ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

A MEMBER OF MINNESOTA STATE

ST. CLOUD STATE
UNIVERSITY

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A MEMBER OF MINNESOTA STATE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Prepared by:

Chief Financial Officer
St. Cloud State University
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ST. CLOUD STATE UNIVERSITY

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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INTRODUCTION

November 16, 2018

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Minnesota State Board of Trustees and Chancellor Devinder Malhotra
Minnesota State System Office
30 Seventh Street East, Suite 350
St. Paul, MN 55101

Dear Board of Trustees and Chancellor Malhotra,

I invite your attention to the audited financial statements for St. Cloud State University for the fiscal year ending June 30, 2018. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of our financial activities for the year. The financial statements are presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Please consult the Management's Discussion and Analysis section of this report for a summary review and explanation of the financial statements.

St. Cloud State University is one of 37 colleges and universities in the Minnesota State 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 Minnesota State universities.

I was named President of St. Cloud State University in May and took office at the start of the 2019 fiscal year upon the departure of Interim President Ashish Vaidya who was in place since the passing of President Earl H. Potter III in 2016.

The mission of St. Cloud State University is to prepare students for life, work and citizenship in the 21st century, and our work in fiscal year 2018 was a direct reflection of our mission. In fiscal year 2018, the University served 18,087 individual students through our credit-based instruction with a full-year equivalent of 11,082.

In fiscal year 2018 the university's enrollment exemplified the changing world of higher education with students from 45 states and 86 countries, and growth in students of color and international students. Fall 2017 headcount declined 3.2 percent from fall 2016. Students of color headcount enrollment was 2,674 students, which represents 18.3 percent of the total student body. International student enrollment recorded large gains as headcount increased bringing the total headcount figure to 1,466. This was the highest enrollment for both students of color and international students ever at St. Cloud State University. This is the highest international student headcount at St. Cloud State University.

In August we welcomed our first cohort of students from Rikkyo University in Japan who arrived to study English in the Intensive English Center through our partnership with Rikkyo University, which began in FY 2016.

In support of advancing students of color, women and Pell-eligible students to pursue careers in Science, Technology, Engineering and Mathematics (STEM) we partnered with five community colleges in the Academic Collaboration and Coordination Model to Ensure Student Success in STEM to earn a $5 million grant from the National Science Foundation that will fund scholarships and support for 100 academically high-achieving Pell-Eligible students between St. Cloud State and our partner community colleges over the next few years. In addition, the grant is funding research into strategies to best help these students succeed.

A similar effort with Northland Technical and Community College led to a $600,000 National Science Foundation grant to advance education in geospatial information technology and unmanned aircraft systems. The three-year project will focus on developing new capabilities in Geographic Information Science at both institutions while creating educational pathways through dual credit enrollment and 2+2 articulation agreements for Northland students.

In an effort to better serve the needs of transfer students, St. Cloud State expanded its partnership with St. Cloud Technical & Community College with a collaboration agreement that called for the University to work with SCTCC on a Dual Enrollment/Dual Admissions process, development of clearly articulated Transfer Pathways for existing degrees, and to develop 2+2 degrees to create affordable pathways for high-demand degrees.

Safety for our students, faculty and staff and the broader community is also a high priority for St. Cloud State, so in July we partnered with the St. Cloud Police Department, St. Cloud Fire Department, St. Cloud Hospital, Gold Cross and other emergency and area medical services to hold a Full Scale Emergency Exercise. This close partnership with the St. Cloud Police Department continues through our relationship with the Campus Area Police Services and the opening of the city's first Community Outpost near campus in August. In February we launched a new mobile app Safe@St. Cloud to give students, staff, faculty and campus visitors quick access to new and existing campus safety features.

In order to improve retention, the university instituted a banded tuition system in Fall 2017 to encourage students to register for more credits and complete their degree faster by taking 12-18 credits at one flat fee. To support students as they arrived on campus that fall were newly established Student Success Teams comprised of academic advisers, financial aid officers, Career Center specialists and faculty members who worked with incoming freshmen throughout the school year to help them navigate campus resources, plan for their future careers and budget for their education.

St. Cloud-area residents showcased their love of St. Cloud State in September when they once again named the university "Best College" in the St. Cloud Times' 2017 Best of Central Minnesota reader survey. The university also was named a top investment for students in Minnesota by PayScale for its 20-year net ROI of $320,000 for a student paying in-state tuition. In addition to my warm welcome from the university community, fiscal year 2018 welcomed Shonda Craft as our dean of the School of Education. We also named Joe Trubacz our vice president for Finance and Administration and Jacci McMillian as vice president for the newly developed division of Strategic Enrollment Management.

McMillian was hired to develop a 21^{st} century enrollment management strategy for the university to stabilize and grow our enrollments. Under her leadership, we instituted a division of Strategic Enrollment Management that includes the departments of University Admissions, Records and Registration, Financial Aid, University College and University Communications to go into effect with the start of fiscal year 2019.

Another move toward improving enrollment was the launch of our new Unleash campaign in spring 2018. Unleash is built upon the idea that by harnessing the greatness within ourselves, we can live and work in a way that unleashes the greatness of tomorrow. The campaign is being fully integrated into campus marketing and recruiting materials in fiscal year 2019.

This past year, St. Cloud State University's Foundation exceeded many of its goals. Donors contributed more than $2.1 million for academic scholarships, more than $2.7 million for academic program support including a $1 million gift to nursing from Jim '73 and Ann Marie Maciej. About $649,000 was raised for athletic programs and about $194,000 for unrestricted purposes. The foundation raised more than $5.7 million for a 39 percent increase from FY 2017 and awarded 1,024 scholarships, a 10 percent increase over FY 17 awards.

In October, our student center Atwood Memorial Center celebrated 50 years of serving students. And we announced our plans for a renewed Homecoming as part of our year-long sesquicentennial celebration beginning in FY 2018.

Excluding the GASB Statement No. 68 and GASB Statement No. 75 pension and other postemployment benefit adjustments, the university recognized an improvement to its unrestricted net position of $5.7 million. In fiscal year 2018 there were increases to total revenues of $2.8 million to $203.5 million total and decreases to operating expenses with significant reductions in the number of full time equivalent employees and resulting reductions to total compensation and fringe benefits. With GASB Statement No. 68 and No. 75, however, the university recognized a decrease in unrestricted net position of $9.1 million in fiscal year 2018. For a summary review and explanation of the financial statements, please review the Management's Discussion and Analysis section of this report.

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.

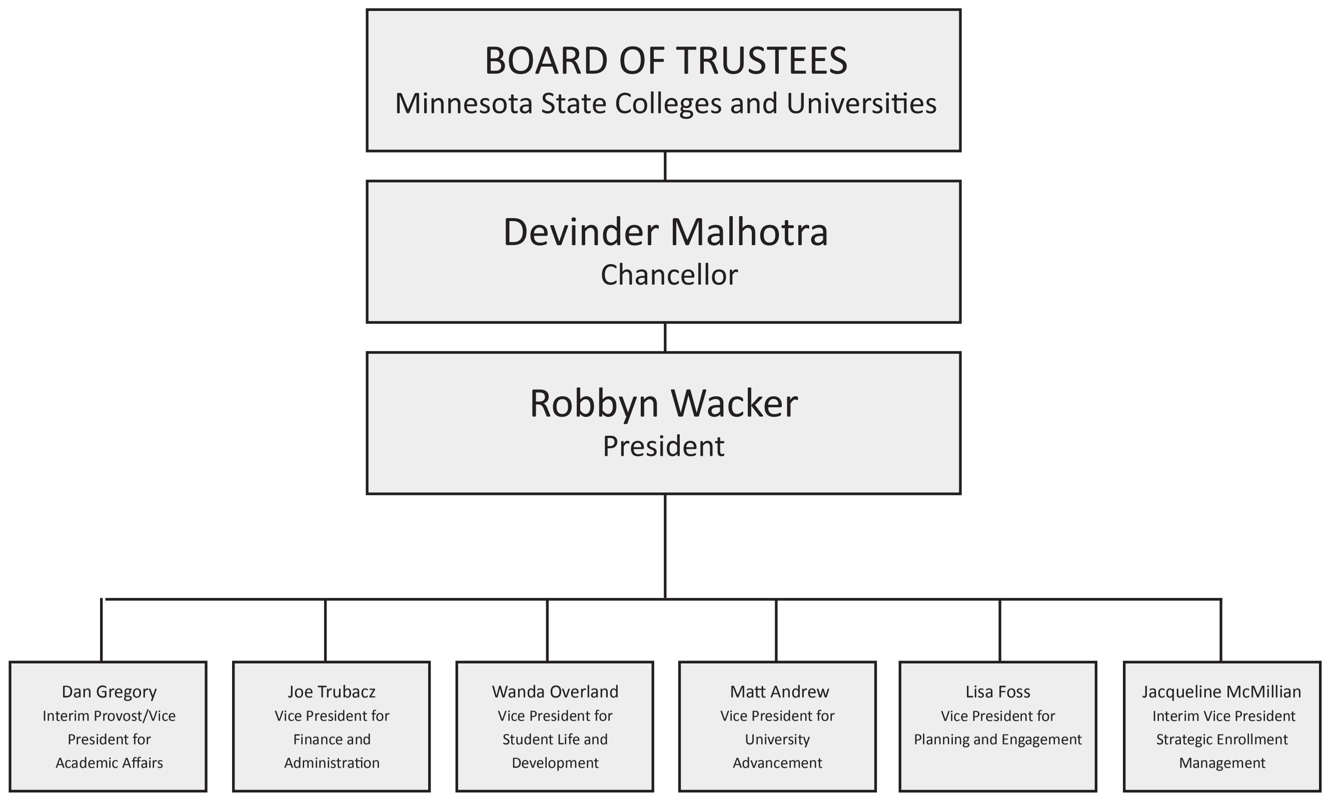
Sincerely,

Robbyn R. Wacker, Ph.D.
President

St. Cloud State University

November 14, 2018

Administration Organizational Chart



The financial activity of St. Cloud State University is included in this report. The university is one of 37 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 the Minnesota State Colleges and Universities is included in the state of Minnesota Comprehensive Annual Financial Report.

