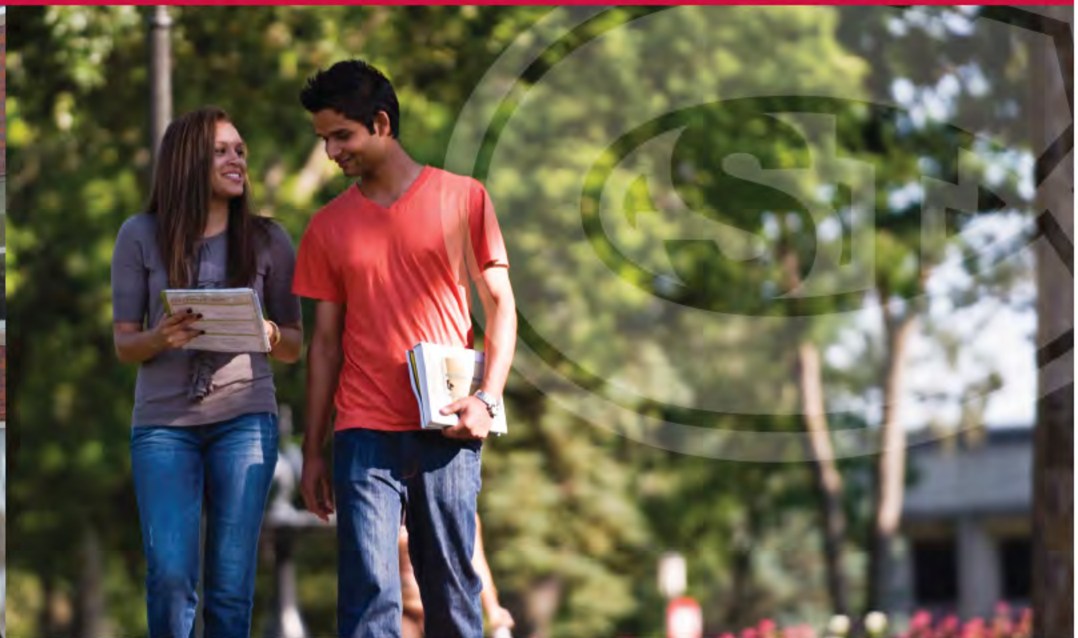
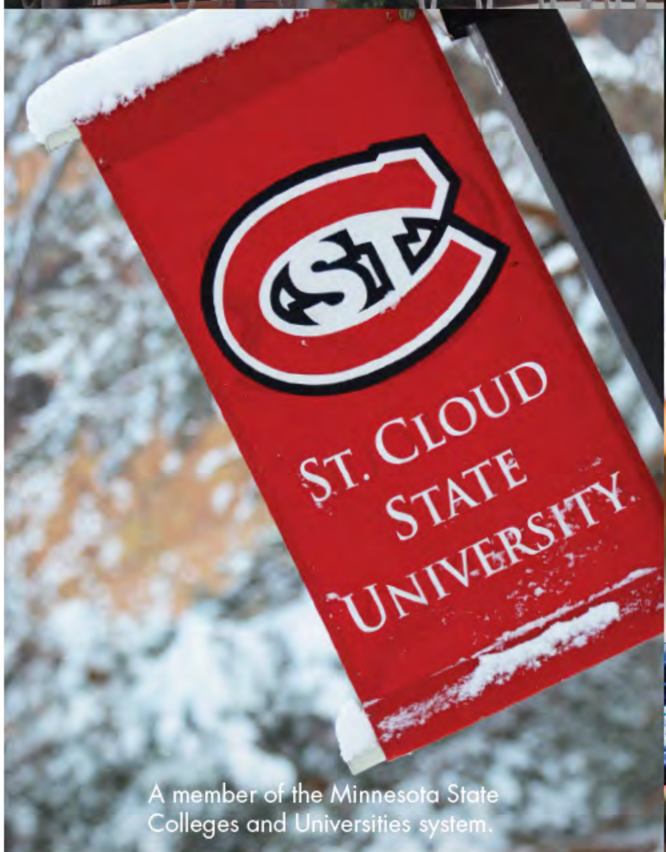
ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

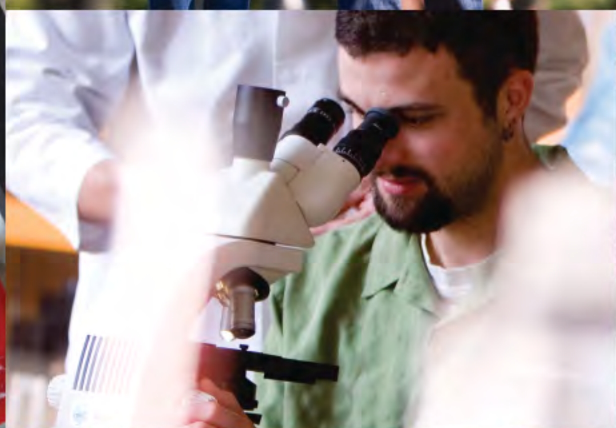
ST. CLOUD STATE UNIVERSITY

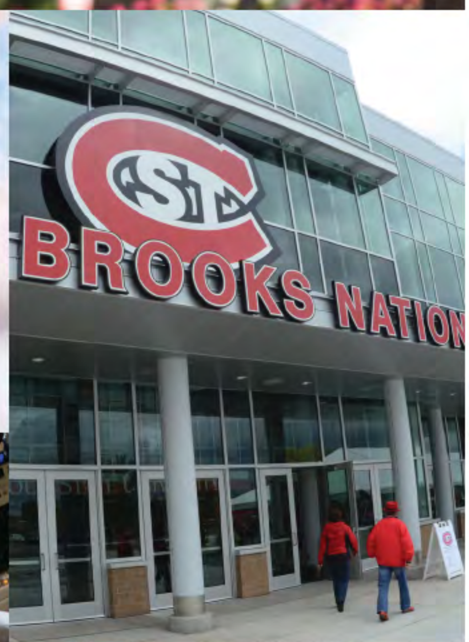
EDUCATION FOR LIFE.

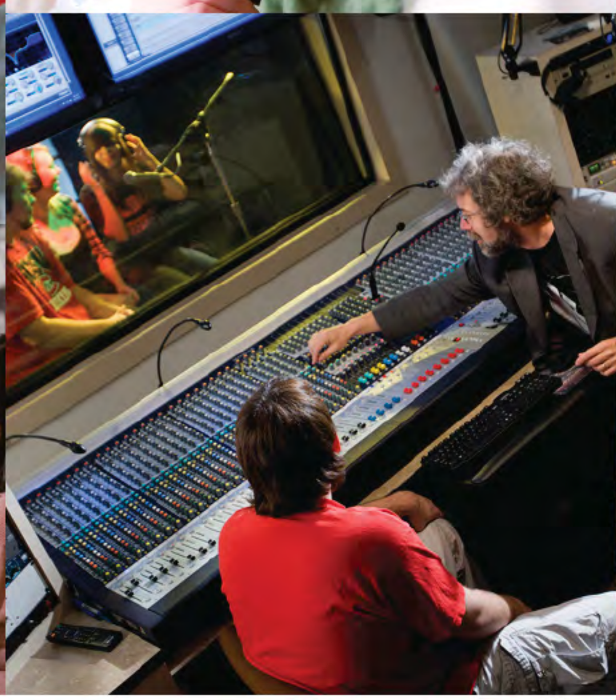


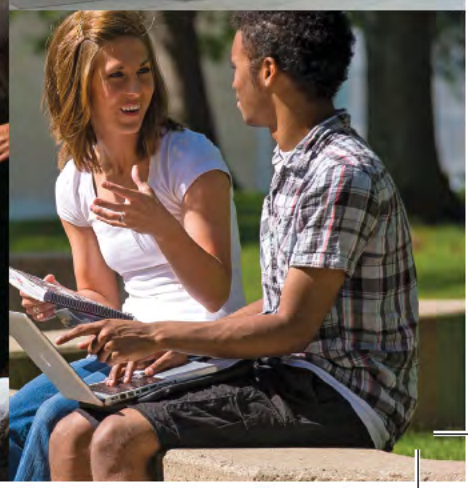


A member of the Minnesota State Colleges and Universities system.









