affordable access to law school in Minnesota.

The University is also helping students prepare for the criminal justice field in a partnership with Alexandria Technical and Community College to make transferring to the criminal justice bachelor's program at St. Cloud State University easier and more cost-effective. The new 2+2 agreement helps Alexandria Technical and Community College criminal justice students by removing obstacles for transferring students.

We have increased our commitment to introducing students and community members to new perspectives through the launch of the Creative Art Series. The series is designed to expand students' experiences and the public's perspectives by introducing them to new concepts and perceptions in the School of the Arts four disciplines — art, film, theatre and music.

Each visiting artist in the Creative Art Series offers a master class workshop for students and presents a free public performance to open the experience to members of the public. The series also includes highly-celebrated events performed by the University's own students and faculty.

Our sustainability efforts got a boost from a \$196,000 grant from the Minnesota Pollution Control Agency to work with Stearns County on reducing pollution running into the Mississippi River. The Q-Lot Pollution Reduction project will prevent and potentially eliminate untreated storm water runoff before it enters the river and reduce the amount of total phosphorus, nitrogen and suspended solids entering the river.

Students and volunteers planted about 6,500 native plants and workers installed water pipes to capture and filter water running off the eight-acre Q-lot parking lot before it enters the Mississippi River making the river safer for recreational opportunities and improve habitat for aquatic species.

The University celebrated the opening of the Northwestern Mutual Sales Lab in October. Part of the Herberger Business School's Professional Selling Specialization program, the lab provides a state-of-the-art learning environment where students can experience sales presentations in a professional, interactive setting that features digital, high definition cameras, real-time instructor feedback, Internet and cloud capabilities for remote presentations and feedback.

The Integrated Music Technology Lab is another new multi-purpose space that prepares students for the future of music technology and education. The lab is helping students develop skills in music technology and serves as a piano lab for music majors learning functional piano skills. The lab was made possible by a donation from Gary and Connie '69 Gritner and includes 15 student work stations, each with an iMac computer loaded with advanced music software.

The University partnered with Grede St. Cloud to help the foundry prepare for an expansion to a third mold line through a \$335,000 grant from the Minnesota Department of Employment and Economic Development (DEED) under its Minnesota Job Skills Partnership. During the next three years, St. Cloud State Corporate Education and Outreach (CEO) staff will develop and deliver a new Grede METAL training program to provide entry-level and advanced training for more than 400 Grede employees.

CEO partners with local businesses to create specialized training, coordinate conferences and projects based on real business needs for employees.



Our students excel every day in the classroom and in the community, and we all take great pride in their successes. Our student journalists and mass communications students took home multiple regional and national awards including 16 Sevareid Awards from the Midwest Broadcasting Journalists Association between UTVS and KVSC. Seventeen students from UTVS, Husky Productions and KVSC earned Broadcast Education Association honors in February including a Best of Festival award for a 2014 TV broadcast of a men's Huskies Hockey game. The University Chronicle, our campus newspaper, earned seven awards from the Minnesota Newspaper Association's Better Newspaper Contest in January.

The St. Cloud State University wrestling team wrote school history when it captured the Huskies' first-ever national championship in any sport with a top place at the 2015 NCAA Division II championships. Our student athletes continued their tradition of success in intercollegiate athletics during the 2014-15 academic year as the Huskies captured two conference team titles along with several top NCAA finishes. The University's NCAA Division I men's hockey team advanced to the championship game of the 2015 NCHC Frozen Faceoff and also the 2015 NCAA Division I West Regional. This marked the fourth time since 2010 that the St. Cloud State University men's hockey team has played in the championship game of the NCAA regional tournament. The Huskies also won Northern Sun Intercollegiate Conference regular season championship and postseason championship in baseball. St. Cloud State University's baseball went on to host the 2015 NCAA Division II Central Regional tournament and finished as the runner-up in that event. In total, St. Cloud State University athletes qualified for NCAA tournament competition in nine sports during 2014-15. The renovation of a student lounge in Halenbeck Hall into the Gladys Ziemer Women's Athletic Lounge provides female student athletes to study, relax and bond near their locker rooms.

This past year, St. Cloud State University's Foundation exceeded many of its goals. Donors contributed \$3 million for scholarships, program support, capital projects and unrestricted purposes. The foundation raised \$957,000 for scholarships with a goal of \$722,000 and awarded 960 scholarships.

The financial statements, which were audited by the firm of CliftonLarsonAllen contains statements of net position, statements of revenue, expense and changes in net position and statements of cash flows. The University ended fiscal year 2015 with \$151.9 million, and decrease of \$57 million. The majority of the decrease is related to a restatement of net pension liability during fiscal year 2015 as Governmental Accounting Standards Board (GASB) Statement No. 68 was implemented. For a summary review and explanation of the financial statements please review the Management's Discussion and Analysis section of this report.

The faculty and staff roster is comprised of approximately 1,475 full- and part-time employees. Organized bargaining units represent the majority of employees. All bargaining units are statewide, and all negotiations happen at the state level, either through the system office within MnSCU, or through Minnesota Management & Budget. St. Cloud State University is managing the renewal and transformation of its workforce to address new needs and challenges. The partnership with our bargaining units to design and implement essential changes to assure our future remains very important in our ability to meet Minnesota's future needs.

The management of the University is responsible for assuring the accuracy, reliability, fairness and completeness of the information presented in this report. The President relies upon the financial division of St. Cloud State University 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,

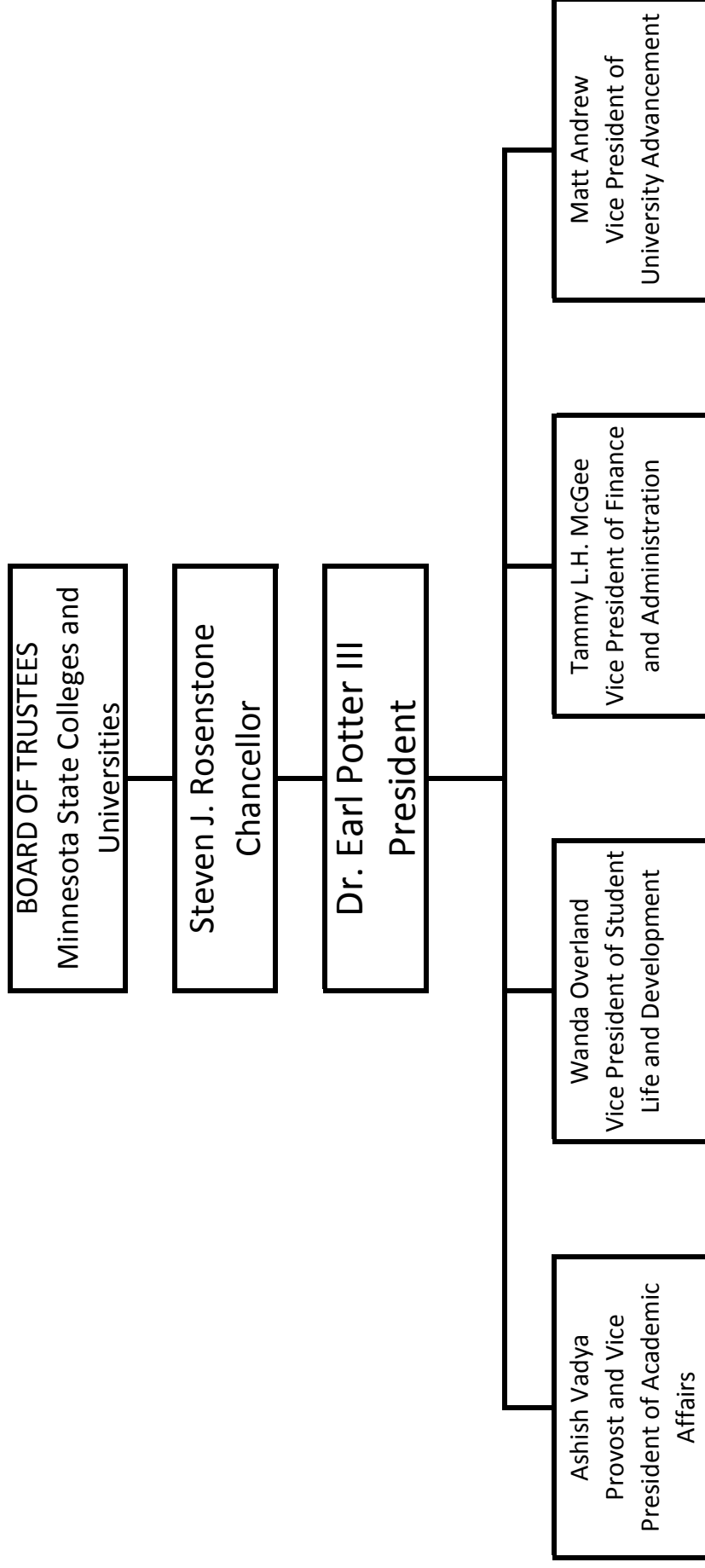


Earl H. Potter III

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 31 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



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Saint Cloud State University (the University), a campus of Minnesota State Colleges and Universities, and the discretely presented component unit, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Saint Cloud State University Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Cloud State University as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows, were applicable, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only Saint Cloud State University and do not purport to, and do not, present fairly the financial position of Minnesota State Colleges and Universities as of June 30, 2015 and 2014, the changes in its financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

During fiscal year ended June 30, 2015, Saint Cloud State University adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. As a result of the implementation of these standards, Saint Cloud State University reported a restatement for the change in accounting principle (see Note 1). Our auditors' opinion was not modified with respect to the restatement.