FINANCIAL SECTION

CliftonLarsonAllen LLP
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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 the business-type activities and the discretely presented component unit of St. Cloud State University (the University), a university of Minnesota State Colleges and Universities, as of and for the years ended June 30, 2018 and 2017, 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 St. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of St. Cloud State University as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable cash flows, 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 St. 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, 2018 and 2017, 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.

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. As of July 1, 2016, the University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Board of Trustees
Minnesota State Colleges and Universities

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of St. Cloud State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Cloud State University's 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 St. Cloud State University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2018

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of St. Cloud State University, a member of Minnesota State Colleges and Universities (Minnesota State), for the years ended June 30, 2018 and 2017. 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 37 colleges and universities comprising Minnesota State. Minnesota State 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, serving 18,000 students annually, including 2,500 graduate and professional students. Approximately 1,350 faculty and staff members are employed by the university. Founded in 1869, the university offers 160 majors, minors, and pre-professional programs in business, education, fine arts and humanities, science and engineering and social sciences, and over 90 master's and doctoral degrees. In addition, online offerings include over 450 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 Plymouth, 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 17 other Division II athletic teams.

FINANCIAL HIGHLIGHTS

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented during fiscal year 2015. The adoption of GASB Statement No. 68 has a long term material negative impact on university's financial position.

Additionally, the university adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2016. The university's June 30, 2016 net position was restated for the cumulative effect of adopting GASB Statement No. 75. The restatement resulted in a decrease to net position of $1.4 million.

It is worth noting, that the impact on fiscal years 2018, 2017, and 2016 salaries and benefits expense due to GASB Statements No. 68 and No. 75 is a result of a more comprehensive approach to pension and other postemployment benefit expense, which reflects estimates of the amounts employees earned during the year, rather than actual contributions to the plans. The actuarially derived net pension liability, other postemployment benefit (OPEB) liability, deferred outflows, and deferred inflows of resources, can vary between years due to actuarial assumption changes, thus affecting financial statements comparability between years.

The university's overall financial position decreased by $9.1 million in fiscal year 2018. All of this decrease can be attributed to the university's changes in proportionate share of the net pension liability and deferred outflows and inflows of resources related to the system's pension plans per GASB Statement No. 68, and to the adoption in the current year of GASB Statement No. 75. Excluding the GASB Statements No. 68 and No. 75 adjustments, the university recognized an improvement to its unrestricted net position of $5.7 million. In fiscal year 2018 there were increases to total revenues of $2.8 million to $203.5 million total and decreases to operating expenses with significant reductions in the number of full time equivalent employees and resulting reductions to total compensation and fringe benefits.

The university experienced an increase of $3.2 million in state appropriation revenue and a $0.5 million decrease in its gross tuition and fees revenue during fiscal year 2018 due to a decrease in enrollment of 3.5 percent offset by 3.0 percent increase in graduate tuition rates. The university also converted undergraduate tuition to a flat-rate banded tuition rate with increases mitigated for certain returning students. The university also saw a decrease in operating expenses of $7.6 million in fiscal year 2018 due primarily to the $14.8 million allocation of fringe benefit expenses related to GASB Statement No. 68 being $6.2 million less than the adjustment in fiscal year 2017. Excluding the GASB Statement No. 68 effect, fiscal year 2018 operating expenses decreased by $1.4 million from fiscal year 2017, due to a $4.6 million reduction in salaries and benefits resulting from a 3.5 percent reduction in full time equivalent employees and offsetting increases to purchased services, supplies, depreciation and financial aid. The net result of these changes resulted in a $12.2 million increase to unrestricted cash due to continued focus on productivity measures across the university.

For the fiscal year ended June 30, 2018, assets and deferred outflows totaled $402.0 million while liabilities and deferred inflows totaled $278.7 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 investment in capital assets of $155.8 million, restricted net position of $18.4 million and unrestricted net position of negative $50.9 million. The university continues to pay down long term debt while depreciating recent investments like Coborns Plaza, Integrated Science Engineering Laboratory Facility, and upgrades to Shoemaker and Case-Hill Hall.

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. These GASB statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the university as a whole, with resources classified for accounting and reporting purposes into three net position categories. A summary of significant accounting policies followed by the university is included in Note 1 to the financial statements.

STATEMENTS OF NET POSITION

The statements of net position present 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 is net position, one indicator of the current financial condition of the university.

The change in net position is an indicator of whether the overall financial condition has improved or declined 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.

A summary of the university's statements of net position as of June 30, 2018, 2017 as restated, and 2016 follows:

(In Thousands)

	2018	Restated 2017	2016
Current assets	$ 93,592	$ 80,690	$ 79,782
Noncurrent assets	5,089	4,916	4,847
Capital assets, net	225,392	236,614	243,409
Deferred outflows of resources	77,902	111,000	8,566
Total assets and deferred outflows of resources	401,975	433,220	336,604
Current liabilities	40,009	36,061	35,107
Noncurrent liabilities	189,626	253,790	125,846
Deferred inflows of resources	49,032	10,932	21,697
Total liabilities and deferred inflows of resources	278,667	300,783	182,650
Net position	$ 123,308	$ 132,437	$ 153,954

Current assets consist primarily of cash and cash equivalents (unrestricted) and investments totaling $72.8 million at June 30, 2018. This is an increase of $12.2 million over fiscal year 2017 and represents 4.6 months of operating expenses (excluding depreciation). This is compared to 3.6 months and 4.1 months for the fiscal years ended June 30, 2017 and 2016, respectively. This is a measure of liquid asset availability to cover operating expenses in the event of a temporary interruption to or decrease in the university's revenues. In fiscal years 2018 and 2017 $77. 9 million and $111.0 million deferred outflows were reported respectively, which represent the consumption of net position in one period that is applicable to future periods, and is primarily due to the GASB Statements No. 68 and No. 75 implementations. Accounts receivable net of allowance decreased $1.5 million due in part to a $0.5 million decrease in related party receivables.

Current liabilities consist primarily of accounts payable and salaries and benefits payable, compensated absences, current portion of long-term obligations, and unearned revenue. Salaries and benefits payable at June 30, 2018 increased from the prior year by $0.7 million, or 5.1 percent, to a total of $13.5 million, due in part to Minnesota State University Association of Administrative Service Faculty (MSUAASF) contract settlements included in the accruals. Consistent with prior years, the salaries and benefits payable accrual included about two months of earned salary for faculty who elected to receive salaries over twelve months.

Accounts payable, including payables from restricted assets, increased $2.5 million or 70.4 percent, primarily due to increased construction activity. Unearned revenue consists of $3.9 million of summer session tuition and grant receipts received, but not yet earned at June 30, 2018. Summer session began in May and ended in August 2018, with tuition being allocated based on the number of session days in fiscal year 2018. In fiscal year 2017 the University entered into a new food service contract with Chartwells which resulted in an additional $6.3 million in leasehold improvements made by the vendor, with $5.2 million in unamortized leasehold improvements unearned on June 30, 2018. In fiscal years 2018 and 2017, $49.0 million and $10.9 million of deferred inflows were reported respectively, which represent the acquisition of net position in one period that is applicable to future periods, and is primarily due to GASB Statements No. 68 and No. 75. Additionally, GASB Statement No. 68 resulted in a net pension liability for fiscal years 2018 and 2017 in the amounts of $105.8 million and $162.3 million, respectively.

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, 2018, 2017 as restated, and 2016 follows:

(In Thousands)

	2018	Restated 2017	2016
Net investment in capital assets	$ 155,832	$ 160,051	$ 163,270
Restricted expendable, bond covenants	8,131	8,350	9,225
Restricted expendable, other	10,250	9,441	9,703
Unrestricted	(50,905)	(45,405)	(28,244)
Total Net Position	$ 123,308	$ 132,437	$ 153,954

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 primarily includes donations received for specific purposes, capital projects, bond covenants, and debt service.

Unrestricted net position decreased by $5.5 million, or 12.1 percent, and $17.2 million, or 60.8 percent, in fiscal years 2018 and 2017, respectively. This is mainly due to GASB Statements No. 68 and No. 75, as seen in the table below. Without the effect of GASB Statements No. 68 and No. 75, unrestricted net position increased $9.3 million or 41.7 percent in fiscal year 2018, and $4.2 million or 69.8 percent in fiscal year 2017.

(In Thousands)

	2018	Restated 2017	2016
Unrestricted net position balance at June 30	$ (50,905)	$ (45,405)	$ (28,244)
Prior year effect of GASB Statements No. 68 and No. 75	67,737	46,502	46,140
Current year effect of GASB Statements No. 68 and No. 75	14,815	21,235	(4,743)
Balance at June 30, without effect of GASB No. 68 and No. 75	$ 31,647	$ 22,332	$ 13,153

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in maintaining the quality of the university's academic programs and student life programs is the development and renewal of its property, plant, and equipment. The university continues to implement its comprehensive facilities plan to update its older facilities, balanced with new construction.

Capital assets, net of accumulated depreciation, totaled $225.4 million as of June 30, 2018. This represents a decrease of $11.2 million compared to June 30, 2017 and a decrease of $6.8 million compared to June 30, 2016.

Capital outlays primarily consist of recently completed replacement and renovation of existing facilities, as well as investments in equipment and library materials. Capital outlays totaled $6.3 million in fiscal year 2018, a decrease of $3.7 million from fiscal year 2017. Major capital outlays included $4.2 million in Eastman Hall remodeling costs. Other significant outlays include $1.1 million in leasehold improvements made by the new food service vendor and $0.2 million on building improvements related to the new bioreactor.

Long-term debt payable on June 30, 2018 consisted primarily of $20.9 million of general obligation bonds and $33.4 million of revenue bonds. 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, a student union, and parking ramps. Additional information on capital asset 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 and federal and state grants as non-operating revenues.