ST. CLOUD STATE UNIVERSITY

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

Prepared by:

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

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ST. CLOUD STATE UNIVERSITY

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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INTRODUCTION

ST. CLOUD STATE UNIVERSITY

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

November 15, 2013

Steven J. Rosenstone, Chancellor
30 East Seventh Street, Suite 350
St. Paul, MN 55101

Dear Chancellor Rosenstone:

I am pleased to submit to you the audited financial statements for St. Cloud State University for the fiscal year ending June 30, 2013. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of our financial activities for the year. The financial statements are presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

St. Cloud State University is one of 31 colleges and universities in the Minnesota State Colleges and Universities (MnSCU) system. The University is governed by a Board of Trustees, which is comprised of community and business leaders and students appointed by the Governor. The System is led by a Chancellor, appointed by the Board of Trustees, who in turn appoints a president to oversee the operations of each of the seven MnSCU universities.

The mission of St. Cloud State University is to prepare our graduates for life, work and citizenship in the 21st Century. In fiscal year 2013, the University served 16,245 students through our credit-based instruction with a full year equivalent of 13,053. In 2013 the University hosted 1,002 international students from 86 countries and sent University students to 33 education-abroad programs in 18 countries.

Our first-ever Veteran's Resource Center director, Monique Coleman, is applying her wealth of experience in veterans' support services to this new position. Among the more than 10,000 student veterans in MnSCU colleges and universities, well over 700 are at St. Cloud State, and the members of this valued student group and their families deserve not only our respect for their service, but our support and guidance as they make this often-challenging transition. St. Cloud State has consistently been among the 20 percent of the 8,000 U.S. colleges, universities and trade schools to be included in G.I. Jobs magazine's annual Military Friendly Schools list. The designation was created to help guide veterans in their choice of an institution that has benefits, services and programs, services and organizations that offer active and veteran military a good educational value and a welcoming environment in which to prepare for a successful civilian life.

During fiscal year 2013 the University continued to strengthen its reorganized academic and service units to ensure that learning commitments are met and students are offered an accessible, relevant and global education that readies them to succeed in their workplace and their communities. Plans were unveiled to incorporate a new organizational structure for enrollment management to integrate the work of recruitment of students with financial aid and student success offices. The University also invested $4.8 million in broadcasting upgrades to enhance its journalism, production and strategic communications offerings, expand student learning opportunities and improve brand promotion. St. Cloud State continued increasing its ability to prepare graduates for life in a multicultural, global community and received two major national awards for these efforts – the Simon Award for Comprehensive Internationalization and the Heiskel Award for its innovative partnership with Universidad de Concepcion in Chile.

These next few examples demonstrate why we are very proud of the accomplishments of our students. One of the most high-profile honorees during fiscal 2013 was Drew LeBlanc, St. Cloud State's first recipient of the Hobey Baker Award and winner of several top academic and player honors. At a gathering of 300 students a Guinness World Record was set for the most people howling – a spirit event with a nod to the Husky mascot. St. Cloud State and eight of its students earned two gold ADDY Awards at the Central Minnesota ADDY Awards ceremony for television video commercials that use the tagline "You'll think. You'll do. You'll make a difference at St. Cloud State University. Education for Life." Mass Communications students working with UTVS, University Chronicle and KVSC continued to rack up dozens of media awards for writing and production. An Associated Press Best of Show went to Amelia Rowland's coverage of former President Bill Clinton's visit to campus.

St. Cloud State University employees understand that they must be good stewards of its resources, including facilities. The University continued its programs of comprehensive planning and capital investment. The University completed construction for the Integrated Science and Engineering Laboratory Facility with a completion date of August 22, 2013. The facility will be integral to the implementation of the goals of the academic reorganization. Also, construction was recently completed on the $17.7 million addition and renovation of the Herb Brooks National Hockey Center, which coordinates with the University joining the newly created National Collegiate Hockey Conference (NCHC) for the 2013-2014 hockey season.

This past year, St. Cloud State University's Foundation experienced positive growth. Donors contributed almost $5.5 million for scholarships, program support, capital projects and unrestricted purposes. Net investment resulted in a gain of approximately 11.8%. The annual faculty and staff fundraising campaign raised more than $202,000.

The financial statements, which were audited by the firm of Kern, DeWenter, Viere, Ltd., contains statements of net position, a statements of revenue, expense and changes in net position and statements of cash flows. The University ended fiscal year 2013 with total net position of $216.4 million, an increase of $18 million. For a summary review and explanation of the financial statements please review the Management's Discussion and Analysis section of this report.

The faculty and staff roster is comprised of approximately 1,600 full and part-time employees. Organized bargaining units represent the majority of employees. All bargaining units are statewide, and all negotiations happen at the state level, either through the system office within Minnesota State Colleges and Universities, or through Minnesota Management & Budget. St. Cloud State University is managing the renewal and transformation of its workforce to address new needs and challenges. Many employees are nearing retirement age; in the next several years, turnover will increase and the opportunities to reshape our workforce will be significant. At the same time we will continue to rethink the way we work in order to protect our ability to meet Minnesota's future needs. The partnership with our bargaining units to design and implement essential changes to assure our future will never be more important than it is right now.

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

Sincerely,

Earl H. Potter III

Earl H. Potter III
President

St. Cloud State University
Organizational Chart

BOARD OF TRUSTEES
Minnesota State Colleges and Universities

Steven J. Rosenstone
Chancellor

Dr. Earl Potter III
President

- Devinder Malhotra Provost and Vice President of Academic Affairs
- Wanda Overland Vice President of Student Life and Development
- Richard Duffett Interim Vice President of Finance and Administration
- Matt Andrew Vice President of University Advancement

The financial activity of St. Cloud State University is included in this report. The University is one of 31 colleges and universities included in the Minnesota State Colleges and Universities Annual Financial Report which is issued separately.

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

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

FINANCIAL SECTION

Expert advice. When you need it.℠

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of and for the years ended June 30, 2013 and 2012, and the related Notes to the Financial Statements, which collectively comprise the University's basic financial statements as presented.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of St. Cloud State University Foundation, Inc., a component unit of the University, which statements reflect total assets of $ 45,538,000 and $ 42,350,000 at June 30, 2013 and 2012, respectively, and total revenues of $ 10,835,000 and $ 6,403,000 respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of St. Cloud State University, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

The accompanying introductory sections identified in the Table of Contents 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the University's internal control over financial reporting and compliance.

Kern, DeWenter

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of St. Cloud State University, a member of Minnesota State Colleges and Universities, for the years ended June 30, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying footnotes, which follow this section.

St. Cloud State University is one of 31 colleges and universities comprising Minnesota State Colleges and Universities. The Minnesota State Colleges and Universities system is governed by a fifteen member Board of Trustees appointed by the Governor. Twelve trustees serve six-year terms; eight represent each of Minnesota's congressional districts and four serve at large. Three student trustees, one from a state University, one from a community college and one from a technical college, serve two-year terms. The Board of Trustees selects the Chancellor and has broad policy responsibility for system planning, academic programs, fiscal management, personnel, admissions requirements, tuition and fees.

The University is a comprehensive public institution of higher learning, with approximately 16,245 students including 1,604 graduate and professional students. Approximately 1,500 faculty and staff members are employed by the University. The University offers 215 majors, minors, and pre-professional programs in business, education, fine arts and humanities, science and engineering and social sciences, and 50 master's degrees through the School of Graduate Studies. The largest programs are counseling and community psychology, mass communications, criminal justice, management and accounting. The newest undergraduate programs offered are information technology security, medical technology quality, medical lab science; master degrees are being offered in engineering management, applied clinical research, information assurance, and cultural resource management archeology. Professors rather than graduate assistants teach university classes, and students work side-by-side with University professors on research projects.