### ***Other Matters***

#### ***Required Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of Saint Cloud State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint Cloud State University's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 13, 2015

## 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, for the years ended June 30, 2015 and 2014. 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 31 colleges and universities comprising Minnesota State Colleges and Universities. The Minnesota State Colleges and Universities system is governed by a fifteen member Board of Trustees appointed by the Governor. Twelve trustees serve six-year terms; eight represent each of Minnesota's congressional districts and four serve 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 and policies and procedures.

The University is a comprehensive doctoral public institution of higher learning, with approximately 15,460 students including 1,830 graduate and professional students. Approximately 1,475 faculty and staff members are employed by the University. Founded in 1869, the University offers 158 majors, minors, and pre-professional programs in business, education, fine arts and humanities, science and engineering and social sciences, and 82 master's and doctoral degrees. In addition, online offerings include over 200 courses and degree completion opportunities for several graduate programs. Between its two campuses: the 100 acre Main campus, and the Twin Cities Graduate Center campus in Maple Grove, MN total built space of 3.2 million square feet make the University the largest in the System.

Colleges and Schools that comprise the University's academic programs include:

- College of Liberal Arts
- School of the Arts
- Herberger Business School
- School of Public Affairs
- College of Science and Engineering
- School of Computing, Engineering, and Environment
- School of Education
- School of Health and Human Services

The University is accredited by several national accrediting agencies, including the Higher Learning Commission, the Association to Advance Collegiate Schools of Business International, and the National Council for Accreditation of Teacher Education.

The University has 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. The University offers intercollegiate sports such as Division I men's and women's hockey, and 21 other Division II athletic teams.

### FINANCIAL HIGHLIGHTS

The University's financial position changed substantially during fiscal year 2015, with net position decreasing \$57.0 million, or 27.3 percent. This decrease was the result of \$46.1 million attributable to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, along with \$10.9 million of current year operating losses. Undergraduate tuition revenue fell driven by lower student demand as tuition rates were held constant. Increases in state appropriations revenue of 4.1 percent compared to fiscal year 2014 and 12.5 percent compared to fiscal year 2013 did not cover the tuition shortfall.

Assets and deferred outflows totaled \$341.8 million and liabilities and deferred inflows totaled \$189.9 million. Net position, which represent the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows are deducted, is comprised of net investments in capital assets, of \$168.3 million, restricted assets of \$19.0 million, and unrestricted assets of negative \$35.4 million. The fiscal year 2015 net position totals \$151.9 million represents a decrease of \$57.0 million, or 27.3 percent, over fiscal year 2014 and a decrease of \$64.5 million, or 29.8 percent, over fiscal year 2013.

## USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. These financial statements are prepared in accordance with applicable generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) through authoritative pronouncements.

## STATEMENTS OF NET POSITION

The statements of net position presents the financial position of the University at the end of the fiscal year and include all assets and deferred outflows and liabilities and deferred inflows of the University as measured using the accrual basis of accounting. The difference between total assets and deferred outflows and total liabilities and deferred inflows (net position) is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Capital assets are stated at historical cost net of accumulated depreciation, with current year depreciation reflected as a period expense on the statements of revenues, expenses and changes in net position.

GASB Statement No. 68 and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$50.1 million to retroactively report the net pension liability and the deferred inflows and deferred outflows of resources. Fiscal year 2014 and 2013 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. Comparability between fiscal years will have variances due to this new accounting standard and is explained throughout the management discussion and analysis.

A summary of the University's statements of net position as of June 30, 2015, 2014, and 2013, respectively, is as follows:

	(In Thousands)		
	2015	2014	2013
Current unrestricted assets	\$ 68,063	\$ 79,020	\$ 96,223
Current restricted assets	8,185	8,166	26,839
Noncurrent restricted assets	1,354	13,511	26,108
Noncurrent unrestricted assets	260,586	261,311	230,679
Deferred outflows of resources	3,622	—	—
Total assets and deferred outflows of resources	<u>341,810</u>	<u>362,008</u>	<u>379,849</u>
Current liabilities	33,936	37,642	41,837
Noncurrent liabilities	133,058	115,479	121,661
Deferred inflows of resources	22,928	—	—
Total liabilities and deferred inflows of resources	<u>189,922</u>	<u>153,121</u>	<u>163,498</u>
Total net position	<u>\$ 151,888</u>	<u>\$ 208,887</u>	<u>\$ 216,351</u>



Current unrestricted assets consist primarily of cash, cash equivalents, investments and accounts receivable which totaled \$62.3 million at June 30, 2015, \$73.4 million at June 30, 2014, and \$90.8 million at June 30, 2013. The current year decrease is primarily due to a decrease of \$11.5 million in cash due in part to a \$5.5 million loss in general fund operations, a \$1.4 million loss in revenue fund operations, a \$2.1 million in prior year contract settlement payments to employees, and a \$1.3 million in Board Early Separation Incentive payments to employees.

Current unrestricted assets also includes prepaid expenses, current student loans and other assets, these items remained stable between fiscal years.

Restricted assets decreased from \$21.7 million in fiscal year 2014 to \$9.5 million in fiscal year 2015, as a result of normal timing differences in capital projects activity. With restricted project funding the University recognized the completion of the \$18.1 million renovation of Shoemaker Halls East and West.

Current liabilities consist primarily of accounts payable and salaries and benefits payable. Salaries and benefits payable totaled \$13.7 million at June 30, 2015, \$14.0 million at June 30, 2014, and \$12.5 million at June 30, 2013. Included within the salary payable accrual is \$13.3 million, \$11.2 million and \$10.9 million for the years ending June 30, 2015, 2014 and 2013, respectively, 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.

Noncurrent liabilities increased in fiscal year 2015 by \$17.6 million primarily due to \$26.8 million of net pension liability. Deferred inflows of \$22.9 million are the amounts in the calculation of pension expense determined by the actuary that will be required to be recognized over more than one year and relate primarily to actual investment earnings exceeding projected investment earnings.

Net position represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows are deducted. The University's net position as of June 30, 2015, 2014, and 2013, respectively, are summarized as follows:

	(In Thousands)		
	2015	2014	2013
Net investment in capital assets	\$ 168,285	\$ 170,460	\$ 158,881
Restricted	19,041	23,162	29,218
Unrestricted	(35,438)	15,265	28,252
Total net position	<u>\$ 151,888</u>	<u>\$ 208,887</u>	<u>\$ 216,351</u>

Net investment in capital assets, represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Restricted net position have constraints placed on their use by external creditors, grantors, laws or regulations and consist primarily of those assets restricted for debt service of \$6.9 million, and restrictions imposed by bond covenants, of \$8.9 million a decrease of \$3.5 million from fiscal year 2014. Unrestricted net position represent assets available for University investments in future years and also provides for reserves set by board policy. As shown in the table above, total net position has decreased by \$57.0 million from fiscal year 2014 to fiscal year 2015. The decrease includes a \$46.1 million reduction to net position due to the implementation of new GASB Statement No. 68 was implemented in fiscal year 2015.

## 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, 2015, totaled \$257.1 million, a decrease of \$12.7 million, or 4.7 percent over fiscal year 2014. As of June 30, 2014, capital assets, net of accumulated depreciation totaled 269.8 million, an increase of \$18.3 million, or 7.3 percent over fiscal year 2013.

Capital outlay totaled \$3.9 million in 2015. The University expended \$0.7 million towards completing the Shoemaker Hall East and West renovation. Additional capital expenses were comprised of replacement and renovation of existing facilities, and investments in equipment.

Construction in progress at June 30, 2015, totaled \$1.7 million and is primarily funded by general obligation bonds or revenue fund bonds. Construction in progress at June 30, 2014 totaled \$17.1 million and consist primarily of \$16.3 milion for the Shoemaker Hall East and West renovation.

Long-term debt payable on June 30, 2015 consisted of \$26.4 million of general obligation bonds, \$40.5 million of revenue bonds and \$22.1 million of capital leases. The general obligation bonds are issued to finance construction of buildings and repairs. Revenue bonds are issued for the construction and maintenance of revenue producing facilities such as residence halls and the student union. 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 POSITION

The statements of revenues, expenses and changes in net position represent the University's results of operations for the year. Users of these statements should note that GASB requires classification of state appropriations as nonoperating revenues.

Tuition and state appropriations are the primary sources of funding for the University's academic programs. Gross tuition revenue decreased \$2.1 million to \$82.8 million in fiscal year 2015 as a net result of a 4.3 percent decrease in enrollment and a 3.0 percent increase in graduate tuition rates. This follows a decrease of \$3.0 million in fiscal year 2014 as a net result of 5.1 percent decrease in enrollment. State base appropriations totaled \$61.2 million in 2015, an increase of \$2.4 million and \$6.8 million in fiscal years 2014 and 2013, respectively. Capital appropriations decreased by \$2.6 million as all significant construction projects have been completed. Operating revenues are presented net of scholarship allowance.