A summary of the university's statements of revenues, expenses and changes in net position as of June 30, 2018, 2017 as restated, and 2016 follows:

(In Thousands)

	2018	Restated 2017	2016
Operating revenues:			
Tuition and fees	$ 69,645	$ 70,670	$ 70,499
Room and board	16,089	17,814	17,792
Sales and services	11,490	12,742	12,271
Other income	2,238	2,684	1,135
Total operating revenues	99,462	103,910	101,697
Nonoperating revenues and other revenues:			
State appropriations	66,161	62,979	63,939
Capital appropriations	2,816	1,751	1,583
Grants	34,025	31,437	32,006
Other	1,038	613	531
Total nonoperating and other revenues	104,040	96,780	98,059
Total revenues	203,502	200,690	199,756
Operating expenses:			
Salaries and benefits	146,971	157,801	134,105
Depreciation	17,375	16,847	16,410
Financial aid, net	3,995	3,535	3,337
Other	40,692	38,451	39,356
Total operating expenses	209,033	216,634	193,208
Nonoperating and other expenses:			
Interest expense	3,281	3,353	3,532
Other	317	832	950
Total nonoperating and other expenses	3,598	4,185	4,482
Total expenses	212,631	220,819	197,690
Change in net position	(9,129)	(20,129)	2,066
Net position, beginning of year	132,437	153,954	151,888
Cumulative effect of change in accounting principle	-	(1,388)	-
Net position, beginning of year, as restated	132,437	152,566	151,888
Net position, end of year	$ 123,308	$ 132,437	$ 153,954

Tuition and state appropriations are the primary sources of funding for the university's academic programs. Gross tuition revenue decreased $0.1 million to $84.1 million in fiscal year 2018 as a result of a 4.1 percent decrease in undergraduate enrollment offset by a 3.0 percent increase graduate tuition rates with stable graduate enrollment. The university also converted undergraduate tuition to a flat-rate banded tuition rate with increases mitigated for certain returning students. This follows a decrease of $1.4 million in fiscal year 2017 as a net result of a 3.0 percent decrease in enrollment and flat tuition rates. State appropriations totaled $66.2 million in fiscal year 2018, an increase of $3.2 million over fiscal year 2017 and an increase of $2.2 million over fiscal year 2016.

Operating expenses as of June 30, 2018 decreased by $7.6 million over fiscal year 2017 due in part to a reduction in the allocation of fringe pension benefit expenses related to GASB Statement No. 68. This allocation increased fringe pension benefit expenses $14.6 million in fiscal year 2018 compared to increases of $21.0 million in fiscal year 2017. Excluding the GASB Statement No. 68 effect, the resources expended for employee compensation and benefits totaled $132.2 million for the fiscal year ended June 30, 2018, which represents a decrease of $4.6 million over fiscal year 2017. This change in compensation is due to a decrease of 68.7 full time equivalent employees in fiscal year 2018 and offset by bargaining unit contract increases.

The system's overall financial position decreased by $9.1 million in fiscal year 2018. This is mainly due to GASB Statements No. 68 and No. 75, as seen in the table below. Without the effect of GASB Statements No. 68 and No. 75, the system's overall financial position increased by $5.7 million in fiscal year 2018.

In Thousands

	2018	Restated 2017	2016
Increase (decrease) in net position including GASB 68 and GASB 75	$ (9,129)	$ (20,129)	$ 2,066
Impact on compensation expense			
Pension	14,599	20,990	(4,743)
Other postemployment benefits	216	245	-
Total GASB 68 and 75 impact	$ 14,815	$ 21,235	$ (4,743)
Increase (decrease) in net position excluding GASB 68 and 75	$ 5,686	$ 1,106	$ (2,677)

FOUNDATION

The St. Cloud State University Foundation, Inc. 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. Additional information regarding the foundation can be found in Note 18 to the financial statements.

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 and where strong student and market demand exist is critical to the future vitality of the university. In addition, growth through gains in student credit-taking behavior, retention, and persistence will be key contributors to enrollment and financial stability and eventual growth. Expanding the university footprint through programs at the St. Cloud State at Plymouth location and through onsite 2+2 programs at our partner two-year community colleges, as well as on-line and alternative delivery, will provide additional points of access for students and increased enrollments.

State capital appropriations will remain a critical funding source to sustain the physical and technological infrastructure of the university. The development of additional alternative revenue sources through applied research grants and contracts from industry partners will be key, as will expanding private funding through external grants and private fundraising. The university begins celebrating it's sesquicentennial in the fall of 2018 with a year of events leading up to its 150th birthday on September 15, 2019, the anniversary of the first day of classes in 1869.

Making strategic investments while also managing costs in personnel, non-personnel, facilities and technology infrastructure will impact the financial sustainability going forward, as the university works to ensure expenses are not out-pacing revenue streams while also ensuring that the talent, spaces, technology and equipment to support student learning and success. The university will continue efforts to improve productivity ratios across departments and units. The university could begin to see increases in non-personnel expenses due to inflation and increased regulatory expenses. Increasing expectations relative to technology infrastructure will require attention. Actions will need to continue to reduce the institution's physical asset footprint to reposition itself to create a vibrant student environment. The university has begun construction on the $18.6 million renovation to Eastman Hall which will strengthen health services to students and expand health related academic experiential learning opportunities.

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, AS 205
St. Cloud, MN 56301-4498

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ST. CLOUD STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2018 AND 2017
(IN THOUSANDS)

	2018	Restated 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 70,467	$ 58,289
Investments	2,315	2,317
Grants receivable	1,652	1,026
Accounts receivable, net	5,638	7,111
Prepaid expense	3,200	3,262
Inventory and other assets	163	197
Student loans, net	825	1,000
Total current assets	84,260	73,202
Current Restricted Cash and Cash Equivalents	9,332	7,488
Noncurrent Restricted Assets		
Construction in progress	4,997	801
Total noncurrent restricted assets	4,997	801
Total restricted assets	14,329	8,289
Noncurrent Assets		
Student loans, net	5,089	4,916
Capital assets, net	220,395	235,813
Total noncurrent assets	225,484	240,729
Total Assets	324,073	322,220
Deferred Outflows of Resources	77,902	111,000
Total Assets and Deferred Outflows of Resources	401,975	433,220
Liabilities		
Current Liabilities		
Salaries and benefits payable	13,506	12,846
Accounts payable	4,144	3,445
Unearned revenue	8,695	8,590
Payable from restricted assets	1,865	81
Funds held for others	574	570
Current portion of long-term obligations	9,084	8,420
Other compensation benefits	2,141	2,109
Total current liabilities	40,009	36,061
Noncurrent Liabilities		
Noncurrent portion of long-term obligations	63,742	71,843
Other compensation benefits	20,069	19,689
Net pension liability	105,815	162,258
Total noncurrent liabilities	189,626	253,790
Total Liabilities	229,635	289,851
Deferred Inflows of Resources	49,032	10,932
Total Liabilities and Deferred Inflows of Resources	278,667	300,783
Net Position		
Net investment in capital assets	155,832	160,051
Restricted expendable, bond covenants	8,131	8,350
Restricted expendable, other	10,250	9,441
Unrestricted	(50,905)	(45,405)
Total Net Position	$ 123,308	$ 132,437

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017
(IN THOUSANDS)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 544	$ 113
Investments	39,933	38,108
Restricted cash and cash equivalents	1,029	1,022
Pledges and contributions receivable	580	417
Other receivables	125	151
Accrued investment/Interest income	34	38
Finance lease receivable from university	950	945
Total current assets	43,195	40,794
Noncurrent Assets		
Long-term pledges receivable	1,144	658
Finance lease receivable, net	2,988	3,938
Annuities/Remainder interests/Trusts	336	330
Property and equipment, net	199	208
Total noncurrent assets	4,667	5,134
Total Assets	$ 47,862	$ 45,928
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 344	$ 92
Interest payable	34	38
Annuities payable	46	46
Bonds payable	950	945
Funds held for others	95	996
Total current liabilities	1,469	2,117
Noncurrent Liabilities		
Annuities payable	271	275
Bonds payable	4,352	5,372
Total noncurrent liabilities	4,623	5,647
Total Liabilities	6,092	7,764
Net Assets		
Unrestricted	3,060	2,645
Temporarily restricted	19,000	16,101
Permanently restricted	19,710	19,418
Total Net Assets	41,770	38,164
Total Liabilities and Net Assets	$ 47,862	$ 45,928

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, 2018 AND 2017
(IN THOUSANDS)

	2018	Restated 2017
Operating Revenues		
Tuition, net	$ 57,746	$ 58,529
Fees, net	8,760	8,912
Sales, net	12,723	14,255
Restricted student payments, net	17,995	19,530
Other income	2,238	2,684
Total operating revenues	99,462	103,910
Operating Expenses		
Salaries and benefits	146,971	157,801
Purchased services	23,004	21,520
Supplies	7,270	6,609
Repairs and maintenance	1,928	1,864
Depreciation	17,375	16,847
Financial aid, net	3,995	3,535
Other expense	8,490	8,458
Total operating expenses	209,033	216,634
Operating loss	(109,571)	(112,724)
Nonoperating Revenues (Expenses)		
Appropriations	66,161	62,979
Federal grants	19,540	19,060
State grants	10,073	9,642
Private grants	4,412	2,735
Interest income	947	607
Interest expense	(3,281)	(3,353)
Grants to other organizations	(317)	(832)
Total nonoperating revenues (expenses)	97,535	90,838
Loss Before Other Revenues, Expenses, Gains, or Losses	(12,036)	(21,886)
Capital appropriations	2,816	1,751
Donated assets and supplies	80	-
Gain on disposal of capital assets	11	6
Change in net position	(9,129)	(20,129)
Total Net Position, Beginning of Year	132,437	153,954
Cumulative Effect of Change in Accounting Principle	-	(1,388)
Total Net Position, Beginning of Year, as Restated	132,437	152,566
Total Net Position, End of Year	$ 123,308	$ 132,437