The University has nearly 241 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 men's hockey, tennis, basketball, football, track, swimming and diving, cross country, golf, baseball, wrestling; women's hockey, volleyball, tennis, basketball, soccer, track, Nordic skiing, swimming and diving, cross country, golf and softball.

FINANCIAL HIGHLIGHTS

The University's financial position improved during fiscal year 2013 which was anticipated due to strategic investments and the near completion of Integrated Science Engineering Lab Facility and the Herb Brooks National Hockey Center. Assets totaled $379.8 million compared to liabilities of $163.5 million. Net position, which represents the residual interest in the University's assets after liabilities are deducted, is comprised of net investments in capital assets, of $158.9 million, restricted assets of $29.2 million, and unrestricted assets of $28.3 million. The fiscal year 2013 net assets total of $216.4 million represents an increase of $18.0 million, or 9.1 percent, over fiscal year 2012 and $42.1 million, or 24.1 percent, over fiscal year 2011. The University's fiscal year 2013 appropriation revenue of $54.2 million represents a 1.9 percent increase compared to fiscal year 2012, though a 7.3 percent decrease compared to fiscal year 2011.

USING THE FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

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

A summary of the University's assets, liabilities and net position as of June 30, 2013, 2012, and 2011, respectively, is as follows:

	(In Thousands)		
	2013	2012	2011
Current assets	$ 96,223	$ 93,328	$ 86,762
Current restricted assets	26,839	24,103	20,113
Noncurrent assets			
Student loans receivable	5,332	4,984	5,102
Capital assets, net	225,347	201,861	197,489
Restricted assets	26,108	9,639	2,995
Total assets	379,849	333,915	312,461
Current liabilities	41,837	34,852	36,397
Noncurrent liabilities	121,661	100,664	101,522
Total liabilities	163,498	135,516	137,919
Total net position	$ 216,351	$ 198,399	$ 174,542

Current unrestricted assets consist primarily of cash, cash equivalents, investments and accounts receivable totaling $90.8 million at June 30, 2013, an increase of $2.5 million compared to fiscal year 2012. This increase is primarily due to an increase of $3.8 million from accounts receivables related to bond proceeds receivable at June 30, 2013, for project expenses already incurred in fiscal year 2013.

Total current assets increased by $2.9 million, or 3.1 percent, primarily due to an increase in accounts receivable from fiscal year 2012 to fiscal year 2013. Unrestricted cash and cash equivalents decreased by $1.5 million from fiscal year 2012 to fiscal year 2013. Restricted assets increased from $33.7 million in fiscal year 2012 to $52.9 million in fiscal year 2013, as a result of normal timing differences in capital projects activity. The University began a $4.8 million renovation of Atwood Memorial Center and an $18.1 million renovation of Shoemaker Halls East and West in the summer of 2013.

Current liabilities consist primarily of accounts, salaries and benefits payable. Salaries and benefits payable totaled $12.5 million at June 30, 2013, an increase of $2.0 million, or 19.0 percent, over the prior year. Approximately $1.2 million of the increase is due to third party providers that were disbursed on July 1 versus the end of June in prior years. A second reason for the increase is due to the retroactive pay adjustments processed after June 30, 2013 for employment contract settlements approved in fiscal year 2013. Included within the salary payable accrual is $10.9 million representing approximately two months of earned salary for faculty who have elected to receive salaries over twelve months on a September 1 through August 31 year.

Net position represents the residual interest in the University's assets after liabilities are deducted. The University's net position as of June 30, 2013, 2012, and 2011, respectively, are summarized as follows:

	(In Thousands)		
	2013	2012	2011
Net investments in capital assets	$ 158,881	$ 131,599	$ 128,842
Restricted	29,218	34,578	25,196
Unrestricted	28,252	32,222	20,504
Total net position	$ 216,351	$ 198,399	$ 174,542

Net investments 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 capital projects, bond covenants, debt service, and funds reserved for faculty contract obligations. Unrestricted net position represent reserves for University investments in future years and also provides for reserves set by board policy. As shown in the table above, unrestricted net position decreased by 4.0 million, or 12.3 percent from fiscal year 2012 to fiscal year 2013, which reflects a plan for investments in academic programs and positions the University with increased reserves for future years. The continued improvement in net position reflects the overall improvement in the University's financial position.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the University's academic programs and residential life is the development and renewal of its capital assets. The University continues to implement its long-range plan to modernize its complement of older facilities, balanced with new construction. Capital assets, net of accumulated depreciation, as of June 30, 2013, totaled $251.5 million, an increase of $40.0 million, or 18.9 percent over fiscal year 2012.

Capital outlay totaled $52.2 million in 2013. The University expended $26.9 million towards construction of the Integrated Science and Engineering Laboratory Facility (ISELF), $11.9 million towards construction of the Herb Brooks National Hockey Center improvements, $3.6 million for the Hill Case Hall renovation, $2.2 million for the Shoemaker Hall East and West renovation, $2.2 million towards replacing the chiller plant, $1.8 million Mass Communication High Definition upgrade, $1.4 million towards the Atwood Memorial Center renovation. Additional capital expenses were primarily comprised of recently completed new buildings, replacement and renovation of existing facilities, as well as significant investments in equipment.

Construction in progress at June 30, 2013, totaled $73.9 million and is primarily funded by general obligation bonds or revenue fund bonds. The Herb Brooks National Hockey and Events Center was funded primarily through fundraising activities of $8.2 million. This includes $37.9 million for the Integrated Science and Engineering Lab Facility, $14.4 million for the Herb Brooks National Hockey and Events Center, $2.2 million for the Shoemaker Hall East and West renovation, $2.2 million for the chiller plant replacement, $1.8 million for the Mass Communication High Definition upgrade, $1.5 million for the Atwood Memorial Center renovation.

Long-term debt payable on June 30, 2013 consisted of $27.7 million of general obligation bonds, $44.6 million of revenue bonds and $30.3 million of capital leases. The general obligation bonds are primarily issued to finance construction of buildings and repairs. Additional information on capital debt and debt activities can be found in notes 6 and 8 in the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Tuition and state appropriations are the primary sources of funding for the University's academic programs. Tuition revenue decreased from $90.7 million in fiscal year 2012 to $87.9 million in fiscal year 2013 as a result of a 3 percent increase in tuition rates and a 6.4 percent decrease in enrollment. Total state appropriations totaled $54.4 million in 2013, an increase of $1.2 million from fiscal year 2012.

The resources expended for compensation and benefits increased $6.8 million to $135.0 million in fiscal year 2013. This increase is based on contractual settlements. The University's employee base remained flat from fiscal year 12 to fiscal year 13.

A summary table of the information contained in the statements of revenues, expenses and changes in net position is below. Operating revenues are presented net of scholarship allowance.

	(In Thousands)		
	2013	2012	2011
Operating revenues			
Student tuition and fees	$ 73,036	$ 75,840	$ 80,569
Room and board	16,984	17,195	17,303
Sales	12,147	12,071	12,641
Other	4,212	5,239	4,282
Total operating revenues	106,379	110,345	114,795
Nonoperating revenues			
State appropriations	54,372	53,186	58,476
Grants	33,401	39,327	37,002
Capital appropriations	20,215	7,212	2,474
Investment and other income	638	528	507
Total nonoperating revenues	108,626	100,253	98,459
Total revenues	215,005	210,598	213,254
Operating expenses			
Salaries and benefits	134,996	128,184	142,467
Supplies and services	43,031	41,718	43,570
Depreciation	12,209	12,220	10,343
Financial aid	3,368	1,742	3,534
Total operating expenses	193,604	183,864	199,914
Nonoperating expenses			
Interest expense	2,869	2,724	2,255
Grants to other organizations	580	134	204
Loss on disposal of capital asset	—	19	—
Total nonoperating expenses	3,449	2,877	2,459
Total expenses	197,053	186,741	202,373
Change in net position	17,952	23,857	10,881
Net position, beginning of year	198,399	174,542	163,661
Net position, end of year	$ 216,351	$ 198,399	$ 174,542

FOUNDATION

The St. Cloud State University Foundation is a component unit of St. Cloud State University. As such, the separately audited financial statements for the Foundation are included, but shown separately from those of the University in compliance with the requirements of GASB Statement No. 39. In fiscal year 2012 the Foundation made a one-time gift of $8.2 million to finance a capital project, additional information has been provided in Note 19.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Looking toward the future, management believes that the University is positioned to continue its strong financial condition and level of excellence. However, the University will face challenges in maintaining adequate state appropriation support in future years. There will continue to be increased pressure from the legislature to keep tuition costs flat. The University continues to provide new programs that are directly related to emerging markets. The University is also looking at ways to improve retention, increase philanthropy, and capture new intellectual property rights with the addition of the Integrated Science, Engineering Lab Facility in an effort to become more self-supported. The University is already strategically managing a variety of core university functions to insure better effectiveness and efficiency in the future. The uncertain state appropriation and tuition picture coupled with planned student enrollment reduction due to more rigorous entry and academic standards will continue to present serious financial challenges for the University in fiscal years 2014, 2015 and beyond.