The resources expended for compensation and benefits increased by \$3.2 million (excluding the impact of GASB Statement No. 68), in fiscal year 2015. The University expended \$1.3 million in one-time Board Early Separation Incentive payments and had a \$2.0 million increase in expended salaries and benefits based primarily on contractual settlements. A \$4.0 million decrease in employee benefit expense was recognized as part of GASB Statement No. 68, which is mainly attributable to the actual investment earnings on pension funds being greater than the projected earnings

Depreciation expense increased \$2.0 million due to the first year depreciation on Shoemaker Hall East and West and a full year depreciation on the numerous projects capitalized in fiscal year 2014.

A summary table of the information contained in the statements of revenues, expenses and changes in net position is below. Operating revenues are presented net of scholarship allowance. Revenues below are shown by revenue type without regard to restriction status.

	(In Thousands)		
	2015	2014	2013
Operating revenue			
Student tuition and fees	\$ 67,971	\$ 70,341	\$ 73,036
Room and board	17,206	16,693	16,984
Sales	11,585	11,378	12,147
Other	2,820	2,521	4,212
Total operating revenue	<u>99,582</u>	<u>100,933</u>	<u>106,379</u>
Nonoperating revenue			
State appropriations	61,193	58,772	54,372
Grants and donated assets	33,839	33,433	33,401
Capital appropriations	1,534	4,152	20,215
Investment and other income	459	852	638
Total nonoperating revenue	<u>97,025</u>	<u>97,209</u>	<u>108,626</u>
Total revenue	<u>196,607</u>	<u>198,142</u>	<u>215,005</u>
Operating expense			
Salaries and benefits	139,103	139,832	134,996
Supplies and services	40,312	44,270	43,031
Depreciation	16,634	14,621	12,209
Financial aid	3,400	3,127	3,368
Total operating expense	<u>199,449</u>	<u>201,850</u>	<u>193,604</u>
Nonoperating expense			
Interest expense	3,498	3,191	2,869
Grants to other organizations	548	565	580
Total nonoperating expense	<u>4,046</u>	<u>3,756</u>	<u>3,449</u>
Total expenses	<u>203,495</u>	<u>205,606</u>	<u>197,053</u>
Change in net position	<u>(6,888)</u>	<u>(7,464)</u>	<u>17,952</u>
Net position, beginning of year	208,887	216,351	198,399
Change in accounting principle	(50,111)	—	—
Net position, beginning of year, as restated	<u>158,776</u>	<u>216,351</u>	<u>198,399</u>
Net position, end of year	<u>\$ 151,888</u>	<u>\$ 208,887</u>	<u>\$ 216,351</u>

## FOUNDATION

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

Enrollment growth at both the undergraduate and graduate levels through new academic program development that aligns with current academic strengths, where strong student and market demand exist, is critical to the future vitality of the institution. On-line as well as new program offerings at the University's Twin City's campus will provide further alternatives for student access and success. Growth through gains in student retention rates and other student success indicators are additional important initiatives.

The development of alternative revenue sources through research and development partnerships with industry such as those on-going through the Integrated Science, Engineering Lab facility, which responds to the dynamic workforce needs of our state and region, is key. State capital appropriations to sustain the physical and technological infrastructure of the University's is necessary.

The Foundation is in the early stages of preparing for a comprehensive campaign to tie in with the University's sesquicentennial in 2019.

Effective alignment of talented faculty and staff necessary to student success will significantly impact the financial sustainability of the university going forward as it works to ensure expenses are not out-pacing revenue streams. Non-personnel costs could begin to see sharper inflation and regulatory driven cost increases will make oversight relative to changes in revenues and expenses more pronounced. Increasing expectations relative to technology infrastructure will require attention.

In fiscal year 2015 the University engaged in a comprehensive facilities plan which identified the need to reduce the physical footprint by at least 5 percent. Plans were initiated to sell over 50 acres of property to the City of St. Cloud. Reductions in residential and academic square footage has also been identified.

## 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

**ST. CLOUD STATE UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2015 AND 2014**  
**(IN THOUSANDS)**

Assets	2015	2014
Current Assets		
Cash and cash equivalents	\$ 55,906	\$ 67,447
Investments	2,368	2,409
Grants receivable	1,195	922
Accounts receivable, net	4,061	3,582
Prepaid expense	3,046	3,036
Inventory and other assets	387	493
Student loans, net	1,100	1,000
Advances from other schools	-	131
Total current assets	<u>68,063</u>	<u>79,020</u>
Current Restricted Cash and Cash Equivalents	<u>8,185</u>	<u>8,166</u>
Noncurrent Restricted Assets		
Construction in progress	<u>1,354</u>	<u>13,511</u>
Total noncurrent restricted assets	<u>1,354</u>	<u>13,511</u>
Total restricted assets	<u>9,539</u>	<u>21,677</u>
Noncurrent Assets		
Student loans, net	4,858	4,990
Capital assets, net	<u>255,728</u>	<u>256,321</u>
Total noncurrent assets	<u>260,586</u>	<u>261,311</u>
Total Assets	<u>338,188</u>	<u>362,008</u>
Deferred Outflows of Resources	<u>3,622</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>341,810</u>	<u>362,008</u>
Liabilities		
Current Liabilities		
Salaries and benefits payable	13,736	14,034
Accounts payable and other liabilities	3,792	5,579
Unearned revenue	4,677	5,325
Payable from restricted assets	216	380
Interest payable	403	435
Funds held for others	596	1,235
Current portion of long-term debt	8,437	8,455
Other compensation benefits	<u>2,079</u>	<u>2,199</u>
Total current liabilities	<u>33,936</u>	<u>37,642</u>
Noncurrent Liabilities		
Noncurrent portion of long-term debt	83,584	93,029
Other compensation benefits	17,236	16,659
Net pension liability	26,809	-
Capital contributions payable	<u>5,429</u>	<u>5,791</u>
Total noncurrent liabilities	<u>133,058</u>	<u>115,479</u>
Total Liabilities	<u>166,994</u>	<u>153,121</u>
Deferred Inflows of Resources	<u>22,928</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>189,922</u>	<u>153,121</u>
Net Position		
Net investment in capital assets	168,285	170,460
Restricted expendable, bond covenants	8,865	12,352
Restricted expendable, other	10,176	10,810
Unrestricted	<u>(35,438)</u>	<u>15,265</u>
Total Net Position	<u>\$ 151,888</u>	<u>\$ 208,887</u>

The notes are an integral part of the financial statements.



**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2015 AND 2014**  
**(IN THOUSANDS)**

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 392	\$ 1,225
Investments	34,594	33,788
Restricted cash and cash equivalents	1,022	1,022
Pledges and contributions receivable	842	731
Other receivables	67	57
Accrued investment/Interest income	48	50
Finance lease receivable from University	885	870
Total current assets	<u>37,850</u>	<u>37,743</u>
Noncurrent Assets		
Long-term pledges receivable	1,300	2,002
Finance lease receivable, net	5,793	6,678
Annuities/Remainder interests/Trusts	325	336
Property and equipment, net	254	272
Other assets	222	251
Total noncurrent assets	<u>7,894</u>	<u>9,539</u>
Total Assets	<u>\$ 45,744</u>	<u>\$ 47,282</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 158	\$ 157
Interest payable	54	62
Annuities payable	45	46
Notes payable	630	165
Bonds payable	885	870
Other liabilities	96	80
Total current liabilities	<u>1,868</u>	<u>1,380</u>
Noncurrent Liabilities		
Annuities payable	291	303
Notes payable	1,440	2,880
Bonds payable	7,586	8,570
Total noncurrent liabilities	<u>9,317</u>	<u>11,753</u>
Total Liabilities	<u>11,185</u>	<u>13,133</u>
Net Assets		
Unrestricted	(2,206)	(4,469)
Temporarily restricted	18,697	20,945
Permanently restricted	18,068	17,673
Total Net Assets	<u>34,559</u>	<u>34,149</u>
Total Liabilities and Net Assets	<u>\$ 45,744</u>	<u>\$ 47,282</u>

The notes are an integral part of the financial statements.