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total
Support and Revenue				
Contributions	$ 288	$ 3,349	$ 261	$ 3,898
In-kind contributions	1,934	-	-	1,934
Investment income	297	679	6	982
Realized gains	105	1,127	9	1,241
Unrealized gains	115	1,236	10	1,361
Transfers	846	(852)	6	-
Net assets released from restrictions	2,640	(2,640)		-
Total support and revenue	6,225	2,899	292	9,416
Expenses				
Program services				
Program services	447	-	-	447
Scholarships	2,820	-	-	2,820
Total program services	3,267	-	-	3,267
Supporting services				
Interest expense	151	-	-	151
Management and general	1,499	-	-	1,499
Fundraising	893	-	-	893
Total supporting services	2,543	-	-	2,543
Total expenses	5,810	-	-	5,810
Change in Net Assets	415	2,899	292	3,606
Net Assets, Beginning of Year	2,645	16,101	19,418	38,164
Net Assets, End of Year	$ 3,060	$ 19,000	$ 19,710	$ 41,770

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Support and Revenue				
Contributions	$ 208	$ 1,833	$ 989	$ 3,030
In-kind contributions	2,162	-	-	2,162
Investment income	348	654	6	1,008
Realized gains	55	382	3	440
Unrealized gains	319	2,192	20	2,531
Transfers	306	(89)	(217)	-
Net assets released from restrictions	2,693	(2,693)	-	-
Total support and revenue	6,091	2,279	801	9,171
Expenses				
Program services				
Program services	446	-	-	446
Scholarships	2,195	-	-	2,195
Total program services	2,641	-	-	2,641
Supporting services				
Interest expense	194	-	-	194
Management and general	1,449	-	-	1,449
Fundraising	871	-	-	871
Total supporting services	2,514	-	-	2,514
Total expenses	5,155	-	-	5,155
Change in Net Assets	936	2,279	801	4,016
Net Assets, Beginning of Year	1,709	13,822	18,617	34,148
Net Assets, End of Year	$ 2,645	$ 16,101	$ 19,418	$ 38,164

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(IN THOUSANDS)

	2018	Restated 2017
Cash Flows from Operating Activities		
Cash received from customers	$ 98,850	$ 101,896
Cash repayment of program loans	857	939
Cash paid to suppliers for goods or services	(39,972)	(40,156)
Cash payments for employees	(130,857)	(137,923)
Financial aid disbursements	(4,073)	(3,503)
Cash payments for program loans	(944)	(1,041)
Net cash flows used in operating activities	(76,139)	(79,788)
Cash Flows from Noncapital Financing Activities		
Appropriations	66,161	62,979
Federal grants	19,153	20,229
State grants	10,073	9,642
Private grants	5,152	1,839
Agency activity	4	(71)
Grants to other organizations	(317)	(832)
Net cash flows provided by noncapital financing activities	100,226	93,786
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(3,159)	(4,664)
Capital appropriation	2,816	1,751
Proceeds from sale of capital assets	73	42
Proceeds from borrowing	1,155	4
Proceeds from bond premium	226	1
Interest paid	(3,339)	(3,266)
Repayment of lease principal	(3,938)	(3,965)
Repayment of bond principal	(4,488)	(4,428)
Net cash flows used in capital and related financing activities	(10,654)	(14,525)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	1,994	964
Purchase of investments	(2,206)	(976)
Investment earnings	801	318
Net cash flows provided by investing activities	589	306
Net Increase (Decrease) In Cash and Cash Equivalents	14,022	(221)
Cash and Cash Equivalents, Beginning of Year	65,777	65,998
Cash and Cash Equivalents, End of Year	$ 79,799	$ 65,777

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(IN THOUSANDS)

	2018	Restated 2017
Operating Loss	$ (109,571)	$ (112,724)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Change in pension plan related items		
Deferred outflows of resources	33,089	(106,121)
Deferred inflows of resources	37,953	(6,671)
Net pension liability	(56,443)	133,781
Depreciation	17,375	16,847
Provision for loan defaults	10	6
Loan principal repayments	857	939
Loans issued	(944)	(1,041)
Loans forgiven	79	77
Donated and lease equipment not capitalized	157	-
Change in assets and liabilities		
Inventory and other assets	8	5
Accounts receivable	572	(1,270)
Accounts payable	885	(1,643)
Salaries and benefits payable	661	(1,322)
Other compensation benefits	595	472
Capital contributions payable	(78)	27
Unearned revenue	(1,184)	(747)
Other	(160)	(403)
Net reconciling items to be added to operating loss	33,432	32,936
Net cash flow used in operating activities	$ (76,139)	$ (79,788)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 1,936	$ 261
Capital assets acquired through a capital lease	-	661
Amortization of bond premium	314	317
Food service vendor investment	1,050	5,266

ST. CLOUD STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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 (Minnesota State), 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 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 the Minnesota State 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.

Minnesota State 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, a legally separate entity, and are also included here. 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, 30 7th St. E., Suite 350, St. Paul, Minnesota 55101-7804.

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 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 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 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 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 deposits having original maturities (remaining time to maturity at acquisition) of three months or less. Cash and cash equivalents include amounts in demand deposits with the Minnesota State Board of Investment, 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 — 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:

Asset Type	Useful Life
Buildings	35-40 years
Building improvements	5-20 years
Equipment	3-20 years
Library collections	7 years

Equipment includes all items purchased with an original cost of $10,000 and over. Buildings and building improvements 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.

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. In fiscal years 2018 and 2017, $5,230,033 and $4,836,971, respectively, was recorded for food service vendor capital improvements that will benefit the university revenues over the next several years. The amount of revenue recognized in fiscal years 2018 and 2017 was $656,938 and $428,529, respectively.

Long Term Liabilities — The state of Minnesota appropriates for and sells general obligation bonds to support construction and renovation of the Minnesota State 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 sell revenue bonds and may also enter into capital lease agreements for certain capital assets. Other long term liabilities include compensated absences, net pension liability, other postemployment benefits, early termination benefits, notes payable and capital contributions associated with Perkins Loan agreements with the United States Department of Education.

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, other postemployment benefits (OPEB), and to economic gains/losses related to revenue bond and general obligation bond refunding, which is the difference in the carrying value of the refunded debt and its reacquisition price.

The following tables summarize the university's deferred outflows and inflows:

	Deferred Outflows of Resources Year Ended June 30 (In Thousands)	
	2018	2017
Related to Pensions:		
Differences between projected and actual investment earnings	$ -	$ 7,131
Changes in actuarial assumptions	74,283	100,251
Contributions paid to pension plans subsequent to the measurement date	2,103	2,155
Differences between expected and actual experience	774	630
Changes in proportion	86	168
Total related to pensions	77,246	110,335
Related to OPEB:		
Changes in actuarial assumptions	188	225
Contributions paid to plan subsequent to measurement date	448	418
Total related to OPEB	636	643
Related to Refunding:		
Economic loss on refunding of revenue bonds	20	22
Total	$ 77,902	$ 111,000

		Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
		2018	2017
Related to Pensions:			
Differences between projected and actual investment earnings	$	1,896	$ -
Changes in actuarial assumptions		41,314	5,412
Differences between expected and actual experience		2,115	2,905
Changes in proportion		3,092	2,147
Total related to pensions		48,417	10,464
Related to OPEB:			
Changes in assumptions		178	-
Related to Refunding:			
Economic gain on refunding of general obligation bonds		437	468
Total	$	49,032	$ 10,932

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.

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.

Other Postemployment Benefits (OPEB) — For purposes of measuring the total OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. The plan is not funded. GASB Statement No. 75 has been implemented as of July 1, 2017, resulting in a restatement of the university's net position. The university recognized an increase in expense of $216,000 and $245,000, respectively, related to OPEB. This increase is comprised of OPEB expense of $664,000 and $663,000, net of reduction to expense for yearly contributions of $448,000 and $418,000 for fiscal years 2018 and 2017, respectively.

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. For the years ended June 30, 2018 and 2017, the University recognized an increase in expense of $14,599,492 and $20,989,063 respectively, related to defined benefit pensions. This increase is comprised of pension expense of $16,702,420 and $23,143,905, net of reduction to expense for yearly contributions of $2,102,928 and $2,154,842 for fiscal years 2018 and 2017, respectively.

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, allowances for uncollectible accounts, and scholarship allowances.

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:

  Debt service — legally restricted for bond debt repayment
  Donations — restricted per donor requests
  Faculty contract obligations — faculty development and travel required by contracts
  Loans — university capital contribution for Perkins loans

Net Position Restricted for Other
Year Ended June 30
(In Thousands)

	2018	2017
Debt service	$ 6,588	$ 6,451
Donations	788	282
Faculty contract obligations	2,229	2,054
Loans	645	654
Total	$ 10,250	$ 9,441

- *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. 75, *Accounting and Financial Reporting for Other Postemployment Benefits.* GASB Statement No. 75 requires the university to report the total other postemployment benefit (OPEB) liability on the statement of net position, and any deferred outflows of resources and inflows of resources related to the OPEB liability. The July 1, 2017 balance of the OPEB and related deferred outflows of resources and deferred inflows of resources is reported in the statements of revenues, expenses and changes in net position as a restatement to the beginning net position, in the amount of $1,388,000.

(In Thousands)		
Total Net Position, Beginning of Year, as Reported	$	153,954
Cumulative Effect of Change in Accounting Principle		(1,388)
Total Net Position, Beginning of Year, as Restated	$	152,566

In November, 2016 the GASB issued Statement No. 83, *Certain Assets Retirement Obligations,* which establishes accounting and financial reporting for certain asset retirement obligations. Statement No. 83 is effective for the fiscal year beginning July 1, 2018. The effect GASB Statement No. 83 will have on the fiscal year 2019 financial statements has not yet been determined.

In January, 2017 the GASB issued Statement No. 84, *Fiduciary Activities,* which establishes standards of accounting and financial reporting for fiduciary activities. Statement No. 84 is effective for the fiscal year beginning July 1, 2019. The effect GASB Statement No. 84 will have on the fiscal year 2020 financial statements has not yet been determined.

In June, 2017 the GASB issued Statement No. 87, *Leases,* which establishes accounting and financial reporting for leases by lessees and lessors. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Statement No. 87 is effective for the fiscal year beginning July 1, 2020. The effect GASB Statement No. 87 will have on the fiscal year 2021 financial statements has not yet been determined.