REQUESTS FOR INFORMATION

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

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

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ST. CLOUD STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2013 AND 2012
(IN THOUSANDS)

Assets	2013	2012
Current Assets		
Cash and cash equivalents	$ 80,927	$ 82,460
Investments	2,427	2,424
Grants receivable	920	853
Accounts receivable, net	7,465	3,445
Prepaid expense	2,883	2,567
Inventory	148	199
Student loans, net	850	950
Other assets	363	430
Advances from other schools	240	-
Total current assets	96,223	93,328
Current Restricted Assets		
Cash and cash equivalents	26,839	24,103
Total current restricted assets	26,839	24,103
Noncurrent Restricted Assets		
Other assets	-	15
Construction in progress	26,108	9,624
Total noncurrent restricted assets	26,108	9,639
Total restricted assets	52,947	33,742
Noncurrent Assets		
Student loans, net	5,332	4,984
Capital assets, net	225,347	201,861
Total noncurrent assets	230,679	206,845
Total Assets	379,849	333,915
Liabilities		
Current Liabilities		
Salaries and benefits payable	12,481	10,491
Accounts payable	5,505	2,584
Unearned revenue	5,396	5,142
Payable from restricted assets	6,710	6,139
Interest payable	471	358
Funds held for others	859	609
Current portion of long-term debt	7,707	7,230
Other compensation benefits	2,153	1,688
Other liabilities	555	611
Total current liabilities	41,837	34,852
Noncurrent Liabilities		
Noncurrent portion of long-term debt	99,702	79,590
Other compensation benefits	16,090	15,242
Capital contributions payable	5,869	5,832
Total noncurrent liabilities	121,661	100,664
Total Liabilities	163,498	135,516
Net Position		
Net investment in capital assets	158,881	131,599
Restricted expendable, bond covenants	14,482	18,443
Restricted expendable, other	14,736	16,135
Unrestricted	28,252	32,222
Total Net Position	$ 216,351	$ 198,399

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 458	$ 1,221
Investments	30,210	27,056
Restricted cash and cash equivalents	1,022	1,102
Pledges and contributions receivable	1,938	909
Other receivables	17	10
Accrued investment/Interest income	55	29
Finance lease receivable from University	845	805
Total current assets	34,545	31,132
Noncurrent Assets		
Long-term pledges receivable	2,582	2,048
Finance lease receivable, net	7,548	8,393
Annuities/Remainder interests/Trusts	308	285
Investment property	-	5
Property and equipment, net	275	177
Other assets	280	310
Total noncurrent assets	10,993	11,218
Total Assets	$ 45,538	$ 42,350
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 60	$ 260
Interest payable	68	48
Annuities payable	44	42
Notes payable	740	1,320
Bonds payable	845	805
Other liabilities	73	75
Total current liabilities	1,830	2,550
Noncurrent Liabilities		
Annuities payable	311	300
Notes payable	4,320	5,280
Bonds payable	9,538	10,482
Total noncurrent liabilities	14,169	16,062
Total Liabilities	15,999	18,612
Net Assets		
Unrestricted	(5,737)	(6,604)
Temporarily restricted	18,239	13,745
Permanently restricted	17,037	16,597
Total Net Assets	29,539	23,738
Total Liabilities and Net Assets	$ 45,538	$ 42,350

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, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Operating Revenues		
Tuition, net	$ 60,439	$ 63,799
Fees, net	9,252	8,863
Sales, net	12,921	12,904
Restricted student payments, net	19,555	19,540
Other income	4,212	5,239
Total operating revenues	106,379	110,345
Operating Expenses		
Salaries and benefits	134,996	128,184
Purchased services	21,087	20,019
Supplies	8,953	10,067
Repairs and maintenance	3,244	2,123
Depreciation	12,209	12,220
Financial aid, net	3,368	1,742
Other expense	9,747	9,509
Total operating expenses	193,604	183,864
Operating loss	(87,225)	(73,519)
Nonoperating Revenues (Expenses)		
Appropriations	54,372	53,186
Federal grants	21,371	20,733
State grants	9,309	7,868
Private grants	2,721	10,726
Interest income	602	499
Interest expense	(2,869)	(2,724)
Grants to other organizations	(580)	(134)
Total nonoperating revenues (expenses)	84,926	90,154
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,299)	16,635
Capital appropriations	20,215	7,212
Donated assets and supplies	-	29
Gain (loss) on disposal of capital assets	36	(19)
Change in net position	17,952	23,857
Total Net Position, Beginning of Year	198,399	174,542
Total Net Position, End of Year	$ 216,351	$ 198,399

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Support and Revenue					
Contributions	$ 425	$ 4,678	$ 449	$ 5,552	$ 4,264
In-kind contributions	1,279	521	10	1,810	2,041
Investment income	10	531	3	544	363
Realized gain	326	181	1	508	216
Unrealized gain (loss)	46	2,361	14	2,421	(481)
Transfers	399	(362)	(37)	-	-
Net assets released from restrictions	3,416	(3,416)	-	-	-
Total support and revenue	5,901	4,494	440	10,835	6,403
Expenses					
Program services					
Program services	339	-	-	339	10,933
Scholarships	2,696	-	-	2,696	599
Total program services	3,035	-	-	3,035	11,532
Supporting services					
Interest expense	439	-	-	439	616
Management and general	927	-	-	927	1,157
Fundraising	633	-	-	633	654
Total supporting services	1,999	-	-	1,999	2,427
Total expenses	5,034	-	-	5,034	13,959
Change in Net Assets	867	4,494	440	5,801	(7,556)
Net Assets, Beginning of Year	(6,604)	13,745	16,597	23,738	31,294
Net Assets, End of Year	$ (5,737)	$ 18,239	$ 17,037	$ 29,539	$ 23,738

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Cash Flows from Operating Activities		
Cash received from customers	$ 106,355	$ 109,955
Cash repayment of program loans	901	967
Cash paid to suppliers for goods or services	(42,165)	(38,358)
Cash payments to employees	(131,662)	(132,357)
Financial aid disbursements	(3,326)	(1,808)
Cash payments of program loans	(1,261)	(926)
Net cash flows used in operating activities	(71,158)	(62,527)
Cash Flows from Noncapital Financing Activities		
Appropriations	54,372	53,186
Agency activity	250	(213)
Federal grants	21,323	21,617
State grants	9,309	7,868
Private grants	2,721	10,726
Loans to other schools	(240)	-
Grants to other organizations	(580)	(134)
Net cash flows provided by noncapital financing activities	87,155	93,050
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(49,217)	(23,441)
Capital appropriation	16,453	7,131
Proceeds from sale of capital assets	195	45
Proceeds from borrowing	30,361	6,280
Proceeds from bond premium	3,321	561
Interest paid	(2,843)	(2,920)
Repayment of lease principal	(4,118)	(4,754)
Repayment of bond principal	(8,769)	(2,238)
Net cash flows used in capital and related financing activities	(14,617)	(19,336)
Cash Flows from Investing Activities		
Investment earnings	213	332
Net cash flows provided by investing activities	213	332
Net Increase in Cash and Cash Equivalents	1,593	11,519
Cash and Cash Equivalents, Beginning of Year	106,563	95,044
Cash and Cash Equivalents, End of Year	$ 108,156	$ 106,563