**ST. CLOUD STATE UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**(IN THOUSANDS)**

	2015	2014
Operating Revenues		
Tuition, net	\$ 56,301	\$ 57,893
Fees, net	8,536	9,185
Sales, net	12,698	12,201
Restricted student payments, net	19,227	19,133
Other income	2,820	2,521
Total operating revenues	<u>99,582</u>	<u>100,933</u>
Operating Expenses		
Salaries and benefits	139,103	139,832
Purchased services	22,537	22,918
Supplies	7,622	10,132
Repairs and maintenance	2,544	2,800
Depreciation	16,634	14,621
Financial aid, net	3,400	3,127
Other expense	7,609	8,420
Total operating expenses	<u>199,449</u>	<u>201,850</u>
Operating loss	<u>(99,867)</u>	<u>(100,917)</u>
Nonoperating Revenues (Expenses)		
Appropriations	61,193	58,772
Federal grants	20,902	21,181
State grants	9,079	8,411
Private grants	3,744	3,426
Interest income	438	609
Interest expense	(3,498)	(3,191)
Grants to other organizations	(548)	(565)
Total nonoperating revenues (expenses)	<u>91,310</u>	<u>88,643</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(8,557)	(12,274)
Capital appropriations	1,534	4,152
Donated assets and supplies	114	415
Gain on disposal of capital assets	21	243
Change in net position	<u>(6,888)</u>	<u>(7,464)</u>
Total Net Position, Beginning of Year	208,887	216,351
Cumulative Effect of Change in Accounting Principle	<u>(50,111)</u>	<u>-</u>
Total Net Position, Beginning of Year, as Restated	158,776	216,351
Total Net Position, End of Year	<u>\$ 151,888</u>	<u>\$ 208,887</u>

The notes are an integral part of the financial statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**(IN THOUSANDS)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Support and Revenue					
Contributions	\$ 1,481	\$ 1,408	\$ 425	\$ 3,314	\$ 3,687
In-kind contributions	1,651	429	-	2,080	1,869
Investment income	467	508	(32)	943	1,083
Realized gain (losses)	2,014	5,970	(377)	7,607	327
Unrealized gain (losses)	(2,134)	(6,323)	399	(8,058)	3,314
Transfers	699	(679)	(20)	-	-
Net assets released from restrictions	3,561	(3,561)	-	-	-
Total support and revenue	<u>7,739</u>	<u>(2,248)</u>	<u>395</u>	<u>5,886</u>	<u>10,280</u>
Expenses					
Program services					
Program services	393	-	-	393	316
Scholarships	2,676	-	-	2,676	3,182
Total program services	<u>3,069</u>	<u>-</u>	<u>-</u>	<u>3,069</u>	<u>3,498</u>
Supporting services					
Interest expense	287	-	-	287	372
Management and general	1,467	-	-	1,467	1,064
Fundraising	653	-	-	653	736
Total supporting services	<u>2,407</u>	<u>-</u>	<u>-</u>	<u>2,407</u>	<u>2,172</u>
Total expenses	<u>5,476</u>	<u>-</u>	<u>-</u>	<u>5,476</u>	<u>5,670</u>
Change in Net Assets	2,263	(2,248)	395	410	4,610
Net Assets, Beginning of Year	<u>(4,469)</u>	<u>20,945</u>	<u>17,673</u>	<u>34,149</u>	<u>29,539</u>
Net Assets, End of Year	<u>\$ (2,206)</u>	<u>\$ 18,697</u>	<u>\$ 18,068</u>	<u>\$ 34,559</u>	<u>\$ 34,149</u>

The notes are an integral part of the financial statements.

**ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENT OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(IN THOUSANDS)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Support and Revenue				
Contributions	\$ 789	\$ 2,337	\$ 561	\$ 3,687
In-kind contributions	1,474	386	9	1,869
Investment income	314	762	7	1,083
Realized gain	1	323	3	327
Unrealized gain	8	3,274	32	3,314
Transfers	(27)	3	24	-
Net assets released from restrictions	4,379	(4,379)	-	-
Total support and revenue	<u>6,938</u>	<u>2,706</u>	<u>636</u>	<u>10,280</u>
Expenses				
Program services				
Program services	316	-	-	316
Scholarships	3,182	-	-	3,182
Total program services	<u>3,498</u>	<u>-</u>	<u>-</u>	<u>3,498</u>
Supporting services				
Interest expense	372	-	-	372
Management and general	1,064	-	-	1,064
Fundraising	736	-	-	736
Total supporting services	<u>2,172</u>	<u>-</u>	<u>-</u>	<u>2,172</u>
Total expenses	<u>5,670</u>	<u>-</u>	<u>-</u>	<u>5,670</u>
Change in Net Assets	1,268	2,706	636	4,610
Net Assets, Beginning of Year	<u>(5,737)</u>	<u>18,239</u>	<u>17,037</u>	<u>29,539</u>
Net Assets, End of Year	<u>\$ (4,469)</u>	<u>\$ 20,945</u>	<u>\$ 17,673</u>	<u>\$ 34,149</u>

The notes are an integral part of the financial statements.

**ST. CLOUD STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**(IN THOUSANDS)**

	2015	2014
Cash Flows from Operating Activities		
Cash received from customers	\$ 97,311	\$ 102,995
Cash repayment of program loans	1,085	1,017
Cash paid to suppliers for goods or services	(43,313)	(42,503)
Cash payments for employees	(142,901)	(137,628)
Financial aid disbursements	(3,763)	(3,243)
Cash payments for program loans	(1,137)	(917)
Net cash flows used in operating activities	<u>(92,718)</u>	<u>(80,279)</u>
Cash Flows from Noncapital Financing Activities		
Appropriations	61,193	58,772
Agency activity	(641)	376
Federal grants	22,030	19,172
State grants	9,079	8,411
Private grants	3,485	3,125
Loans from other schools	130	109
Grants to other organizations	(548)	(565)
Net cash flows provided by noncapital financing activities	<u>94,728</u>	<u>89,400</u>
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(4,058)	(40,927)
Capital appropriation	1,534	7,994
Proceeds from sale of capital assets	38	324
Proceeds from borrowing	3,781	1,875
Proceeds from bond premium	87	275
Interest paid	(3,485)	(3,227)
Repayment of lease principal	(4,051)	(4,092)
Repayment of bond principal	(7,531)	(3,700)
Net cash flows used in capital and related financing activities	<u>(13,685)</u>	<u>(41,478)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	1,423	1,843
Purchase of investments	(1,396)	(1,852)
Investment earnings	126	213
Net cash flows provided by investing activities	<u>153</u>	<u>204</u>
Net Decrease In Cash and Cash Equivalents	(11,522)	(32,153)
Cash and Cash Equivalents, Beginning of Year	75,613	107,766
Cash and Cash Equivalents, End of Year	<u>\$ 64,091</u>	<u>\$ 75,613</u>

The notes are an integral part of the financial statements.

**ST. CLOUD STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**(IN THOUSANDS)**

	2015	2014
Operating Loss	\$ <u>(99,867)</u>	\$ <u>(100,917)</u>
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	16,634	14,621
Provision for loan defaults	(1)	9
Loan principal repayments	1,085	1,017
Loans issued	(1,137)	(917)
Loans forgiven	86	83
Donated property not capitalized	-	301
Change in assets and liabilities		
Inventory and other assets	34	(20)
Accounts receivable	(220)	41
Accounts payable and other liabilities	(1,940)	1,491
Salaries and benefits payable	(298)	1,553
Other compensation benefits	457	615
Deferred outflows of resources / Net pension liability	(3,971)	-
Capital contributions payable	(362)	(78)
Unearned revenues	(2,049)	1,936
Bond premium payable	(1,278)	-
Other	109	(14)
Net reconciling items to be added to operating loss	<u>7,149</u>	<u>20,638</u>
Net cash flow used in operating activities	\$ <u><u>(92,718)</u></u>	\$ <u><u>(80,279)</u></u>
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	\$ 671	\$ 627
Donated equipment	114	415
Amortization of bond premium	326	437
Gain on retirement of capital assets	-	388



**ST. CLOUD STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**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 position, statements of revenues, expenses and changes in net position, 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, Inc. is considered significant to the University and is included as a discretely presented component unit and separately identified in Note 18. Complete financial statements may be obtained from the St. Cloud State University Foundation, Inc. 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 position.

*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 position 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 system office 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 uncollectible accounts.

*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:

<u>Asset Type</u>	<u>Useful Life</u>
Buildings	35-40 years
Building improvements	7-20 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 primarily held in a custodial capacity such as student organizations, student loans and other clearing accounts that serve as a flow-through conduit.

*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 pension liability, 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 System 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 position 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 term. It also includes room deposits, 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. Note 12 to the financial statements provides 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. Note 12 to the financial statements provides additional information.

*Federal Grants* — The 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*. 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.

*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 compensated absences, workers' compensation claims, allowances for uncollectible accounts, and scholarship allowances.

*Deferred Outflows and Deferred Inflows of Resources* — Deferred outflows of resources represent the consumption of net position by the University in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans, and to economic loss on refunding of the 2005A Series revenue bonds which is a result of the difference in the carrying value of the refunded debt and its reacquisition price.

The following table summarizes the University's deferred outflows and inflows:

(In Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Related to Pensions:</u>		
Differences between projected and actual investment earnings	\$ —	\$ 11,520
Changes in actuarial assumptions	32	11,078
Contributions paid to pension plans subsequent to the measurement date	2,263	—
Difference between expected and actual experience	969	330
Change in proportion	333	—
Total Related to Pension	3,597	22,298
<u>Related to Refunding:</u>		
Economic loss on refunding of revenue bonds	25	—
Total	\$ 3,622	\$ 22,928

*Defined Benefit Pensions* — For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of the employer payroll paid dates and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The actuarially derived net pension liability, deferred outflows, and deferred inflows of resources can vary between years due to actuarial assumption changes, which can result in significant variability between years.