In April, 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* which improves consistency in the information that is disclosed in the notes related to debt, including direct borrowings and direct placements, and to provide additional information about debt. Statement No. 88 is effective for the fiscal year beginning July 1, 2019. The university has implemented GASB No. 88 in fiscal year 2018.

In June, 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires interest incurred before the end of a construction period to be recognized as an expenses in the period in which the cost is incurred, and not capitalized as part of the historic cost of a capital asset. GASB No. 89 is effective for years beginning after December 15, 2019 and is applied prospectively. The university has implemented GASB No. 89 in fiscal year 2018.

In August, 2018 the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. GASB No. 90 is effective for years beginning after December 15, 2018. The effect GASB Statement No. 90 will have on the fiscal year 2020 financial statements has not yet been determined.

Reclassifications — Certain prior year amounts have been reclassified to conform to current year presentation. These classifications had no effect on net position previously reported.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents — All balances related to the state 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	2018	2017
Cash and repurchase agreements	$ 6,102	$ 6,225
Cash in bank- Foreign currencies	89	121
Change fund	25	25
Cash, trustee account (US Bank)	3,643	3,627
Total local cash and cash equivalents	9,859	9,998
Total treasury cash accounts	69,940	55,779
Grand Total	$ 79,799	$ 65,777

At June 30, 2018 and 2017, the university's bank balances were $6,979,058 and $7,555,959, 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 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, 2018 and 2017, the university had $6,354,324 and $6,653,509, 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, 2018 and 2017, the fair value in U.S. Dollars is $89,057 and $120,543, 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 Statute, 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, the 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 Statute, 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 Statute, Section 118A.04. This statute limits investments to the top quality rating categories of a nationally recognized rating agency. At June 30, 2018 and 2017, 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.

The inputs used to measure fair value are categorized into the following three categories:

- *Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds.

- *Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

- *Level 3* – Inputs that are unobservable and significant to the fair value measurement.

The university had the following investments and maturities:

Year Ended June 30, 2018
(In Thousands)

Investment Type	Fair Value	Weighted Maturity (Years)	Level 1	Level 2	Level 3
U.S. agencies	$ 2,315	1.09	x		

Year Ended June 30, 2017
(In Thousands)

Investment Type	Fair Value	Weighted Maturity (Years)	Level 1	Level 2	Level 3
U.S. agencies	$ 2,317	1.34	x		

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals and businesses. At June 30, 2018 and 2017, the total accounts receivable balances for the university were $8,185,112 and $9,714,698, respectively, less an allowance for uncollectible receivables of $2,546,722, and $2,603,717, respectively. Analysis of historical accounts receivable collections led to a change in estimate and a significant reduction in estimated uncollectible receivables.

The following table summarizes accounts receivable:

Year Ended June 30 (In Thousands)	2018	2017
Tuition	$ 3,345	$ 3,518
Room and board	2,195	1,947
Fees	1,205	1,366
Sales and service	601	961
Due from related party	364	896
Other income	475	1,027
Total accounts receivable	8,185	9,715
Allowance for doubtful accounts	(2,547)	(2,604)
Net accounts receivable	$ 5,638	$ 7,111

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

Age	Allowance Percentage
Less than 1 year	15
1 to 3 years	45
3 to 5 years	70
Over 5 years	95

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 $2,746,097 and $2,661,835 for fiscal years 2018 and 2017, respectively. Minnesota Statute, 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 2018 and 2017 was $453,445 and $419,635, respectively, stemming from prepaid software maintenance agreements, primarily for software fees. In fiscal year 2017 there was also an additional $180,927 prepayment for equipment not yet delivered.

5. LOANS RECEIVABLE

Loans receivable balances consist primarily of loans under the Federal Perkins Loan Program. The federal government provided most of the funding for those loans. The Perkins Loan Program expired September 30, 2017. No new Perkins loan advances are permitted after June 30, 2018. Funds collected will be returned to the Department and the institution on an annual basis. The university is responsible for loan collections. As of June 30, 2018 and 2017, the loans receivable for this program totaled $6,269,499 and $6,261,473, respectively, less an allowance for uncollectible loans of $355,451 and $345,447, respectively.

6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2018 and 2017 follow:

Year Ended June 30, 2018
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 13,591	$ -	$ 148	$ -	$ 13,443
Construction in progress	2,377	4,442	5	(1,742)	5,072
Total capital assets, not depreciated	15,968	4,442	153	(1,742)	18,515
Capital assets, depreciated:					
Buildings and improvements	396,672	1,050	-	1,742	399,464
Equipment	12,782	699	96	-	13,385
Library collections	4,767	112	713	-	4,166
Total capital assets, depreciated	414,221	1,861	809	1,742	417,015
Less accumulated depreciation:					
Buildings and improvements	181,631	15,965	-	-	197,596
Equipment	8,879	815	99	-	9,595
Library collections	3,065	595	713	-	2,947
Total accumulated depreciation	193,575	17,375	812	-	210,138
Total capital assets depreciated, net	220,646	(15,514)	(3)	1,742	206,877
Total capital assets, net	$ 236,614	$ (11,072)	$ 150	$ -	$ 225,392

Year Ended June 30, 2017
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 13,591	$ -	$ -	$ -	$ 13,591
Construction in progress	4,038	2,772	-	(4,433)	2,377
Total capital assets, not depreciated	17,629	2,772	-	(4,433)	15,968
Capital assets, depreciated:					
Buildings and improvements	386,313	5,926	-	4,433	396,672
Equipment	13,708	1,122	2,048	-	12,782
Library collections	5,319	203	755	-	4,767
Total capital assets, depreciated	405,340	7,251	2,803	4,433	414,221
Less accumulated depreciation:					
Buildings and improvements	166,269	15,362	-	-	181,631
Equipment	10,152	804	2,077	-	8,879
Library collections	3,139	681	755	-	3,065
Total accumulated depreciation	179,560	16,847	2,832	-	193,575
Total capital assets, depreciated, net	225,780	(9,596)	(29)	4,433	220,646
Total capital assets, net	$ 243,409	$ (6,824)	$ (29)	$ -	$ 236,614

7. ACCOUNTS PAYABLE

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

The following table summarizes accounts payable:

Year Ended June 30
(In Thousands)

	2018	2017
Purchased services	$ 1,480	$ 834
Capital projects	71	181
Supplies	247	246
Repairs and maintenance	327	295
Employee benefits	295	74
Interest	343	363
Other	1,381	1,452
Total accounts payable	$ 4,144	$ 3,445

In addition, as of June 30, 2018 and 2017, the university also had payables from restricted assets in the amounts of $1,865,004 and $80,687, which were related to capital projects financed by general obligation bonds and revenue bond.

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 obligations for fiscal years 2018 and 2017 follow:

Year Ended June 30, 2018
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 2,470	$ 226	$ 314	$ 2,382	$ -
Capital leases	14,815	-	3,938	10,877	3,883
General obligation bonds	21,846	1,155	2,095	20,906	2,094
Revenue bonds	35,767	-	2,393	33,374	2,488
Capital contributions payable	5,365	-	78	5,287	619
Total long-term obligations	$ 80,263	$ 1,381	$ 8,818	$ 72,826	$ 9,084

Year Ended June 30, 2017
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 2,786	$ 1	$ 317	$ 2,470	$ -
Capital leases	18,119	661	3,965	14,815	3,938
General obligation bonds	24,205	4	2,363	21,846	2,089
Revenue bonds	38,111	-	2,344	35,767	2,393
Capital contributions payable	5,338	27	-	5,365	-
Total long-term obligations	$ 88,559	$ 693	$ 8,989	$ 80,263	$ 8,420

The changes in other compensation benefits for fiscal years 2018 and 2017 follow:

Year Ended June 30, 2018 (In Thousands)					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 15,528	$ 2,388	$ 1,832	$ 16,084	$ 2,039
Early termination benefits	277	102	277	102	102
Other postemployment benefits	5,993	657	626	6,024	-
Total other compensation benefits	$ 21,798	$ 3,147	$ 2,735	$ 22,210	$ 2,141

Year Ended June 30, 2017 (In Thousands)					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 15,280	$ 2,036	$ 1,788	$ 15,528	$ 1,832
Early termination benefits	298	277	298	277	277
Other postemployment benefits	5,624	888	519	5,993	-
Total other compensation benefits	$ 21,202	$ 3,201	$ 2,605	$ 21,798	$ 2,109

Bond Premium — Bonds were issued in fiscal years 2018 and 2017, resulting in premiums of $226,424 and $1,284, 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 ones that transfer 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 the Minnesota State capital projects. The interest rate on these bonds ranges from 2.0 to 5.5 percent. Minnesota State 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 Statute, 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, student union, parking ramp and other revenue-producing and related facilities at the state colleges and universities. Revenue bonds currently outstanding have interest rates between 1.0 percent and 5.3 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 18.69 percent of net revenues. The total principal and interest remaining to be paid on the revenue bonds is $43,093,273. Principal and interest paid for the current year and total customer net revenues were $3,771,471 and $20,181,128 respectively.

Capital Contributions Payable — Liabilities of $5,286,934 and $5,365,199 at June 30, 2018 and 2017, respectively, represent the amount the university would owe the federal government if it were to discontinue the Perkins loan program.

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.

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.

Net Pension Liability — The net pension liability of $105,814,986 and $162,257,628 at June 30, 2018 and 2017, respectively, 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.

Principal and interest payment schedules are provided in the following table for capital leases, general obligation bonds, and revenue bonds. Excluded from the table that follows is the unamortized bond premium of $2,382,560, which is amortized over the life of the bonds. There are no payment schedules for compensated absences, early termination benefits, other postemployment benefits, net pension liability, or capital contributions payable.