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Operating Loss	$ (87,225)	$ (73,519)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	12,209	12,220
Provision for loan defaults	45	33
Loan principal repayments	901	967
Loans issued	(1,262)	(926)
Loans forgiven	68	94
Change in assets and liabilities		
Accounts receivable	(259)	847
Accounts payable	758	2,900
Salaries and benefits payable	1,990	(4,347)
Other compensation benefits	1,313	(17)
Capital contributions payable	37	(100)
Unearned revenues	235	(580)
Other assets and liabilities	32	(99)
Net reconciling items to be added to operating loss	16,067	10,992
Net cash flow used in operating activities	$ (71,158)	$ (62,527)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 8,872	$ 6,139
Amortization of bond premium	399	199

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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

Discretely presented component units are legally separate organizations that raise and hold economic resources for the direct benefit of a college or university in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The St. Cloud State University Foundation, Inc. is considered significant to the University and is included as a discretely presented component unit and separately identified in Note 19. Complete financial statements may be obtained from the St. Cloud State University Foundation, Inc. Alumni and Foundation Center, 720 Fourth Avenue South, St. Cloud, MN 56301-4498.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating Activities — Operating activities as reported in the statements of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, including state appropriations, federal, state and private grants and investment income.

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

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances. Sales consist of room, board and other miscellaneous sales and services. See Note 12 for additional information.
Restricted Student Payments — Restricted student payments consist of room, board, sales, and fee revenue restricted for payment of revenue bonds, and are net of scholarship allowances. See Note 12 for additional information.

Federal Grants — St. Cloud State University participates in several federal grant programs. The largest programs include Pell, Supplemental Educational Opportunity Grant and Federal Work Study. Federal Grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

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

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

Net Position — The difference between assets and liabilities 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 attributable to the acquisition, construction or improvement of those assets.

- *Restricted expendable*: Net position subject to externally imposed stipulations. Net position restrictions for St. Cloud State University are as follows:

  Restricted for bond covenants — revenue bond restrictions:

  Restricted for other — includes restrictions for the following:

  Capital projects — restricted for completion of capital projects.

  Debt service — legally restricted for bond debt repayment.

  Donations — donation restrictions.

  Faculty contract obligations — faculty development and travel required.

  Loans — University capital contribution for Perkins loans.

Net Position Restricted for Other
(In Thousands)

	2013	2012
Capital projects	$ 5,522	$ 8,037
Debt service	6,078	5,262
Donations	712	480
Faculty contract obligations	1,718	1,654
Loans	706	702
Total	$ 14,736	$ 16,135

- *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 Pronouncements — The Minnesota State Colleges and Universities adopted GASB No. 60, Accounting and Financial Reporting for Service Concession Arrangements, retroactive to July 1, 2011. This statement requires that revenue be recognized in a systematic manner over the term of contracts when applicable. There was no impact on the financial statements as a result of this adoption.

The Minnesota State Colleges and Universities adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* retroactive to July 1, 2011. This statement amends the net asset reporting requirements in Statement No. 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of residual measure and by renaming the measure as net position, rather than net assets. There was no impact on the financial statements as a result of this adoption.

The Minnesota State Colleges and Universities adopted GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This statement requires certain items that were previously reported as assets and liabilities to be reported as outflows of resources or inflows of resources in the year incurred or received. More specifically, the statement requires costs related to the issuance of debt to no longer be recorded as a deferred charge and amortized, but to be recognized as an expense in the period incurred. An insignificant amount of costs related to prior year bond issuance costs were expensed in fiscal year 2013. Additionally the fiscal year 2013 income statement reflects another $0.25 million of expense related to current year bond issuance costs.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

The following table summarizes cash and cash equivalents:

Year Ended June 30
(In Thousands)

Carrying Amount	2013	2012
Cash and repurchase agreements	$ 8,189	$ 9,410
Cash in bank - Foreign currencies	160	92
Change fund	25	25
Cash, trustee account (US Bank)	17,832	2,769
Total local cash and cash equivalents	26,206	12,296
Total treasury cash accounts	81,560	94,267
Grand Total	$ 107,766	$ 106,563

At June 30, 2013 and 2012, the University's bank balances were $10,178,201 and $12,010,785, respectively. These balances were adjusted by items in transit to arrive at the University's cash in bank balance. The University's balance in the state treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment as part of the state investment pool. This asset is reported as a cash equivalent.

The University's excess cash in the local bank is swept nightly to purchase interest bearing cash equivalents. As of June 30, 2013 and 2012, the University had $9,368,446 and $11,381,637, respectively, in repurchase agreements. The cash accounts are invested in short term, liquid, high quality debt securities.

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. St. Cloud State University has foreign checking accounts, denominated entirely in British Pounds. At June 30, 2013 and 2012, the fair value in U.S. Dollars is $160,218 and $92,271, respectively.

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

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

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

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with Minnesota Statutes, Section 118A.04. This statute limits investments to the top quality rating categories of a nationally recognized rating agency. At June 30, 2013 and 2012, the University's debt securities were rated equivalent to *Standard and Poor's* AA or higher.

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

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

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

Year Ended June 30
(In Thousands)

Investment Type	2013 Fair Value	Weighted Maturity (Years)	2012 Fair Value	Weighted Maturity (Years)
U.S. agencies	$ 759	6.00	$ 776	8.56
Municipal obligations	1,668	0.83	1,648	1.06
Total fair value	$ 2,427		$ 2,424	
Portfolio weighted average maturity		2.45		3.46

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals and businesses. At June 30, 2013 and 2012, the total accounts receivable balances for the University were $11,450,244 and $7,069,192, respectively, less an allowance for uncollectible receivables of $3,985,065 and $3,624,590, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2013	2012
Tuition	$ 4,027	$ 3,873
Room and board	1,654	1,516
Fees	1,225	1,069
Sales and services	569	307
Capital projects	3,842	81
Other income	133	223
Total accounts receivable	11,450	7,069
Allowance for uncollectible accounts	(3,985)	(3,624)
Net accounts receivable	$ 7,465	$ 3,445

The capital project related receivables of $3,842,345 and $81,150 at June 30 2013 and 2012 respectively, are for bond proceeds spent on capital projects, but not yet collected from the state of Minnesota.

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

Fiscal Year 2013
(In Thousands)

Year	Allowance Amount	Allowance Percentage
Summer 2013	$ 25	10%
2013	803	25%
2012	682	50%
2011	732	80%
2010 and before	1,743	100%
Total	$ 3,985	

Fiscal Year 2012
(In Thousands)

Year	Allowance Amount	Allowance Percentage
Summer 2012	$ 15	10%
2012	812	25%
2011	659	50%
2010	529	80%
2009 and before	1,609	100%
Total	$ 3,624	

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 $2,746,213 and $2,467,128 for fiscal years 2013 and 2012, respectively. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand at December 1, of each year, an amount sufficient to pay all general obligation bond principal and interest due, and to become due, through July 1 of the second year. Also, included in prepaid expense for fiscal years 2013 and 2012 was $136,911 and $99,804, respectively, stemming from prepaid software maintenance agreements, primarily for software fees.

5. LOANS RECEIVABLE

Loans receivable balances consist primarily of loans under the Federal Perkins Loan Program. The federal government provides most of the funding for the loans with amounts collected used for new loan advances. The University is responsible for loan collections. As of June 30, 2013 and 2012, the loans receivable for this program totaled $6,496,786 and $6,204,729, respectively, less an allowance for uncollectible loans of $315,208 and $270,455, respectively.