*Net Position* — The difference between assets and deferred outflows and liabilities and deferred inflows is net position. Net position is further classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets:* capital assets, net of accumulated depreciation and outstanding principal balances of debt and other borrowing attributable to the acquisition, construction or improvement of those assets.
- *Restricted expendable:* net position subject to externally imposed stipulations. Net position restrictions for the 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 Position Restricted for Other  
(In Thousands)

	2015	2014
Capital projects	\$ 419	\$ 851
Debt service	6,855	6,901
Donations	381	576
Faculty contract obligations	1,867	1,785
Loans	654	697
Total	<u>\$ 10,176</u>	<u>\$ 10,810</u>

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

*New Accounting Standards* — The University has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statements No. 68 and 71 require the University to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the pension plans. The July 1, 2014, balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the beginning net position, in the amount of \$50,111,061. The pension plans were not able to provide sufficient information to restate the June 30, 2014, financial statements. The GASB Statements No. 68 and 71 implementation had no effect on the foundations financial statements.

## 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	2015	2014
Cash and repurchase agreements	\$ 5,494	\$ 7,553
Cash in bank - Foreign currencies	139	169
Change fund	25	25
Cash, trustee account (US Bank)	3,623	3,788
Total local cash and cash equivalents	9,281	11,535
Total treasury cash accounts	54,810	64,078
Grand Total	<u>\$ 64,091</u>	<u>\$ 75,613</u>

At June 30, 2015 and 2014, the University's bank balances were \$6,318,198 and \$8,125,268, 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, 2015 and 2014, the University had \$5,616,909 and \$7,430,141, 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. The University has foreign checking accounts, denominated entirely in British Pounds. At June 30, 2015 and 2014, the fair value in U.S. Dollars is \$138,935 and \$169,238, respectively.

*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, 2015 and 2014, 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	2015 Fair Value	Weighted Maturity (Years)	2014 Fair Value	Weighted Maturity (Years)
U.S. agencies	\$ 2,368	1.71	\$ 1,833	2.66
Municipal obligations	—	0.00	576	0.44
Total fair value	<u>\$ 2,368</u>		<u>\$ 2,409</u>	
Portfolio weighted average maturity		1.71		2.13

### 3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals and businesses. . At June 30, 2015 and 2014, the total accounts receivable balances for the University were \$8,278,268 and \$7,886,765, respectively, less an allowance for uncollectible receivables of \$4,216,843 and \$4,304,615, respectively.

Summary of Accounts Receivable at June 30 (In Thousands)		
	2015	2014
Tuition	\$ 3,933	\$ 3,908
Room and board	2,050	1,911
Fees	1,099	1,132
Sales and services	548	566
Other income	648	370
Total accounts receivable	<u>8,278</u>	<u>7,887</u>
Allowance for uncollectible accounts	<u>(4,217)</u>	<u>(4,305)</u>
Net accounts receivable	<u>\$ 4,061</u>	<u>\$ 3,582</u>

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

Fiscal Year 2015 (In Thousands)			Fiscal Year 2014 (In Thousands)		
Year	Allowance Amount	Allowance Percentage	Year	Allowance Amount	Allowance Percentage
Summer 2015	\$ 49	10	Summer 2014	\$ 44	10
2015	708	25	2014	803	25
2014	654	50	2013	685	50
2013	738	80	2012	784	80
2012 and before	2,068	100	2011 and before	1,989	100
Total	<u>\$ 4,217</u>		Total	<u>\$ 4,305</u>	

#### 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 \$2,939,102 and \$2,961,271 for fiscal years 2015 and 2014, 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 2015 and 2014 was \$107,199 and \$74,970, 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, 2015 and 2014, the loans receivable for this program totaled \$6,281,074 and \$6,314,020, respectively, less an allowance for uncollectible loans of \$323,206 and \$324,073, respectively.

#### 6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2015 and 2014 follow:

	Year Ended June 30, 2015 (In Thousands)				
	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	\$ 13,634	\$ —	\$ —	\$ —	\$ 13,634
Construction in-progress	17,077	2,048	—	(17,473)	1,652
Total capital assets, not depreciated	<u>30,711</u>	<u>2,048</u>	<u>—</u>	<u>(17,473)</u>	<u>15,286</u>
Capital assets, depreciated:					
Buildings and improvements	371,383	—	—	17,473	388,856
Equipment	15,029	984	124	—	15,889
Library collections	6,519	868	1,342	—	6,045
Total capital assets, depreciated	<u>392,931</u>	<u>1,852</u>	<u>1,466</u>	<u>17,473</u>	<u>410,790</u>
Less accumulated depreciation:					
Buildings and improvements	138,535	14,894	—	—	153,429
Equipment	11,332	876	108	—	12,100
Library collections	3,943	864	1,342	—	3,465
Total accumulated depreciation	<u>153,810</u>	<u>16,634</u>	<u>1,450</u>	<u>—</u>	<u>168,994</u>
Total capital assets, depreciated, net	<u>239,121</u>	<u>(14,782)</u>	<u>16</u>	<u>17,473</u>	<u>241,796</u>
Total capital assets, net	<u>\$ 269,832</u>	<u>\$ (12,734)</u>	<u>\$ 16</u>	<u>\$ —</u>	<u>\$ 257,082</u>

Year Ended June 30, 2014  
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	\$ 13,634	\$ —	\$ —	\$ —	\$ 13,634
Construction in-progress	73,920	30,819	—	(87,662)	17,077
Total capital assets, not depreciated	<u>87,554</u>	<u>30,819</u>	<u>—</u>	<u>(87,662)</u>	<u>30,711</u>
Capital assets, depreciated:					
Buildings and improvements	283,721	—	—	87,662	371,383
Equipment	14,815	1,224	1,010	—	15,029
Library collections	6,988	913	1,382	—	6,519
Total capital assets, depreciated	<u>305,524</u>	<u>2,137</u>	<u>2,392</u>	<u>87,662</u>	<u>392,931</u>
Less accumulated depreciation:					
Buildings and improvements	125,651	12,884	—	—	138,535
Equipment	11,578	806	1,052	—	11,332
Library collections	4,394	931	1,382	—	3,943
Total accumulated depreciation	<u>141,623</u>	<u>14,621</u>	<u>2,434</u>	<u>—</u>	<u>153,810</u>
Total capital assets, depreciated, net	<u>163,901</u>	<u>(12,484)</u>	<u>(42)</u>	<u>87,662</u>	<u>239,121</u>
Total capital assets, net	<u>\$ 251,455</u>	<u>\$ 18,335</u>	<u>\$ (42)</u>	<u>\$ —</u>	<u>\$ 269,832</u>

## 7. ACCOUNTS PAYABLE

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

Summary of Accounts Payable and Other Liabilities at June 30  
(In Thousands)

	2015	2014
Purchased services	\$ 1,610	\$ 1,742
Capital projects	455	627
Supplies	494	1,481
Repairs and maintenance	181	708
Student payroll	272	258
Other	336	263
Total accounts payable	<u>3,348</u>	<u>5,079</u>
Other liabilities	<u>444</u>	<u>500</u>
Total accounts payable and other liabilities	<u>\$ 3,792</u>	<u>\$ 5,579</u>

In addition, as of June 30, 2015 and 2014, the University also had payables from restricted assets in the amounts of \$216,457 and \$380,447, 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 position.

The changes in long-term debt for fiscal years 2015 and 2014 follow:

Year Ended June 30, 2015 (In Thousands)					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	\$ 4,729	\$ 87	\$ 1,744	\$ 3,072	\$ —
Capital leases	26,172	—	4,051	22,121	4,002
General obligation bonds	27,581	886	2,095	26,372	2,090
Revenue bonds	43,002	2,895	5,441	40,456	2,345
Total long-term debt	<u>\$ 101,484</u>	<u>\$ 3,868</u>	<u>\$ 13,331</u>	<u>\$ 92,021</u>	<u>\$ 8,437</u>

Year Ended June 30, 2014 (In Thousands)					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	\$ 4,891	\$ 275	\$ 437	\$ 4,729	\$ —
Capital leases	30,264	—	4,092	26,172	4,051
General obligation bonds	27,670	1,875	1,964	27,581	2,114
Revenue bonds	44,584	—	1,582	43,002	2,290
Total long-term debt	<u>\$ 107,409</u>	<u>\$ 2,150</u>	<u>\$ 8,075</u>	<u>\$ 101,484</u>	<u>\$ 8,455</u>

The changes in other compensation benefits for fiscal years 2015 and 2014 follow:

Year Ended June 30, 2015 (In Thousands)					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 15,226	\$ 2,152	\$ 1,814	\$ 15,564	\$ 1,804
Early termination benefits	80	142	80	142	142
Net other postemployment benefits	2,917	952	532	3,337	—
Workers' compensation	635	81	444	272	133
Total other compensation benefits	<u>\$ 18,858</u>	<u>\$ 3,327</u>	<u>\$ 2,870</u>	<u>\$ 19,315</u>	<u>\$ 2,079</u>

Year Ended June 30, 2014 (In Thousands)					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 14,839	\$ 2,063	\$ 1,676	\$ 15,226	\$ 1,814
Early termination benefits	232	80	232	80	80
Net other postemployment benefits	2,662	822	567	2,917	—
Workers' compensation	510	349	224	635	305
Total other compensation benefits	<u>\$ 18,243</u>	<u>\$ 3,314</u>	<u>\$ 2,699</u>	<u>\$ 18,858</u>	<u>\$ 2,199</u>

*Bond Premium* — Bonds were issued in fiscal years 2015 and 2014, resulting in premiums of \$86,619 and \$274,553, 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 are generally defined as one that transfers benefits and risk of ownership to the lessee. Note 11 to the financial statements provides additional information.