Long-Term Obligations Repayment Schedule
(In Thousands)

	Capital Leases		General Obligation Bonds		Revenue Bonds	
Fiscal Years	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 3,883	$ 1,339	$ 2,094	$ 879	$ 2,488	$ 1,284
2020	3,855	1,438	1,950	771	2,565	1,193
2021	1,589	369	1,719	693	2,655	1,096
2022	1,146	115	1,624	621	2,744	992
2023	133	39	1,560	552	2,447	890
2024-2028	271	101	7,049	1,790	9,745	3,205
2029-2033	-	-	4,187	559	9,640	1,043
2034-2038	-	-	723	46	1,090	16
Total	$ 10,877	$ 3,401	$ 20,906	$ 5,911	$ 33,374	$ 9,719

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 the number of retired faculty receiving the benefit, and the amount of future liability as of the end of fiscal years 2018 and 2017.

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 2018 and 2017, follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2018	3	$ 96
2017	5	92

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 those faculty as of the end of fiscal years 2018 and 2017 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2018	1	$ 6
2017	6	185

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description — The university provides health insurance benefits for certain retired employees under the "Minnesota State Colleges and Universities Postretirement Medical Plan", a single employer fully insured plan**,** as required by Minnesota Statutes, 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 plan. 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 the July 1, 2016 actuarial valuation, the following current and former employees were covered by benefit terms under the plan:

Active employees	1,166
Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	-
Total	1,225

Actuarial Methods and Assumptions — The total OPEB liability for the university was measured as of June 30, 2017 and the total OPEB liability was determined by an actuarial valuation as of July 1, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial assumptions:

Inflation	2.75 percent per year
Initial Medical Trend Rate	3.80 to 6.40 percent
Ultimate Medical Trend Rate	3.80 percent
Year Ultimate Trend Rate Reached	2073

Discount Rate — The discount rate used to measure the total OPEB liability at June 30, 2017 and 2016 was 3.58 and 2.85 percent, respectively. The discount rate was based on a municipal bond rate based on the 20-year Bond Buyer GO Index as of the end of the fiscal year. The plan is not funded by assets in a separate trust. Therefore, the municipal bond rate was applied to all period of projected benefit payments to determine the total OPEB liability.

Changes in Total OPEB Liability — The changes in total OPEB liability are as follows:

Changes in Total OPEB Liability
(In Thousands)

	2018	2017
Balance, Beginning of Year	$ 5,993	$ 5,624
Changes for the Year		
Service Cost	478	407
Interest	179	219
Changes in Assumptions	(207)	262
Benefit Payments	(419)	(519)
Net Changes	31	369
Balance, End of Year	$ 6,024	$ 5,993

There have been no changes in benefit terms since the previous valuation.

Changes were made in assumptions that affect the total OPEB liability since the prior valuation. The discount rate was changed from 2.85 percent to 3.58 percent.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate — The following presents the university total OPEB liability calculated using the discount rate above, as well as the total OPEB liability if it were calculated using a discount rate that is one percentage lower or one percentage higher than the current discount rate:

Sensitivity of Total OPEB Liability
to Changes in the Discount Rate
(In Thousands)

	2018		2017	
	Percent	Amount	Percent	Amount
1 Percent Lower	2.58	$ 6,307	1.85	$ 6,265
Current Discount Rate	3.58	6,024	2.85	5,993
1 Percent Higher	4.58	5,740	3.85	5,717

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates — The following presents the university total OPEB liability, calculated using the healthcare cost trend rates, as well as the total OPEB liability if it were calculated using a discount rate that is one percentage lower (5.40 percent decreasing to 2.80 percent) or one percentage higher (7.40 percent decreasing to 4.80 percent) than the current healthcare cost trend rate (6.40 percent decreasing to 3.80 percent):

Sensitivity of Total OPEB Liability
to Changes in the Health Care Trend Rate
(In Thousands)

	2018	2017
1 Percent Lower	$ 5,428	$ 5,430
Current Trend Rate	6,024	5,993
1 Percent Higher	6,718	6,648

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources — For the years ended June 30, 2018 and 2017, the university recognized an increase in benefit expense of $664,000 and $663,000 related to OPEB. At June 30, 2018 and 2017, the university reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources Year Ended June 30 (In Thousands)	
	2018	2017
Changes in actuarial assumptions	$ 188	$ 225
Contributions made subsequent to the measurement date	448	418
Total	$ 636	$ 643

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2018	2017
Changes in actuarial assumptions	$ 178	$ -

Amounts reported as deferred outflows of resources related to OPEB resulting from the university contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the total OPEB liability in the following fiscal year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(In Thousands)	
Fiscal Year	Amount
2019	$ 8
2020	8
2021	8
2022	8
2023	8
Therafter	(30)
Total	$ 10

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, 2018 and 2017, totaled $552,840 and $557,802, respectively.

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

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2019	$ 411
2020	356
2021	360
2022	183
Total	$ 1,310

Income Leases — The university has entered into several income lease agreements, primarily for building space. Lease income for the fiscal years ended June 30, 2018 and 2017, totaled $81,006 and $91,889, 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)

Fiscal Year	Amount
2019	$ 28
2020	21
2021	20
2022	20
Total	$ 89

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 St. Cloud, Housing and Redevelopment Authority to the foundation. The proceeds of the bonds were used to fund an addition to the Atwood Memorial Center and a stadium and student recreation center. Note 18 to the financial statements provides additional information.

In August 2010, the university entered into agreements with Wedum St. Cloud Housing LLC for Welcome Center space and a residence hall for a term of ten years with two successive options for five year extensions. The Welcome Center has been extended for an additional five years to August 2025, and the residence hall lease will end in August 2020.

The total cost of all capital assets acquired with capital leases and corresponding accumulated depreciation at June 30, 2018, are $47,294,712 and $31,167,111, 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)

	2018			2017		
	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 84,127	$ (26,381)	$ 57,746	$ 84,222	$ (25,693)	$ 58,529
Fees	9,978	(1,218)	8,760	10,238	(1,326)	8,912
Sales and room and board	12,804	(81)	12,723	14,343	(88)	14,255
Restricted student payments	18,777	(782)	17,995	20,430	(900)	19,530
Total	$ 125,686	$ (28,462)	$ 97,224	$ 129,233	$ (28,007)	$ 101,226

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2018
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 12,983	$ 4,261	$ 6,123	$ 138	$ 23,505
Institutional support	10,846	4,953	9,956	126	25,881
Instruction	53,740	16,677	12,052	622	83,091
Public service	651	218	1,817	7	2,693
Research	1,616	432	1,278	16	3,342
Student services	13,970	4,621	7,616	148	26,355
Auxiliary enterprises	5,699	1,489	19,225	2,224	28,637
Scholarships & fellowships	-	-	3,995	-	3,995
Add GASB 68/75 expense	-	14,815	-	-	14,815
Less interest expense	-	-	-	(3,281)	(3,281)
Total operating expenses	$ 99,505	$ 47,466	$ 62,062	$ -	$ 209,033

Year Ended June 30, 2017
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 13,777	$ 4,256	$ 5,863	$ 135	$ 24,031
Institutional support	10,920	4,912	8,770	117	24,719
Instruction	56,327	17,055	11,492	550	85,424
Public service	1,180	264	1,889	49	3,382
Research	1,473	382	1,271	14	3,140
Student services	14,024	4,501	7,630	311	26,466
Auxiliary enterprises	5,999	1,496	18,383	2,177	28,055
Scholarships & fellowships	-	-	3,535	-	3,535
Add GASB 68/75 expense	-	21,235	-	-	21,235
Less interest expense	-	-	-	(3,353)	(3,353)
Total operating expenses	$ 103,700	$ 54,101	$ 58,833	$ -	$ 216,634

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 2.00 percent each year. When the fund reaches a 90 percent funded status for two consecutive years, annuitants will receive a 2.50 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 1.20 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.70 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 1.70 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Contributions — Minnesota Statute Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.50 percent of their annual covered salary in fiscal years 2018 and 2017. The university's contributions to the General Plan for the fiscal years ending June 30, 2018 and 2017 were $1,294,071 and $1,304,341, respectively. 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, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases for the June 30, 2017 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. Salary increases for the June 30, 2016 valuation were equal to prior year administrative expenses expressed as a percentage of prior year projected payroll. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 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 per annum.

Actuarial assumptions used in the June 30, 2017 and 2016, valuation were based on the results of actuarial experience studies dated July 30, 2015, for the period July 1, 2008, through June 30, 2014, reviews of inflation and investment return assumptions, dated September 11, 2014 and September 11, 2017, and a recent liability study obtained by SBI.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.50 percent. The rate was determined using a building-block method. The selection of the rate was determined by looking at the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI). During fiscal year 2016, the SBI hired an outside consultant to perform a thorough asset and liability study. Based on the study the asset allocation was updated. 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 Allocation Percentage	Long-Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic equities	39	5.10
International equities	19	5.00
Dometic Bonds	20	0.75
Private markets	20	5.90
Cash	2	0.00
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2017 and 2016, was 5.42 percent and 4.17 percent, respectively.

As of June 30, 2017, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan fiduciary net position as of June 30, 2017 and future contributions were sufficient to finance the benefit payments through 2049. As a result, the long-term expected rate of return on pension plan assets was applied to projected benefit payments through 2049, and the municipal bond rate was applied to all benefit payments after the point of asset depletion. The discount rate at June 30, 2017 was based on the expected rate of return on pension plan investments of 7.50 percent and the long-term municipal bond rate of 3.56 percent (Fidelity Index's 20 - Year Municipal GO AA Index), resulting in a single discount rate of 5.42 percent.

As of June 30, 2016, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan fiduciary net position as of June 30, 2016 and future contributions were sufficient to finance the benefit payments through 2042. As a result, the long-term expected rate of return on pension plan assets was applied to projected benefit payments through 2042, and the municipal bond rate was applied to all benefit payments after the point of asset depletion. The discount rate at June 30, 2016 was based on the expected rate of return on pension plan investments of 7.50 percent and a municipal bond rate of 2.85 percent, resulting in a single discount rate of 4.17 percent.

Net Pension Liability — At June 30, 2018 and 2017, the university reported a liability of $65,327,879 and $113,563,641, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The university's proportion of the net pension liability was based on the employer contributions received by MSRS during the measurement periods July 1, 2016 through June 30, 2017 and July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2018 and 2017, the university's proportion was 0.88 percent.