6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2013 and 2012 follow:

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 13,634	$ —	$ —	$ —	$ 13,634
Construction in-progress	24,460	50,766	—	(1,306)	73,920
Total capital assets, not depreciated	38,094	50,766	—	(1,306)	87,554
Capital assets, depreciated:					
Buildings and improvements	282,415	—	—	1,306	283,721
Equipment	16,177	476	1,838	—	14,815
Library collections	7,116	974	1,102	—	6,988
Total capital assets, depreciated	305,708	1,450	2,940	1,306	305,524
Less accumulated depreciation:					
Buildings and improvements	115,298	10,353	—	—	125,651
Equipment	12,521	858	1,801	—	11,578
Library collections	4,498	998	1,102	—	4,394
Total accumulated depreciation	132,317	12,209	2,903	—	141,623
Total capital assets, depreciated, net	173,391	(10,759)	37	1,306	163,901
Total capital assets, net	$ 211,485	$ 40,007	$ 37	$ —	$ 251,455

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 13,634	$ —	$ —	$ —	$ 13,634
Construction in-progress	11,009	22,211	—	(8,760)	24,460
Total capital assets, not depreciated	24,643	22,211		(8,760)	38,094
Capital assets, depreciated:					
Buildings and improvements	273,655	—	—	8,760	282,415
Equipment	17,085	361	1,269	—	16,177
Library collections	7,483	736	1,103	—	7,116
Total capital assets, depreciated	298,223	1,097	2,372	8,760	305,708
Less accumulated depreciation:					
Buildings and improvements	105,007	10,291	—	—	115,298
Equipment	12,808	912	1,199	—	12,521
Library collections	4,584	1,017	1,103	—	4,498
Total accumulated depreciation	122,399	12,220	2,302	—	132,317
Total capital assets, depreciated, net	175,824	(11,123)	70	8,760	173,391
Total capital assets, net	$ 200,467	$ 11,088	$ 70	$ —	$ 211,485

7. ACCOUNTS PAYABLE

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

Summary of Accounts Payables at June 30
(In Thousands)

	2013	2012
Capital projects	$ 2,175	$ 23
Supplies	1,040	1,022
Purchased services	1,531	709
Repairs & maintenance	227	354
Student Payroll	222	192
Other	310	284
Total	$ 5,505	$ 2,584

In addition, as of June 30, 2013 and 2012, the University also had payables from restricted assets in the amounts of $6,709,711 and $6,138,987, which were related to capital projects financed by general obligation bonds and revenue bonds.

8. LONG TERM OBLIGATIONS

Summaries of amounts due within one year are reported in the current liability section of the statements of net position.

The changes in long term debt for fiscal years 2013 and 2012 follow:

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,969	$ 3,321	$ 399	$ 4,891	$ —
Capital leases	34,382	—	4,118	30,264	4,092
General obligation bonds	20,293	8,957	1,580	27,670	2,033
Revenue bonds	30,176	21,404	6,996	44,584	1,582
Total long term debt	$ 86,820	$ 33,682	$ 13,093	$ 107,409	$ 7,707

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,607	$ 561	$ 199	$ 1,969	$ —
Capital leases	39,136	—	4,754	34,382	4,118
General obligation bonds	18,868	2,880	1,455	20,293	1,586
Revenue bonds	27,352	3,400	576	30,176	1,526
Total long term debt	$ 86,963	$ 6,841	$ 6,984	$ 86,820	$ 7,230

The changes in other compensation benefits for fiscal years 2013 and 2012 follow:

Year Ended June 30, 2013 (In Thousands)	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 14,214	$ 2,148	$ 1,523	$ 14,839	$ 1,676
Early termination benefits	18	232	18	232	232
Net other postemployment benefits	2,372	785	495	2,662	—
Workers' compensation	326	443	259	510	245
Total other compensation benefits	$ 16,930	$ 3,608	$ 2,295	$ 18,243	$ 2,153

Year Ended June 30, 2012 (In Thousands)	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 14,258	$ 1,524	$ 1,568	$ 14,214	$ 1,523
Early termination benefits	393	18	393	18	18
Net other postemployment benefits	1,871	1,203	702	2,372	—
Workers' compensation	425	246	345	326	147
Total other compensation benefits	$ 16,947	$ 2,991	$ 3,008	$ 16,930	$ 1,688

Bond Premium — In fiscal years 2013 and 2012 bonds were issued, resulting in premiums of $3,320,890 and $561,110, respectively. Amortization is calculated using the straight line method and amortized over the average remaining life of the bonds.

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

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

Revenue Bonds — The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for residence hall, food service, student union, and other revenue-producing and related facilities at the state universities. Revenue bonds currently outstanding have interest rates between 0.45 percent and 5.0 percent.

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require less than 16.46 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $62,420,688. Principal and interest paid for the current year and total customer net revenues were $2,769,367 and $23,898,000 respectively.

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

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

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

Workers' Compensation — The State of Minnesota Department of Management and Budget manages the self insured workers' compensation claims activities for the state of Minnesota. The reported liability for workers' compensation of $510,075 and $326,377, at June 30, 2013 and 2012, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end, and is an undiscounted estimate of future payments.

Capital Contributions — Liabilities of $5,869,250 and $5,831,845 at June 30, 2013 and 2012, respectively, represent the amount the University would owe the federal government if it were to discontinue the Perkins loan program. The net increase is $37,404 for fiscal year 2013. There was a net decrease of $100,501 for fiscal year 2012.

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

Long Term Debt Repayment Schedule
(In Thousands)

Fiscal Years	Capital Leases		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 4,092	$ 774	$ 2,033	$ 1,423	$ 1,582	$ 1,745
2015	4,051	893	2,020	1,141	2,290	1,643
2016	4,002	1,012	2,011	1,041	2,330	1,578
2017	3,965	1,122	1,910	942	2,340	1,507
2018	3,938	1,094	1,910	848	2,393	1,428
2019-2023	10,216	4,207	8,089	2,940	13,014	5,645
2024-2028	—	—	6,395	1,248	9,905	3,232
2029-2033	—	—	3,302	249	9,640	1,043
2034-2038	—	—	—	—	1,090	16
Total	$ 30,264	$ 9,102	$ 27,670	$ 9,832	$ 44,584	$ 17,837

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, provides for this benefit.

The following is a description of the different benefit arrangements for each contract, including number of retired faculty receiving the benefit, and the amount of future liability as of the end of fiscal years 2013 and 2012.

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 2013 and 2012, follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2013	8	$ 159
2012	3	18

Minnesota State University Association of Administrative Service Faculty (MSUAASF) contract —

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

The number of retired faculty who received this benefit and the amount of future liability for faculty as of the end of fiscal years 2013 and 2012 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2013	3	$ 73
2012	—	—

10. NET OTHER POSTEMPLOYMENT BENEFITS

The University provides health insurance benefits for certain retired employees under a single employer, fully insured plan, as required by Minnesota Statute 471.61 subdivision 2B. Active employees who retire when eligible to receive a retirement benefit from a Minnesota public pension plan and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the health benefits program. Retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2012 there were approximately 73 retirees receiving health benefits from the health plan.

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

The following table shows the components of the annual OPEB cost for 2013 and 2012, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Components of the Annual OPEB Cost
(In Thousands)

	2013	2012
Annual required contribution (ARC)	$ 767	$ 1,186
Interest on net OPEB obligation	113	89
Adjustment to ARC	(95)	(72)
Annual OPEB cost	785	1,203
Contributions during the year	(495)	(702)
Increase in net OPEB obligation	290	501
Net OPEB obligation, beginning of year	2,372	1,871
Net OPEB obligation, end of year	$ 2,662	$ 2,372

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2013 and 2012 were as follows:

Year Ended June 30
(In Thousands)

	2013	2012
Beginning of year net OPEB obligation	$ 2,372	$ 1,871
Annual OPEB cost	785	1,203
Employer contribution	(495)	(702)
End of year net OPEB obligation	$ 2,662	$ 2,372
Percentage contributed	63.06%	58.35%

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2012	$ —	$ 8,361	$ 8,361	0.00%	$ 98,825	8.46%

Actuarial Methods and Assumptions — Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent discount rate, which is based on the estimated long term investment yield on the general assets, using an underlying long-term inflation assumption of 3.00 percent. The annual healthcare cost trend rate is 8.10 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after seventeen years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period.

11. LEASE AGREEMENTS

Operating Leases — The University is committed under various leases primarily for building space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the years ended June 30, 2013 and 2012, totaled $479,730 and $522,754, respectively.