*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 \$405,000,000 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 0.45 percent and 5.0 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 2034. Annual principal and interest payments on the bonds are expected to require less than 18.10 percent of net revenues. The total principal and interest remaining to be paid on the revenue bonds is \$54,496,871. Principal and interest paid for the current year and total customer net revenues were \$3,933,528 and \$21,320,745 respectively.

*Compensated Absences* — University employees accrue vacation, sick, and compensatory leave at various rates within limits specified in the collective bargaining agreements. The liability for compensated absences will be converted to a health care savings plan account or severance pay under specific conditions as defined in bargaining unit contracts. 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. Note 9 to the financial statements provides additional information.

*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. Note 10 to the financial statements provides additional information.

*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 \$272,040 and \$635,013, at June 30, 2015 and 2014, 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.

*Net Pension Liability* — The net pension liability of \$26,808,855 at June 30, 2015, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 14 to the financial statements provides additional information.

*Capital Contributions* — Liabilities of \$5,429,491 and \$5,791,120 at June 30, 2015 and 2014, respectively, represent the amount the University would owe the federal government if it were to discontinue the Perkins loan program. The net decrease is \$361,629 for fiscal year 2015. There was a net decrease of \$78,130 for fiscal year 2014.

Principal and interest payment schedules are provided in the following table for capital leases, general obligation bonds, and revenue bonds. There are no payment schedules for bond premium, compensated absences, early termination benefits, net other postemployment benefits, workers' compensation, net pension liability, 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
2016	\$ 4,002	\$ 1,012	\$ 2,090	\$ 1,241	\$ 2,345	\$ 1,514
2017	3,965	1,122	2,080	985	2,344	1,441
2018	3,938	1,231	2,080	895	2,393	1,366
2019	3,883	1,339	2,053	808	2,488	1,284
2020	3,855	1,450	1,908	729	2,565	1,194
2021-2025	2,478	478	7,846	2,575	11,776	4,506
2026-2030	—	—	5,897	1,084	9,945	2,359
2031-2035	—	—	2,418	174	6,600	377
Total	\$ 22,121	\$ 6,632	\$ 26,372	\$ 8,491	\$ 40,456	\$ 14,041

## 9. EARLY TERMINATION BENEFITS

Early termination benefits are defined as benefits received for discontinuing services earlier than planned.

Certain bargaining unit contracts, including the Inter Faculty Organization (IFO) contract and Minnesota State University Association of Administrative Service Faculty (MSUAASF), 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 2015 and 2014.

*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 2015 and 2014, follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2015	5	\$ 98
2014	2	80

*Minnesota State University Association of Administrative Service Faculty (MSUAASF) contract* — The MSUAASF 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 faculty as of the end of fiscal years 2015 and 2014 follow:

<u>Fiscal Year</u>	<u>Number of Faculty</u>	<u>Future Liability (In Thousands)</u>
2015	2	\$ 44
2014	—	—

#### 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, 2014 there were approximately 72 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 Postemployment 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 2015 and 2014, the amount actually contributed to the plan, and changes in the net OPEB obligation:

<u>Components of the Annual OPEB Cost (In Thousands)</u>		
	<u>2015</u>	<u>2014</u>
Annual required contribution (ARC)	\$ 939	\$ 802
Interest on net OPEB obligation	120	126
Adjustment to ARC	(107)	(106)
Annual OPEB cost	952	822
Contributions during the year	(532)	(567)
Increase in net OPEB obligation	420	255
Net OPEB obligation, beginning of year	2,917	2,662
Net OPEB obligation, end of year	<u>\$ 3,337</u>	<u>\$ 2,917</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2015 and 2014 were as follows:

<u>Year Ended June 30 (In Thousands)</u>		
	<u>2015</u>	<u>2014</u>
Beginning of year net OPEB obligation	\$ 2,917	\$ 2,662
Annual OPEB cost	952	822
Employer contribution	(532)	(567)
End of year net OPEB obligation	<u>\$ 3,337</u>	<u>\$ 2,917</u>
Percentage contributed	55.88%	68.98%

*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 Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2014	\$ —	\$ 9,293	\$ 9,293	0.00	\$106,625	8.72

*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, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.1 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 percent. The annual healthcare cost trend rate is 6.8 percent initially, reduced incrementally to an ultimate rate of 4 percent after seventeen 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 fiscal years ended June 30, 2015 and 2014, totaled \$612,851 and \$558,466, respectively.

Future minimum operating lease payments for existing lease agreements are as follows:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2016	\$ 483
2017	368
2018	188
2019	54
2020	2
Total	\$ 1,095

*Income Leases* — The University has entered into several income lease agreements, primarily for building space. Lease income for the fiscal years ended June 30, 2015 and 2014, totaled \$87,729 and \$116,510, respectively, and is included in other income in the statements of revenues, expenses, and changes in net position.

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

Year Ended June 30 (In Thousands)	
<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 47
2017	47
2018	20
2019	20
Total	<u>\$ 134</u>

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

In March 2002, the University guaranteed revenue bonds issued by the city of Saint Cloud, Minnesota Housing and Redevelopment Authority to the Foundation (see Note 18). The proceeds of the bonds were used to fund an addition to the Atwood Memorial Center and a stadium and student recreation center.

In August 2010, the University entered into 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 total cost of all capital assets acquired with capital leases and corresponding accumulated depreciation at June 30, 2015, are \$46,634,144 and \$19,968,124, respectively.

## 12. TUITION, FEES, AND SALES, NET

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

Year Ended June 30 (In Thousands)						
Description	2015			2014		
	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	\$ 82,805	\$ (26,504)	\$ 56,301	\$ 84,941	\$ (27,048)	\$ 57,893
Fees	9,725	(1,189)	8,536	10,218	(1,033)	9,185
Sales	12,759	(61)	12,698	12,253	(52)	12,201
Restricted student payments	20,061	(834)	19,227	19,796	(663)	19,133
Total	<u>\$ 125,350</u>	<u>\$ (28,588)</u>	<u>\$ 96,762</u>	<u>\$ 127,208</u>	<u>\$ (28,796)</u>	<u>\$ 98,412</u>

### 13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2015 (In Thousands)					
Description	Salaries	Benefits	Other	Interest	Total
Academic support	\$ 14,254	\$ 3,796	\$ 5,140	\$ 169	\$ 23,359
Institutional support	13,520	4,559	8,771	170	27,020
Instruction	58,444	15,028	11,192	689	85,353
Public service	837	134	1,777	36	2,784
Research	1,839	357	1,366	21	3,583
Student services	14,639	4,115	7,805	379	26,938
Auxiliary enterprises	6,245	1,336	20,895	2,034	30,510
Scholarships & fellowships	—	—	3,400	—	3,400
Less interest expense	—	—	—	(3,498)	(3,498)
Total operating expenses	\$ 109,778	\$ 29,325	\$ 60,346	\$ —	\$ 199,449

Year Ended June 30, 2014 (In Thousands)					
Description	Salaries	Benefits	Other	Interest	Total
Academic support	\$ 13,436	\$ 4,020	\$ 6,035	\$ 170	\$ 23,661
Institutional support	11,708	4,942	9,163	162	25,975
Instruction	58,013	17,113	13,259	729	89,114
Public service	820	169	1,673	31	2,693
Research	1,494	367	892	18	2,771
Student services	14,639	4,710	7,461	402	27,212
Auxiliary enterprises	6,873	1,528	20,408	1,679	30,488
Scholarships & fellowships	—	—	3,127	—	3,127
Less interest expense	—	—	—	(3,191)	(3,191)
Total operating expenses	\$ 106,983	\$ 32,849	\$ 62,018	\$ —	\$ 201,850

### 14. EMPLOYEE PENSION PLANS

The University participates in both mandatory and voluntary retirement plans. Mandatory plans include the State Employees Retirement Fund, administered by the Minnesota State Retirement System; the Teachers Retirement Fund, administered by the Teachers Retirement Association; and, the General Employees Retirement Fund, administered by the Public Employees Retirement Association. Normal retirement age, for employees covered by these defined benefit plans, range from age 62 to age 66, depending upon employment date and years of service. Additionally, the University participates in a Defined Contribution Retirement Plan which is available to faculty, system administrators and other unclassified employees.

#### *State Employees Retirement Fund*

**Plan Description** -The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS), and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans. All state of Minnesota employees who are not members of another plan are covered by the General Plan.