Changes were made to plan provisions since the prior measurement date. Actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

Changes were made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The Combined Service Annuity loads were revised. The single discount rate was changed from 4.17 percent to 5.42 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 is one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net Pension Liability at Current Single Discount Rate (In Thousands)

	2018		2017	
	Percent	Amount	Percent	Amount
1 Percent Lower	4.42	$ 91,532	3.17	$ 149,728
Current Discount Rate	5.42	65,328	4.17	113,564
1 Percent Higher	6.42	43,915	5.17	84,488

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.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions — For the years ended June 30, 2018 and 2017, the university recognized an increase in pension expense of $10,056,896 and $16,370,780 respectively, related to pensions.

At June 30, 2018 and 2017, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Year Ended June 30 (In Thousands)	
	2018	2017
Differences between projected and actual investment earnings	$ -	$ 4,997
Changes in actuarial assumptions	52,373	72,623
Contributions paid to MSRS subsequent to the measurement date	1,294	1,304
Differences between expected and actual economic experience	462	156
Changes in proportion	77	154
Total	$ 54,206	$ 79,234

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2018	2017
Differences between projected and actual investment earnings	$ 1,569	$ -
Changes in actuarial assumptions	35,654	5,412
Differences between expected and actual economic experience	1,815	2,872
Changes in proportion	1,739	524
Total	$ 40,777	$ 8,808

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 following fiscal year. 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
2019	$	4,335
2020		8,789
2021		9,007
2022		(9,996)
Total	$	12,135

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 Minnesota State 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.

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 1	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.
- 3.0 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 Statute 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 11.0 percent and 7.50 percent, respectively, of their annual covered salary in fiscal years 2018 and 2017. In fiscal years 2018 and 2017, the employer was required to contribute 11.50 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members. Minnesota State contributions to the TRA for the fiscal years ended June 30, 2018 and 2017, were $788,640 and $830,580, respectively. 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, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2017	June 30, 2016
Inflation	2.50 percent per year	2.75 percent per year
Active member payroll growth	3.00 percent per year	3.50 percent per year
Investment rate of return	7.50 percent	8.00 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 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.

Actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of actuarial experience studies dated June 5, 2015 that covered the six-year period beginning July 1, 2008 and ending June 30, 2014.

The long-term expected rate of return on pension plan investments is 7.50 percent. An experience study of the economic assumptions prepared in 2017 recommended that the long-term rate of return be reduced to 7.50 percent from 8.00 percent. The review considered long-term historical data, estimates inherent in current market date, and an analysis in which best estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) were developed using assumptions for each major asset class, as well as estimates of variability and correlations, provided by the Minnesota State Board of Investment (SBI). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage then adding expected inflation.

The target asset allocation and best estimates of geometric rates of return for each major asset class, as provided by the SBI are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic equities	39	5.10
International equities	19	5.00
Domestic bonds	20	0.75
Private markets	20	5.90
Cash	2	0.00
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2017 and 2016, was 5.12 percent and 4.66 percent, respectively. As of June 30, 2017 and 2016, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan fiduciary net position as of June 30, 2017 and 2016 and future contributions were sufficient to finance the benefit payments through 2053 and 2052, respectively. As a result, the long-term expected rate of return on pension plan assets was applied to projected benefit payments through 2053 and 2052, respectively, and the municipal bond rate was applied to all benefit payments after the point of asset depletion.

The discount rate at June 30, 2017 and 2016 was based on the expected rate of return on pension plan investments of 7.50 and 8.00 percent, respectively, and the municipal bond index rate of 3.56 and 3.01 percent, respectively. The municipal bond index rate used is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate, formerly published monthly by the Board of Governors of the Federal Reserve System, resulting in a single discount rate of 5.12 percent and 4.66 percent, respectively.

Net Pension Liability — At June 30, 2018 and 2017, the university reported a liability of $40,203,093 and $48,301,082, respectively, for its proportionate share of TRF net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The university's proportion of the net pension liability was based on the employer contributions received by TRF during the measurement period July 1, 2016 through June 30, 2017 and July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of TRF's participating employers. At June 30, 2018 and 2017, the university's proportion was 0.20 percent.

There were no changes in the benefit terms since the prior measurement date.

Changes were made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The discount rate was changed from 4.66 percent to 5.12 percent. The investment return assumption was changed from 8.00 percent to 7.50 percent. The cost of living adjustment was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years. The assumptions for inflation, payroll growth, general wage growth and salary increases were all adjusted.

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 is one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net Pension Liability at Current Single Discount Rate (In Thousands)

	2018		2017	
	Percent	Amount	Percent	Amount
1 Percent Lower	4.12	$ 53,060	3.66	$ 62,224
Current Discount Rate	5.12	40,203	4.66	48,301
1 Percent Higher	6.12	29,725	5.66	36,961

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.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions — For the years ended June 30, 2018 and 2017, the university's recognized pension expense of $6,636,611 and $6,752,435, respectively, related to pensions. At June 30, 2018 and 2017, the university's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources Year Ended June 30 (In Thousands)

	2018	2017
Differences between projected and actual investment earnings	$ -	$ 2,090
Changes in actuarial assumptions	21,863	27,543
Contributions paid to TRA subsequent to the measurement date	789	831
Differences between expected and actual economic experience	303	473
Changes in proportion	9	14
Total	$ 22,964	$ 30,951

Deferred Inflows of Resources Year Ended June 30 (In Thousands)

	2018	2017
Differences between projected and actual investment earnings	$ 315	$ -
Changes in actuarial assumptions	5,632	-
Differences between expected and actual economic experience	282	1
Changes in proportion	1,305	1,573
Total	$ 7,534	$ 1,574

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 following fiscal year. 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
2019	$	3,844
2020		4,538
2021		4,078
2022		3,380
2023		(1,199)
Total	$	14,641

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 2.50 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1.00 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 2.20 percent of average salary for each of the first ten years of service and 2.70 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years and 1.70 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.70 percent of average salary for Basic Plan members and 1.70 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 Statute Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar years 2018 and 2017. In calendar years 2018 and 2017, the employer was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members. University contributions to the GERF for the plan's fiscal years ended June 30, 2018 and 2017 were $20,217 and $19,921, respectively. 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, 2017 and 2016, actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases for the June 30, 2017 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. Salary increases for the June 30, 2016 valuation were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2017 and 2016, valuation were based on the results of actuarial experience studies dated June 30, 2015, for the period July 1, 2008, through June 30, 2014, reviews of inflation and investment return assumptions, dated September 11, 2014 and September 11, 2017, and a recent asset liability study obtained by SBI.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.50 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. The best-estimate ranges were developed in a 2014 and 2017 economic assumption review using capital market assumptions from SBI and eight additional investment consultants. 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 and then adding expected inflation.

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 Allocation Percentage	Long-Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic stocks	39	5.10
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2017 and 2016 was 7.50 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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, 2018 and 2017, the university reported a liability of $284,014 and $392,905, respectively, for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The proportion of the net pension liability was based on the university's contributions received by PERA during the measurement periods for employer payroll paid dates from July 1, 2016 through June 30, 2017 and July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 and 2017, the university's proportion was 0.0044 and 0.0047 percent, respectively.

There were no changes in the benefit terms since the prior measurement date.

Changes were made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The Combined Service Annuity loads were revised. The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year 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 is one percentage point lower or one percentage point higher than the current discount rate:

Sensitity of Net Pension Liability at Current Single Discount Rate (In Thousands)

	2018		2017	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.50	$ 441	6.50	$ 558
Current Discount Rate	7.50	284	7.50	393
1 Percent Higher	8.50	156	8.50	257

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.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions — For the years ended June 30, 2018 and 2017, the university recognized pension expense of $8,913 and $20,690 related to pensions. At June 30, 2018 and 2017, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Year Ended June 30 (In Thousands)	
	2018	2017
Differences between projected and actual investment earnings	$ -	$ 44
Changes in actuarial assumptions	47	85
Contributions paid to PERA subsequent to the measurement date	20	20
Differences between expected and actual economic experience	9	1
Total	$ 76	$ 150

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2018	2017
Differences between projected and actual investment earnings	$ 12	$ -
Changes in actuarial assumptions	28	-
Differences between expected and actual economic experience	18	32
Changes in proportion	48	50
Total	$ 106	$ 82

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 following fiscal year. 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
2019	$	(28)
2020		1
2021		(11)
2022		(12)
Total	$	(50)

Minnesota State Defined Contribution Retirement Fund

General Information — The Minnesota State 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 unclassified employees. An unclassified employee is one who belongs to Minnesota State 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 6.0 percent and 4.5 percent, respectively. The contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Required contributions for St. Cloud State University were:

(In Thousands)				
Fiscal Year		Employer		Employee
2018	$	3,245	$	2,434
2017		3,416		2,562
2016		3,411		2,558

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 5.0 percent of eligible compensation up to a defined maximum annual contribution as specified in the following table.

Member Group	Eligible Compensation	Maximum Annual Contributions
Administrators	$ 6,000 to 60,000	$ 2,700
Inter Faculty Organization	6,000 to 51,000	2,250
Middle Management Association Unclassified	6,000 to 40,000	1,700
Minnesota Association of Professional Employees Unclassified	6,000 to 40,000	1,700
Minnesota State College and Faculty Association	6,000 to 56,000	2,700
Minnesota State University Association of Administrative & Service Faculty	6,000 to 50,000	2,200
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
2018	$ 1,456
2017	1,528
2016	1,500

Voluntary Retirement Savings Plans

Minnesota State 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, 2018, the plan has 540 participants.

In addition, to the state's Deferred Compensation program, Minnesota State 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, 2018, the plan has 438 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 issues revenue bonds to finance St. Cloud State University residence halls and student union.