Future minimum lease payments for existing lease agreements follow:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2014	$ 397
2015	208
2016	9
2017	9
Total	$ 623

Income Leases — The University has entered into several income lease agreements, primarily for building space. Lease income for the years ended June 30, 2013 and 2012, totaled $116,588 and $103,646 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 follow:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2014	$ 109
2015	67
2016	33
2017	33
2018	20
2019	20
Total	$ 282

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

In March 2002, the University guaranteed revenue bonds issued by the city of Saint Cloud, Minnesota Housing and Redevelopment Authority to the Foundation (see Note 19). The proceeds of the bonds were used to fund an addition to the Atwood Memorial Center in the amount of $4,704,344 and a stadium and student recreation center in the amount of $10,084,954.

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

12. TUITION, FEES, AND SALES, NET

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

Year Ended June 30
(In Thousands)

Description	2013 Gross	2013 Scholarship Allowance	2013 Net	2012 Gross	2012 Scholarship Allowance	2012 Net
Tuition	$ 87,921	$ (27,482)	$ 60,439	$ 90,748	$ (26,949)	$ 63,799
Fees	10,434	(1,182)	9,252	9,995	(1,132)	8,863
Sales	12,980	(59)	12,921	12,948	(44)	12,904
Restricted student payments	20,357	(802)	19,555	20,244	(704)	19,540
Total	$ 131,692	$ (29,525)	$ 102,167	$ 133,935	$ (28,829)	$ 105,106

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2013
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 13,971	$ 4,133	$ 5,689	$ 171	$ 23,964
Institutional support	11,077	3,639	7,740	139	22,595
Instruction	55,767	15,950	11,212	676	83,605
Public service	861	196	1,548	25	2,630
Research	1,256	319	952	15	2,542
Student services	14,275	4,457	7,762	383	26,877
Auxiliary enterprises	6,850	2,245	20,337	1,460	30,892
Scholarships & fellowships	—	—	3,368	—	3,368
Less interest expense	—	—	—	(2,869)	(2,869)
Total operating expenses	$ 104,057	$ 30,939	$ 58,608	$ —	$ 193,604

Year Ended June 30, 2012
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 14,781	$ 4,266	$ 6,959	$ 146	$ 26,152
Institutional support	8,977	3,207	6,859	94	19,137
Instruction	52,921	15,345	10,451	524	79,241
Public service	595	132	1,224	15	1,966
Research	1,341	306	1,051	13	2,711
Student services	13,432	4,002	6,841	503	24,778
Auxiliary enterprises	6,653	2,226	20,553	1,429	30,861
Scholarships & fellowships	—	—	1,742	—	1,742
Less interest expense	—	—	—	(2,724)	(2,724)
Total operating expenses	$ 98,700	$ 29,484	$ 55,680	$ —	$ 183,864

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 (SERF)

Pension fund information is provided by the Minnesota State Retirement System, which prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from the Minnesota State Retirement System at 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000.

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

The statutory authority for SERF is Minnesota Statutes, Chapter 352. For fiscal years 2011, 2012, and 2013 the funding requirement was 5 percent for both employer and employee. Actual contributions were 100 percent of required contributions. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 1,174
2012	1,156
2011	1,254

Teachers Retirement Fund (TRF)

Pension fund information is provided by the Minnesota Teachers Retirement Association, which prepares and publishes its own stand-alone comprehensive annual financial report including financial statements and required supplementary information. Copies of the report may be obtained directly from the Teachers Retirement Association at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-3000.

The Teachers Retirement Fund is a cost sharing, multiple employers, defined benefit plan. Teachers and other related professionals may participate in TRF. Coordinated membership includes participants who are covered by the Social Security Act. The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement.

The applicable rates for coordinated members range from 1.2 percent and 1.7 percent for service rendered before July 1, 2006, and 1.4 percent and 1.9 percent for service rendered on or after July 1, 2006. The University, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for TRF is Minnesota Statutes, Chapter 354. For fiscal year 2011 the funding requirement was 5.5 percent for both employer and employee coordinated members. For fiscal year 2012 the funding requirement was 6 percent for both employer and employee coordinated members. For fiscal year 2013 the funding requirement was 6.5 percent for both employer and employee coordinated members. Thereafter, a contribution rate increase will be phased in with a 0.5 percent increase, occurring every July 1 over two years, until it reaches a contribution rate of 7.5 percent on July 1, 2014. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 714
2012	609
2011	730

General Employees Retirement Fund (GERF)

Pension fund information is provided by the Public Employees Retirement Association of Minnesota, which prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from the Public Employees Retirement Association of Minnesota at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103.

GERF is a cost sharing, multiple employer defined benefit plan. Former employees of various governmental subdivisions including counties, cities, school districts, and related organizations participate in the plan. The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for members are 1.2 percent and 1.7 percent. The University, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for GERF is Minnesota Statutes, Chapter 353. GERF establishes the employer and employee contribution rates on a calendar year basis rather than on a fiscal year basis. For the period January 1, 2010 through December 31, 2010, employee and employer contribution rates were 6 percent and 7 percent, respectively. Effective January 1, 2011 and thereafter, employee and employer contribution rates were 6.25 percent and 7.25 percent, respectively. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2013	$ 21	$ 18
2012	20	17
2011	19	16

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

General Information — The Minnesota State Colleges and Universities Defined Contribution Retirement Fund include two plans: an Individual Retirement Account Plan and a Supplemental Retirement Plan. Both plans are mandatory, tax deferred, single employer, defined contribution plans authorized by Minnesota Statutes, Chapters 354B and 354C. The plans are designed to provide retirement benefits to Minnesota State Colleges and Universities unclassified employees. An unclassified employee is one who belongs to Minnesota State Colleges and Universities specific bargaining units. The plans cover unclassified teachers, librarians, administrators, and certain other staff. The plans are mandatory for qualified employees and vesting occurs immediately.

The administrative agent of the two plans is Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Separately issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Individual Retirement Account Plan (IRAP)

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

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

Required contributions for St. Cloud State University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2013	$ 3,233	$ 2,418
2012	3,081	2,300
2011	3,252	2,427

Supplemental Retirement Plan (SRP)

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

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

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

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

Required contributions for St. Cloud State University were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 1,602
2012	1,519
2011	1,663

Voluntary Retirement Savings Plans

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

Minnesota Deferred Compensation Plan 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, 2013, the plan had 468 participants.

In addition, to the state's Deferred Compensation program, Minnesota State Colleges and Universities also participates in a 403(b) Tax Sheltered Annuity (TSA) program. The plan consists of both pre-tax and after-tax contributions and accumulated investment gains or losses. As of June 30, 2013, the plan had 255 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, and liabilities that are required by an external party to be accounted for separately.

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

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

	2013	2012
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 16,799	$ 18,946
Current restricted assets	26,772	21,393
Noncurrent restricted assets	26,108	9,639
Noncurrent assets	34,765	35,541
Total assets	104,444	85,519
Liabilities		
Current liabilities	6,811	6,522
Noncurrent liabilities	48,373	32,250
Total liabilities	55,184	38,772
Net Position		
Net investment in capital assets	26,099	17,473
Restricted	23,161	29,274
Total net position	$ 49,260	$ 46,747
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 23,897	$ 20,524
Operating expenses	(20,405)	(19,633)
Net operating income	3,492	891
Nonoperating revenues (expenses)	(989)	7,124
Gain on disposal of capital assets	10	—
Change in net position	2,513	8,015
Net position, beginning of year	46,747	38,732
Net position, end of year	$ 49,260	$ 46,747
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ 8,234	$ 4,269
Investing activities	45	99
Capital and related financing activities	(4,324)	(9,312)
Noncapital financing activities	—	8,200
Net increase	3,955	3,256
Cash, beginning of year	38,583	35,327
Cash, end of year	$ 42,538	$ 38,583

16. COMMITMENTS

St. Cloud State University Involvement in Ongoing Projects 2013
(In Thousands)

Project	Estimated Total Cost	Spent to Date	Balance	Expected Completion
Integrated Science and Engineering Lab Facility (ISELF)	$ 44,851	$ 37,905	$ 6,946	August 2013
Herb Brooks National Hockey Center renovation and addition (HBNHC)	17,661	14,450	3,211	August 2013
Atwood Memorial Center renovation	4,814	1,476	3,341	August 2013
Mass Communication High Definition upgrade	5,100	1,834	3,266	October 2013
Shoemaker Halls East and West renovation	18,097	2,241	15,856	May 2014

During fiscal year 2012, the University began construction of the Integrated Science and Engineering Lab Facility (ISELF). The University secured $42.3 million in bonding from the state of Minnesota in July 2011 to fund construction of the facility. This innovative facility will have large, open, flexible spaces suitable for multidisciplinary teaching, research and student project development. The ISELF facility is scheduled to open for classes in August of 2013.