Benefits Provided - MSRS provides retirement, disability, and death benefits through the State Employees Retirement Fund. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0 percent each year. When the fund reaches a 90 percent funded status for two consecutive years, annuitants will receive a 2.5 percent increase.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Contributions – Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.0 percent of their annual covered salary in fiscal year 2014. Effective July 1, 2014, member and employer rates increased to 5.5 percent of total compensation. The University's contribution to the General Plan for the fiscal year ending June 30, 2015 was \$1,386,790. These contributions were equal to the contractually required contributions for each year as set by state statute.

Actuarial Assumptions - The University's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees were assumed to be 2.0 percent every January 1 through 2015 and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

The long-term expected rate of return on pension plan investments is 7.9 percent. The rate assumption was selected as the result of a 2014 actuarial review of economic assumptions. The review combined the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI) with return expectations from eight other investment consultants. The review also factored in information from the Social Security Trustees Report, U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Asset Class	Target Percentage	SBI's Long Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic stocks	45	5.50
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50
Total	100	

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2014, was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A similar analysis was performed as of July 1, 2013, based on a long-term expected rate of return of 7.90 percent and a municipal bond rate of 4.63 percent. The projection showed that assets would be available to pay benefits only through 2045, with a resulting single discount rate of 6.63 percent, and an increase of 1.27 percent between the beginning and the end of the measurement period.

Net Pension Liability - At June 30, 2015, the University reported a liability of \$15,199,071 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the employer contributions received by MSRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2014, the University's proportion was 0.94 percent.

Two changes in benefit provisions affected the measurement of the total pension liability since the prior measurement date. Member and employer contribution rates increased from 5 percent to 5.5 percent of pay effective the first day of the first full pay period beginning after July 1, 2014. Beginning July 1, 2014, the funding ratio threshold that must be attained to pay a 2.5 percent post-retirement benefit increase to benefit recipients was changed from 90 percent for one year to 90 percent for two consecutive years.



Two changes in assumptions affected the measurement of the total pension liability since the prior measurement date. The single discount rate changed from 6.63 percent to 7.90 percent. The post-retirement benefit increase changed from 2 percent indefinitely, to 2 percent through 2015, and 2.5 percent thereafter.

Pension Liability Sensitivity - The following presents the University's proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that 1 percentage point lower or 1 percentage point higher than the current discount rate:

(In Thousands)			
	1 Percent Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1 Percent Increase in Discount Rate (8.9%)
Proportionate share of the net pension liability	\$ 30,674	\$ 15,199	\$ 2,340

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the MSRS Comprehensive Annual Financial Report, available on the MSRS website at [www.msrs.state.mn.us/financial-information](http://www.msrs.state.mn.us/financial-information).

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University recognized a reduction in pension expense of \$2,339,905 related to pensions. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(In Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ —	\$ 7,884
Changes in actuarial assumptions	—	11,077
Contributions paid to pension plans subsequent to the measurement date	1,387	—
Difference between expected and actual experience	—	330
Change in proportion	309	—
Total	\$ 1,696	\$ 19,291

Amounts reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

(In Thousands)	
Fiscal Year	Amount
2016	\$ (6,327)
2017	(6,327)
2018	(6,328)
Total	\$ (18,982)

## *Teachers Retirement Fund*

**Plan Description** - The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund (TRF). TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State Colleges and Universities.

**Benefits Provided** - TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

### Tier I Benefits

Tier I	Step Rate Formula	Percentage
Basic	First ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2 percent per year
	First ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are up to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3 percent per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

### Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 for basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

Contributions - Minnesota Statutes Chapter 354 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. TRA Basic Plan members and Coordinated Plan members were required to contribute 10.5 percent and 7.0 percent, respectively, of their annual covered salary in fiscal year 2014. Basic Plan members and Coordinated Plan members contributed 11.0 percent and 7.5 percent, respectively, of pay in 2015. In fiscal year 2014, the employer was required to contribute 11.0 percent of pay for Basic Plan members and 7.0 percent for Coordinated Plan members. In 2015, employer rates increased to 11.5 percent for the Basic plan and 7.5 percent for the Coordinated Plan. The University's contributions to the TRA for the fiscal year ended June 30, 2015, were \$852,345. These contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions - The University's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent per year
Active member payroll growth	3.50 to 12.00 percent per year
Investment rate of return	8.25 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees were assumed to be 2.0 percent every January 1 through 2015 and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

The long-term expected rate of return on pension plan investments is 8.25 percent. The rate assumption was selected as the result of a 2014 actuarial review of economic assumptions. The review combined the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI) with return expectations from eight other investment consultants. The review also factored in information from the Social Security Trustees Report, U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns.

The SBI, which manages the investments of TRF, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Asset Class	Target Percentage	SBI's Long Term Expected Real Rate of Return (Geometric Mean)
		Percentage
Domestic stocks	45	5.50
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50
Total	100	

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2014, was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - At June 30, 2015, the University reported a liability of \$11,303,247 for its proportionate share of TRF net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the employer contributions received by TRF during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of TRF's participating employers. At June 30, 2014, the University's proportion was 0.25 percent.

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both employee and employer. See contribution section for the rate changes.

There was a change in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

Pension Liability Sensitivity - The following presents the University's proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that 1 percentage point lower or 1 percentage point higher than the current discount rate:

(In Thousands)			
	1 Percent Decrease in Discount Rate (7.25%)	Discount Rate (8.25%)	1 Percent Increase in Discount Rate (9.25%)
Proportionate share of the net pension liability	\$ 18,680	\$ 11,303	\$ 5,153

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the Minnesota Teachers Retirement Association Comprehensive Annual Financial Report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org).

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University's recognized pension expense of \$609,227 related to pensions. At June 30, 2015, the University's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(In Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ —	\$ 3,554
Contributions paid to pension plans subsequent to the measurement date	852	—
Difference between expected and actual experience	965	—
Change in proportion	24	—
Total	\$ 1,841	\$ 3,554

Amounts reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

(In Thousands)	
Fiscal Year	Amount
2016	\$ (855)
2017	(855)
2018	(855)
Total	\$ (2,565)

#### *General Employees Retirement Fund*

Plan Description – The University participates in the General Employees Retirement Plan (GERF), a defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided - PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases. The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

Contributions - Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. GERF Contributions Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the employer was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. Minnesota State Colleges and Universities contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$23,618. These contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions - The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERS was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Legislation passed in 2014 changed the GERS assumed post-retirement benefit increase rate from 1.0 percent per year for all future years to 1.0 percent effective every January 1st through 2026 and 2.5 percent per year thereafter.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Percentage	SBI's Long Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic stocks	45	5.50
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50
Total	100	

Discount Rate – The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - At June 30, 2015, the University reported a liability of \$306,537 for its proportionate share of the GERP's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the University's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the University's proportion was 0.0065 percent.

Pension Liability Sensitivity - The following presents the University's proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that 1 percentage point lower or 1 percentage point higher than the current discount rate:

(In Thousands)			
	1 Percent Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1 Percent Increase in Discount Rate (8.9%)
Proportionate share of the net pension liability	\$ 494	\$ 307	\$ 152

Pension Plan Fiduciary Net Position - Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained at [www.mnpera.org](http://www.mnpera.org).

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University recognized pension expense of \$22,756 related to pensions. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(In Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ —	\$ 83
Changes in actuarial assumptions	31	—
Contributions paid to pension plans subsequent to the measurement date	24	—
Difference between expected and actual experience	5	—
Total	\$ 60	\$ 83

Amounts reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

(In Thousands)	
Fiscal Year	Amount
2016	\$ (9)
2017	(9)
2018	(29)
Total	\$ (47)

## *Minnesota State Colleges and Universities Defined Contribution Retirement Fund*

**General Information** — The Minnesota State Colleges and Universities Defined Contribution Retirement Fund include 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 Minnesota State Colleges and Universities 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 and 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** — Every 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)		
<u>Fiscal Year</u>	<u>Employer</u>	<u>Employee</u>
2015	\$ 3,561	\$ 2,671
2014	3,323	2,479
2013	3,233	2,418

### *Supplemental Retirement Plan (SRP)*

**Participation** — Every unclassified employee who has completed two full time years of unclassified service with the University 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 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
2015	\$ 1,553
2014	1,535
2013	1,602

#### *Voluntary Retirement Savings Plans*

Minnesota State Colleges and Universities offers two voluntary programs to employees for retirement savings.

The Minnesota Deferred Compensation Plan (MNDCP) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2015, the plan has 498 participants.

In addition, to the state's Deferred Compensation program, Minnesota State Colleges and Universities also participates in a 403(b) Tax Sheltered Annuity (TSA) program. The plan consists of both pre-tax and after-tax contributions and accumulated investment gains or losses. As of June 30, 2015, the plan has 404 participants.