Summary financial information for the fiscal years ended June 30, 2018 and 2017 follows:

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

	2018	Restated 2017
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 13,784	$ 13,260
Restricted assets	7,467	7,409
Noncurrent assets	66,158	70,115
Total assets	87,409	90,784
Deferred Outflows of Resources	3,901	5,562
Total assets and deferred outflows of resources	91,310	96,346
Liabilities		
Current liabilities	9,294	8,817
Noncurrent liabilities	39,335	45,145
Total liabilities	48,629	53,962
Deferred Inflows of Resources	2,426	523
Total liabilities and deferred inflows of resources	51,055	54,485
Net Position		
Net investment in capital assets	28,282	29,775
Restricted	11,973	12,084
Total net position	$ 40,255	$ 41,859
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 20,181	$ 21,677
Other operating expenses	(21,282)	(21,624)
Net operating income (loss)	(1,101)	53
Nonoperating revenues (expenses)	(977)	(1,179)
Capital contributions	474	-
Loss on disposal of capital assets	-	(5)
Change in net position	(1,604)	(1,131)
Total net position, beginning of year, as reported	41,859	43,047
Cumulative effect of change in accounting principle	-	(57)
Total net position, beginning of year, as restated	41,859	42,990
Total net position, end of year	$ 40,255	$ 41,859
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in)		
Operating activities	$ 3,785	$ 4,774
Capital and related financing activities	(3,742)	(5,411)
Investing activities	286	223
Net increase (decrease) in cash and cash equivalents	329	(414)
Cash and cash equivalents, beginning of year	19,096	19,510
Cash and cash equivalents, end of year	$ 19,425	$ 19,096

16. COMMITMENTS AND CONTINGENCIES

General obligation bond funding of $19,437,000 has been approved for the renovation of Eastman Hall. Construction began in October 2017 with completion expected in the spring of 2019. The university has spent $4,997,000 as of June 30, 2018 on this project.

The university has entered into operating agreements with Wedum St. Cloud Housing LLC and also with the St. Cloud State University Foundation, Inc. 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.

A group of female student athletes initiated a lawsuit against St. Cloud State University after it decided to eliminate certain sports programs in March 2016. Trial is scheduled to commence on November 26, 2018. St. Cloud State University is vigorously contesting the case. If the matter is not resolved before trial, the federal district court could issue a permanent injunction, which may cause St. Cloud State University to incur substantial costs, and order St. Cloud State University to pay Plaintiffs' attorneys' fees.

17. RISK MANAGEMENT

Minnesota State 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 manages 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 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 Type	Amount
Property and contents institution deductible	$1,000 to $250,000
Property and contents fund responsibility	$1,000,000
Propery and contents primary re-insurer coverage	$1,000,001 to $1,250,000,000
Third party bodily injury and property damage per person	$500,000
Third party bodily injury and property damage per occurrence	$1,500,000

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 participates 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 pays the cost of claims through the state Workers' Compensation Fund. A Minnesota State 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. Annual premiums for the university for fiscal years 2018 and 2017 were $380,379 and $442,264, respectively.

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 foundation 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 $1,620,775 and $1,669,208, respectively, for fiscal years 2018 and 2017.

An additional estimated $1,665,476 and $883,851, respectively, is included in the university's revenues and the foundation's expenditures in fiscal years 2018 and 2017, as a result of planned transfers of foundation funds to the university, whereby actual subsequent purchases are made from university accounts.

The foundation expended $3,266,811 and $2,641,327, respectively, toward university educational program purposes during fiscal years 2018 and 2017. Of these amounts, approximately $1,184,349 and $902,293 respectively went to support student scholarships, talent grants, and other awards during fiscal years 2018 and 2017. The foundation's total assets increased $1,932,493 in fiscal year 2018 after having increased $2,700,991 in fiscal year 2017.

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.

The inputs used to measure fair value are categorized into the following three categories:

- *Level 1* — Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds.
- *Level 2* — Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- *Level 3* — Inputs that are unobservable and significant to the fair value measurement.

Schedule of Investments
As of June 30
(In Thousands)

	2018	Fair Value Measurements Using Level 1	Level 2	Level 3
Money market	$ 684	$ 684	$ -	$ -
Mutual funds	13,567	13,567	-	-
Equity securities	13,080	13,080	-	-
Bonds/U.S treasuries	12,595	-	12,595	-
Other	7	-	7	-
Total	$ 39,933	$ 27,331	$ 12,602	$ -

Schedule of Investments
As of June 30
(In Thousands)

	2017	Fair Value Measurements Using Level 1	Level 2	Level 3
Money market	$ 1,158	$ 1,158	$ -	$ -
Mutual funds	13,935	13,935	-	-
Equity securities	12,428	12,428	-	-
Bonds/U.S treasuries	10,582	-	10,582	-
Other	5	-	5	-
Total	$ 38,108	$ 27,521	$ 10,587	$ -

Capital Assets — Summaries of the foundation’s capital assets for fiscal years 2018 and 2017 are:

Schedule of Capital Assets
As of June 30
(In Thousands)

	2018	2017
Capital assets, not depreciated		
Land	$ 175	$ 175
Total capital assets, not depreciated	175	175
Capital assets, depreciated:		
Equipment	278	278
Leasehold improvements	107	107
Total capital assets, depreciated	385	385
Total accumulated depreciation	(361)	(352)
Total capital assets depreciated, net	24	33
Total capital assets, net	$ 199	$ 208

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, $4,960,000 is outstanding as of June 30, 2018.

A principal payment schedule is provided in the following table for the revenue bonds payable. Excluded from the table below is the unamortized bond premium of $475,859, which is amortized over the life of the bonds. Also excluded from the table below is $134,154, which is unamortized debt issuance costs.

Year Ended June 30
(In Thousands)

Fiscal Year	Bonds Payable
2019	$ 950
2020	980
2021	1,000
2022	1,010
2023	1,020
Total	$ 4,960

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, 2018 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2018
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 67	$ 8,702	$ 19,418	$ 28,187
Change in value of trusts	6	2,377	24	2,407
Contributions	11	558	279	848
Investment income	2	666	1	669
Amounts appropriated for expenditures	(5)	(1,963)	(19)	(1,987)
Other transfers	-	26	7	33
Net assets, end of year	$ 81	$ 10,366	$ 19,710	$ 30,157

Changes in endowment net assets as of June 30, 2017 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2017
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ (130)	$ 6,208	$ 18,617	$ 24,695
Change in value of trusts	21	2,553	34	2,608
Contributions	2	671	992	1,665
Investment income (loss)	6	673	(5)	674
Amounts appropriated for expenditures	(7)	(1,439)	(3)	(1,449)
Other transfers	175	36	(217)	(6)
Net assets, end of year	$ 67	$ 8,702	$ 19,418	$ 28,187

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

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ST. CLOUD STATE UNIVERSITY
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Schedule of Changes in Total OPEB Liability
(In Thousands)

		2018		2017
Balance, Beginning of Year	$	5,993	$	5,624
Changes for the Year				
Service Cost		478		407
Interest		179		219
Changes in Assumptions		(207)		262
Benefit Payments		(419)		(519)
Net Changes		31		369
Balance, End of Year	$	6,024	$	5,993
Covered-Employee Payroll	$	94,851	$	94,806
Total OPEB Liability as a Percentage of Covered-Employee Payroll		6.35		6.32

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 YEARS ENDED JUNE 30, 2018 and 2017

There have been no changes in benefit terms since the previous valuation.

Changes were made in assumptions that affect the total OPEB liability since the prior valuation. They are summarized as follows:

- The discount rate was changed from 2.85 percent to 3.58 percent.

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
June 30, 2015	0.93	14,342	25,214	56.88	88.32
June 30, 2016	0.88	113,564	24,294	467.45	47.51
June 30, 2017	0.88	65,328	23,715	275.47	62.73

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2015	$ 1,387	$ 1,387	$ —	$ 25,214	5.50
June 30, 2016	1,336	1,336	—	24,294	5.50
June 30, 2017	1,304	1,304	—	23,715	5.50
June 30, 2018	1,294	1,294	—	23,529	5.50

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 YEARS ENDED JUNE 30, 2018 and 2017

Changes were made to plan provisions since the prior actuarial valuation. They are summarized as follows:

- Actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

There were changes in actuarial assumptions that affected the measurement of the total pension liability since the prior actuarial valuation. They are summarized as follows:

- The Combined Service Annuity loads were revised.
- The discount rate was changed from 4.17 percent to 5.42 percent.

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
June 30, 2015	0.22	13,844	11,365	121.82	76.77
June 30, 2016	0.20	48,301	10,567	457.08	44.88
June 30, 2017	0.20	40,203	11,074	363.03	51.57

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By TRA	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2015	$ 852	$ 852	$ —	$ 11,365	7.50
June 30, 2016	792	792	—	10,567	7.50
June 30, 2017	831	831	—	11,074	7.50
June 30, 2018	788	788	—	10,515	7.50

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 YEARS ENDED JUNE 30, 2018 and 2017

There have been no changes in plan provisions since the prior actuarial valuation.

There were changes in actuarial assumptions that affected the measurement of the total pension liability since the prior actuarial valuation. They are summarized as follows:

- The discount rate was changed from 4.66 percent to 5.12 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The cost of living adjustment was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- The assumptions for inflation, payroll growth, general wage growth and salary increases were all adjusted.

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	$ 343	89.48	78.75
June 30, 2015	0.0056	291	315	92.30	78.19
June 30, 2016	0.0044	393	308	127.73	68.91
June 30, 2017	0.0047	284	266	106.93	75.90

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By PERA	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2015	$ 24	$ 24	$ —	$ 315	7.50
June 30, 2016	23	23	—	308	7.50
June 30, 2017	20	20	—	266	7.50
June 30, 2018	20	20	—	270	7.50

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 YEARS ENDED JUNE 30, 2018 and 2017

There have been no changes in plan provisions since the prior actuarial valuation.

There were changes in actuarial assumptions that affected the measurement of the total pension liability since the prior actuarial valuation. They are summarized as follows:

- The Combined Service Annuity loads were revised.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

SUPPLEMENTARY SECTION

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

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 the business-type activities and the aggregate discretely presented component unit of St. Cloud State University (the University), a university of Minnesota State Colleges and Universities, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise St. Cloud State University's basic financial statements, and have issued our report thereon dated November 13, 2018. The financial statements of the St. 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 St. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2018

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