During fiscal year 2013, the University continued the $17.7 million design and construction of the Herb Brooks National Hockey Center renovation and addition. Two of the goals of this project are to enhance the fan experience and create an event center for Central Minnesota. The project is being funded by a $1.9 million investment from the state of Minnesota, $4.5 million in Revenue Bond Funds, $3.0 million from other University sources, and private fund raising, sponsorships and naming rights projected at nearly $8.2 million.

The Shoemaker Hall East and West wing renovations are part of a comprehensive plan to update St. Cloud State residence halls. These renovations have received Revenue Bond Funding.

The University has entered into operating agreements with Wedum St. Cloud Housing LLLC and also with the St. Cloud State University Foundation. These operating agreements each contain lease terms meeting the criteria of a capital lease, as defined by Financial Accounting Standards Board ASC 840, *Leases*. Additional information regarding these leases agreements can be found in Note 11.

17. CONTINGENCIES

Lawsuits and other claims furnish a basis for potential liability. The following matter, in which St. Cloud State University, its officers or employees are respondents, may constitute a material claim, litigation or assessment in excess of $250,000.

Cole, et al. v. St. Cloud State University and Dick Andzenge, Stearns County District Court. Five plaintiffs sued the University, Minnesota State Colleges and Universities and an employee claiming they were sexually harassed by an instructor during an education abroad program and retaliated against after their return to the United States. Some also allege conversion. The case is in discovery and the University will vigorously defend the case.

18. RISK MANAGEMENT

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

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

Property coverage's offered by the Minnesota Risk Management Fund are as follows:

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

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

The Minnesota Risk Management Fund purchased student intern professional liability insurance on the open market for the University. Minnesota State Colleges and Universities participate in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

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

The following table presents changes in the balances of workers' compensation liability during the fiscal years ended June 30, 2013 and 2012.

	(In Thousands)			
	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/13	$ 326	$ 443	$ 259	$ 510
Fiscal Year Ended 6/30/12	425	246	345	326

19. COMPONENT UNITS

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

The St. Cloud State University Foundation, 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 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's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB ASC 958-205, *Presentation of Financial Statements*. Net assets, which are classified on the existence or absence of donor imposed restrictions, are classified and reported according to the following classes:

- *Unrestricted Net Assets:* Net assets that are not subject to donor imposed stipulations.
- *Temporarily Restricted Net Assets:* Net assets subject to donor imposed restrictions as to how the assets are to be used.
- *Permanently Restricted Net Assets:* Net assets subject to donor imposed stipulations that they be maintained permanently by each foundation. Generally, the donors of these assets permit the foundation to use all or part of the income earned on any related investments for general or specific purposes.

The University has an agreement with the Saint Cloud State University Foundation, Inc. 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 $1,278,481 and $1,518,446, respectively, for fiscal years 2013 and 2012.

An additional estimated $1,656,770 and $1,210,820, respectively, is included in the University's revenues and the Foundation's expenditures in fiscal years 2013 and 2012, as a result of planned transfers of Foundation funds to the University, whereby actual subsequent purchases are made from University accounts.

The Foundation expended $3,035,436 and $3,331,310, respectively, toward University educational program purposes during fiscal years 2013 and 2012. Of these amounts, approximately $838,693 and $598,896 respectively went to support student scholarships, talent grants, and other awards during fiscal years 2013 and 2012. In addition to providing the University with supplemental funds for current operations, in March 2012 the Foundation transferred $8.2 million to the University as a contribution to the Herb Brooks National Hockey Center renovation and addition. The Foundation's total assets increased $3,187,771 and decreased 1,634,442, respectively, in fiscal year 2013 and 2012.

Investments — The Foundation's investments are presented in accordance with FASB ASC 958-320, *Investments-Debt and Equity Securities*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

Schedule of Investments at June 30
(In Thousands)

	2013	2012
Money market & CD's	$ 6,185	$ 5,814
Balanced mutual funds	16,199	13,774
Equity based mutual funds	196	173
Fixed income/Bonds/U.S. treasuries	3,931	4,292
Equity securities	3,699	3,003
Real estate (held for investments)	—	5
Total investments	$ 30,210	$ 27,061

Capital Assets— Summaries of the foundation's capital assets for fiscal years 2013 and 2012 are:

Schedule of Capital Assets at June 30
(In Thousands)

	2013	2012
Capital assets, not depreciated:		
Land	$ 175	$ 175
Capital assets, depreciated:		
Equipment	257	250
Leasehold improvements	107	—
Accumulated depreciation	(264)	(248)
Total capital assets depreciated, net	100	2
Total capital assets, net	$ 275	$ 177

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, $9,415,000 is outstanding as of June 30, 2013.

The Foundation has a note payable with Bremer Bank for $6,600,000. The note has a personal guarantee from a member of the board of trustees. The proceeds of the note were transferred, along with other receipts to the University to finance construction costs of the Herb Brooks National Hockey Center (HBNHC) renovation and addition. The fund is anticipated to be replenished with future contributions to a capital campaign for the HBNHC. Of this loan amount, $5,060,000 is outstanding as of June 30, 2013.

Principal payment schedules are provided in the following table for revenue bonds payable and notes payable. Excluded from the table below is the unamortized bond premium of $968,127, which is amortized over the life of the bonds.

Long Term Debt Principal Repayment Schedule
(In Thousands)

Fiscal Years	Bonds Payable	Notes Payable
2014	$ 845	$ 740
2015	870	1,440
2016	885	1,440
2017	910	1,440
2018	945	—
Thereafter	4,960	—
Total	$ 9,415	$ 5,060

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, 2013 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2013
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ (184)	$ 3,939	$ 16,597	$ 20,352
Change in value of trusts	43	2,291	31	2,365
Contributions	1	83	449	533
Investment income	13	460	(13)	460
Amounts appropriated for expenditures	8	(632)	—	(624)
Other transfers	—	32	(27)	5
Net assets, end of year	$ (119)	$ 6,173	$ 17,037	$ 23,091

Changes in endowment net assets as of June 30, 2012 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2012
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ (50)	$ 4,686	$ 15,884	$ 20,520
Change in value of trusts	(1)	(247)	(4)	(252)
Contributions	1	68	799	868
Investment income	1	445	11	457
Amounts appropriated for expenditures	(144)	(1,131)	—	(1,275)
Other transfers	9	118	(93)	34
Net assets, end of year	$ (184)	$ 3,939	$ 16,597	$ 20,352

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2006	$ —	$ 9,105	$ 9,105	0.00%	$ 99,283	9.17%
July 1, 2008	—	8,915	8,915	0.00	103,060	8.65
July 1, 2010	—	11,506	11,506	0.00	113,311	10.15
July 1, 2012	—	8,361	8,361	0.00	98,825	8.46

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SUPPLEMENTARY SECTION

Expert advice. When you need it.℠

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Cloud State University
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 St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of and for the year ending June 30, 2013, and the related Notes to the Financial Statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 15, 2013. Our report includes a reference to other auditors who audited the financial statements of St. Cloud State University Foundation, Inc., as described in our report on the University's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

KDV

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

Compliance and Other Matters

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

Purpose of this Report

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

Kern, DeW

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
November 15, 2013

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