## 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, deferred outflows, liabilities and deferred inflows 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)		
	2015	2014
<b>CONDENSED STATEMENTS OF NET POSITION</b>		
Assets		
Current assets	\$ 13,405	\$ 14,548
Current restricted assets	7,552	7,891
Noncurrent restricted assets	—	13,511
Noncurrent assets	72,949	63,140
Total assets	<u>93,906</u>	<u>99,090</u>
Deferred outflows of resources	205	—
Total assets and deferred outflows of resources	<u>94,111</u>	<u>99,090</u>
Liabilities		
Current liabilities	4,709	5,248
Noncurrent liabilities	44,022	45,703
Total liabilities	<u>48,731</u>	<u>50,951</u>
Deferred inflows of resources	1,146	—
Total liabilities and deferred inflows of resources	<u>49,877</u>	<u>50,951</u>
Net Position		
Net investment in capital assets	31,452	31,128
Restricted	12,782	17,011
Total net position	<u>\$ 44,234</u>	<u>\$ 48,139</u>
<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>		
Operating revenues	\$ 21,322	\$ 21,579
Operating expenses	<u>(21,346)</u>	<u>(21,591)</u>
Net operating loss	(24)	(12)
Nonoperating expenses	(1,375)	(1,109)
Gain on disposal of capital assets	—	—
Change in net position	<u>(1,399)</u>	<u>(1,121)</u>
Total net position, beginning of year	48,139	49,260
Cumulative effect of change in accounting principle	<u>(2,506)</u>	<u>—</u>
Total net position, beginning of year, as restated	45,633	49,260
Total net position, end of year	<u>\$ 44,234</u>	<u>\$ 48,139</u>
<b>CONDENSED STATEMENTS OF CASH FLOWS</b>		
Net cash provided (used) by		
Operating activities	\$ 3,857	\$ 3,787
Investing activities	(79)	(25)
Capital and related financing activities	(5,719)	(24,564)
Noncapital financing activities	—	10
Net decrease in cash and cash equivalents	<u>(1,941)</u>	<u>(20,792)</u>
Cash, beginning of year	21,746	42,538
Cash, end of year	<u>\$ 19,805</u>	<u>\$ 21,746</u>

## 16. COMMITMENTS

With the completion of Sherburne Hall East and West renovation the University no longer has any material construction projects active. However, general obligation bond funding has been requested for the renovation of Eastman Hall which, if awarded, could begin in the fall of 2016.

The University has entered into operating agreements with Wedum St. Cloud Housing LLLC and also with the St. Cloud State University Foundation. These operating agreements each contain lease terms meeting the criteria of a capital lease, as defined by GAAP. Note 11 to the financial statements provides additional information.

## 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	\$2,500,000
Maintenance deductible for additional claims	\$25,000

The 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, 2015 and 2014.

	(In Thousands)			
	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/15	\$ 635	\$ 81	\$ 444	\$ 272
Fiscal Year Ended 6/30/14	510	349	224	635

## 18. COMPONENT UNITS

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

The St. Cloud State University Foundation, Inc. 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's 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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:* 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 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 \$1,647,403 and \$1,473,640, respectively, for fiscal years 2015 and 2014.

An additional estimated \$1,071,660 and 1,509,218, respectively, is included in the University's revenues and the Foundation's expenditures in fiscal years 2015 and 2014, as a result of planned transfers of Foundation funds to the University, whereby actual subsequent purchases are made from University accounts. The Foundation expended \$3,069,469 and \$3,497,592, respectively, toward University educational program purposes during fiscal years 2015 and 2014. Of these amounts, approximately \$842,305 and \$774,674 respectively went to support student scholarships, talent grants, and other awards during fiscal years 2015 and 2014. The Foundation's total assets decreased \$1,537,991 in fiscal year 2015 after having increased \$1,743,687 in fiscal year 2014.

*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 at June 30 (In Thousands)		
	2015	2014
Money market & CD’s	\$ 1,763	\$ 4,456
Balanced mutual funds	9,335	19,400
Equity based mutual funds	225	223
Fixed income/Bonds/U.S. treasuries	10,166	5,055
Equity securities	13,100	4,654
Commodities	5	0
Total investments	<u>\$ 34,594</u>	<u>\$ 33,788</u>

*Capital Assets*— Summaries of the Foundation’s capital assets for fiscal years 2015 and 2014 are:

Schedule of Capital Assets at June 30 (In Thousands)		
	2015	2014
Capital assets, not depreciated:		
Land	\$ 175	\$ 175
Capital assets, depreciated:		
Equipment	278	274
Leasehold improvements	107	107
Accumulated depreciation	(306)	(284)
Total capital assets depreciated, net	79	97
Total capital assets, net	<u>\$ 254</u>	<u>\$ 272</u>

*Long-Term Obligations* — In March 2002 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. Proceeds of the bonds were transferred to the University to finance the construction costs of the Atwood Memorial Center addition and the new stadium and recreational center. In May, 2012 the bonds were paid off and refinanced with \$10,220,000 of new bonds issued with the Economic Development Authority of St. Cloud, Minnesota and U.S. Bank National Association. The refunding resulted in \$1,586,535 gross debt service savings over the next 11 years, and an economic gain of \$1,372,639. Of this bond issuance, \$7,700,000 is outstanding as of June 30, 2015.

The Foundation has a note payable with Bremer Bank for \$6,600,000. The note has a personal guarantee from a former member of the board of trustees. The proceeds of the note were transferred, along with other receipts to the University to finance construction costs of the Herb Brooks National Hockey Center (HBNHC) renovation and addition. The fund is anticipated to be replenished with future contributions to a capital campaign for the HBNHC. Of this loan amount, \$2,070,000 is outstanding as of June 30, 2015.

Principal payment schedules are provided in the following table for revenue bonds payable and notes payable. Excluded from the table below is the unamortized bond premium of \$771,220, which is amortized over the life of the bonds.

Long Term Debt Principal Repayment Schedule  
(In Thousands)

Fiscal Years	Bonds Payable	Notes Payable
2016	\$ 885	\$ 630
2017	910	1,440
2018	945	—
2019	950	—
2020	980	—
2021	1,000	—
Thereafter	2,030	—
Total	<u>\$ 7,700</u>	<u>\$ 2,070</u>

*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, 2015 are as follows:

Schedule of Endowment Net Assets  
As of June 30, 2015  
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	\$ (107)	\$ 8,943	\$ 17,673	\$ 26,509
Change in value of trusts	(1)	(391)	(4)	(396)
Contributions	1	89	423	513
Investment income	1	546	(5)	542
Amounts appropriated for expenditures	(3)	(1,447)	—	(1,450)
Other transfers	—	(14)	(19)	(33)
Net assets, end of year	<u>\$ (109)</u>	<u>\$ 7,726</u>	<u>\$ 18,068</u>	<u>\$ 25,685</u>

Changes in endowment net assets as of June 30, 2014 are as follows:

Schedule of Endowment Net Assets  
As of June 30, 2014  
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	\$ (119)	\$ 6,173	\$ 17,037	\$ 23,091
Change in value of trusts	9	3,234	41	3,284
Contributions	2	241	573	816
Investment income	2	636	2	640
Amounts appropriated for expenditures	(1)	(1,315)	—	(1,316)
Other transfers	—	(26)	20	(6)
Net assets, end of year	<u>\$ (107)</u>	<u>\$ 8,943</u>	<u>\$ 17,673</u>	<u>\$ 26,509</u>

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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 Percentage (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
July 1, 2012	—	8,361	8,361	0.00	98,825	8.46
July 1, 2014	—	9,293	9,293	0.00	106,625	8.72

**ST. CLOUD STATE UNIVERSITY**  
**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS**  
**STATE EMPLOYEES RETIREMENT FUND**

Schedule of Proportionate Share of MSRS Net Pension Liability  
(In Thousands)

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.94	\$ 15,199	\$24,003	63.32	87.64

Schedule of Employer Contributions  
(In Thousands)

Measurement Date	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2014	\$ 1,200	\$ 1,200	\$ —	\$ 24,003	5.0

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, would be obtained from the Minnesota State Retirement System (MSRS) Comprehensive Annual Financial Report.

**ST. CLOUD STATE UNIVERSITY**  
**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS**  
**TEACHERS RETIREMENT FUND**

Schedule of Proportionate Share of TRA Net Pension Liability  
(In Thousands)

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.25	\$ 11.303	\$ 11,196	100.96	81.50

Schedule of Employer Contributions  
(In Thousands)

Measurement Date	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2014	\$ 783	\$ 783	\$ —	\$ 11,196	7.0

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, would be obtained from the Teachers Retirement Association (TRA) Comprehensive Annual Financial Report.

**ST. CLOUD STATE UNIVERSITY**  
**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS**  
**GENERAL EMPLOYEES RETIREMENT FUND**

Schedule of Proportionate Share of PERA Net Pension Liability  
(In Thousands)

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.0065	\$ 307	\$ 397	77.13	78.75

Schedule of Employer Contributions  
(In Thousands)

Measurement Date	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2014	\$ 25	\$ 25	\$ —	\$ 397	6.25

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, would be obtained from the Public Employees Retirement Association of Minnesota (PERA) Comprehensive Annual financial Report.

## SUPPLEMENTARY SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Saint Cloud State University (the University), a campus of Minnesota State Colleges and Universities, and the discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Saint Cloud State University's basic financial statements, and have issued our report thereon dated November 13, 2015. The financial statements of the Saint Cloud State University Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 13, 2015



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