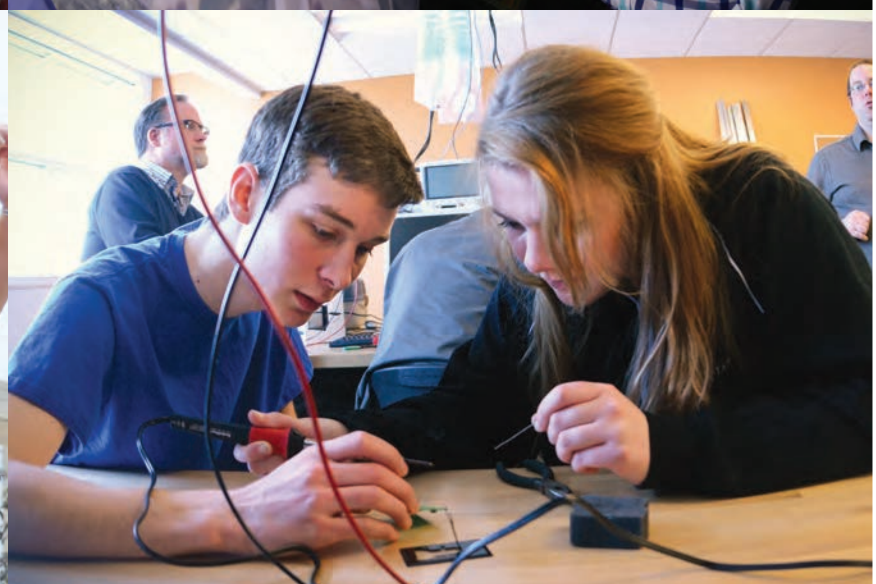
ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2014 and 2013

ST. CLOUD STATE UNIVERSITY

EDUCATION FOR LIFE.



ST. CLOUD STATE UNIVERSITY

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2014 and 2013

Prepared by:

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

ST. CLOUD STATE UNIVERSITY

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

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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 12, 2014

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, 2014. 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 is to prepare our graduates for life, work and citizenship in the 21st Century. In fiscal year 2014, the University served 19,912 individual students through our credit-based instruction with a full year equivalent of 12,381. In 2014 the University hosted 1,025 international students from 87 countries and sent university students to 35 education abroad programs in 18 countries.

St. Cloud State was recognized for its international and diversity efforts with multiple significant awards during fiscal year 2014, most notably the 2013 Senator Paul Simon Award for Comprehensive Internationalization. The Simon Award was granted for our excellence in integrating international education across all aspects of the university. Our international students add vibrancy to our academic community, and their presence in our classrooms brings an important international perspective to all students. For the second year, St. Cloud State received the Higher Education Excellence in Diversity (HEED) Award from Insight Into Diversity Magazine for setting a benchmark for others aspiring to achieve a diverse and inclusive environment. The award recognizes our university's dedication to inclusiveness and broad-ranging efforts to support diversity. These efforts include gender, race, ethnicity, veterans, people with disabilities and members of the LGBT community.

We are excited to have begun work on our commitment to Generation Study Abroad, a five-year initiative that brings leaders in education, business and governments together to double by 2020 the number of U.S. college students studying abroad. The initiative is managed through the Institute of International Education (IIE). Our average annual number of St. Cloud State students studying abroad is 350 and our goal is to double that within the next five years by reducing barriers to and increasing awareness of Education Abroad opportunities.

In May, St. Cloud State opened its Confucius Institute through a partnership with the Jilin Province Department of Education in Changchun, China, and in collaboration with the Minnesota Department of Education and the Ministry of Education in China. The institute's funding is shared by St. Cloud State and our Chinese partners. The St. Cloud State Confucius Institute sets itself apart from others through its focus on preparing teachers for Chinese immersion and Chinese second-language programs, which is a growing need throughout the state of Minnesota.

The University is involved in other projects, partnerships and initiatives as well that impact business needs and communities throughout the region. The Integrated Science and Engineering Laboratory Facility (ISELF), opened in August 2013, is working with more than 10 regional businesses on various projects including GeoComm. The work students and faculty have done with GeoComm during 2014 has created applied learning experiences that are resulting in 3-D 9-1-1 software that answers a national need for improved emergency response communications. When it's finished, dispatchers and first responders will be able to see the location of the 9-1-1 caller as well as many of the distinguishing features of the building they might be inside.

Our sustainability efforts received growing attention last year as St. Cloud State worked on identifying a campus-wide energy efficiency program which will help us align with our commitment to reducing carbon emission, promoting environmental responsibility and saving money on energy costs. Another great sustainability-focused initiative on campus, the Community Garden, celebrated its 10th planting season this year and was recognized as the Best Community Garden in Minnesota by WCCO TV viewers in May. The garden also installed a new irrigation system that was designed by students in 2010.

The School of Public Affairs opened its Research Institute during spring semester as a service institute committed to answering questions and developing solutions for area communities and the region. Clients that the Research Institute are working with include the Minnesota Lottery, the Minnesota Nursery and Landscapers Association and the Office of the Secretary of State, the last of which has resulted in a series of regional reports on economic and business conditions. These reports are Minnesota's first regional, customized economic reviews and forecasts.

Our students excel every day in the classroom and in the community and we all take great pride in their successes. Our student journalists and mass communications students took home multiple regional and national awards, including a dozen International Media Arts Awards for UTVS TV who in fiscal year 2014 began broadcasting in HD thanks to a $4.8 million upgrade that brings the station in line with industry standards for today's working professionals. UTVS journalists also won more awards from the Upper Midwest Emmy Chapter of the National Academy of

Television Arts & Sciences than students from the University of Minnesota, University of North Dakota and University of St. Thomas, among others.

Our student athletes continued their tradition of success in intercollegiate athletics during the 2013-14 academic year as the Huskies captured four conference team titles along with several top NCAA finishes. St. Cloud State's NCAA Division I men's hockey team won its second consecutive regular season title by claiming the National Collegiate Hockey Conference's first Penrose Cup. The Huskies also won Northern Sun Intercollegiate Conference championships in men's golf, wrestling and women's swimming and diving. A total of seven St. Cloud State teams qualified for NCAA postseason competition. The University stepped up its game on the field and on the court by introducing a new secondary athletics logo that compliments the global/institutional "St. C" logo and replaces the Husky head logo used since the 1999-2000 school year.

This past year, St. Cloud State University's Foundation exceeded many of its goals. Donors contributed $4.1 million for scholarships, program support, capital projects and unrestricted purposes. The Foundation raised $1.2 million for scholarships with a goal of $722,000 and awarded 855 scholarships.

The financial statements, which were audited by the firm of Clifton Larson Allen contains statements of net position, statements of revenue, expense and changes in net position and statements of cash flows. The University ended fiscal year 2014 with total net position of $208.9 million, and decrease of $7.5 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 MnSCU, or through Minnesota Management & Budget. St. Cloud State University is managing the renewal and transformation of its workforce to address new needs and challenges. The partnership with our bargaining units to design and implement essential changes to assure our future remains very important in our ability to meet Minnesota's future needs.

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

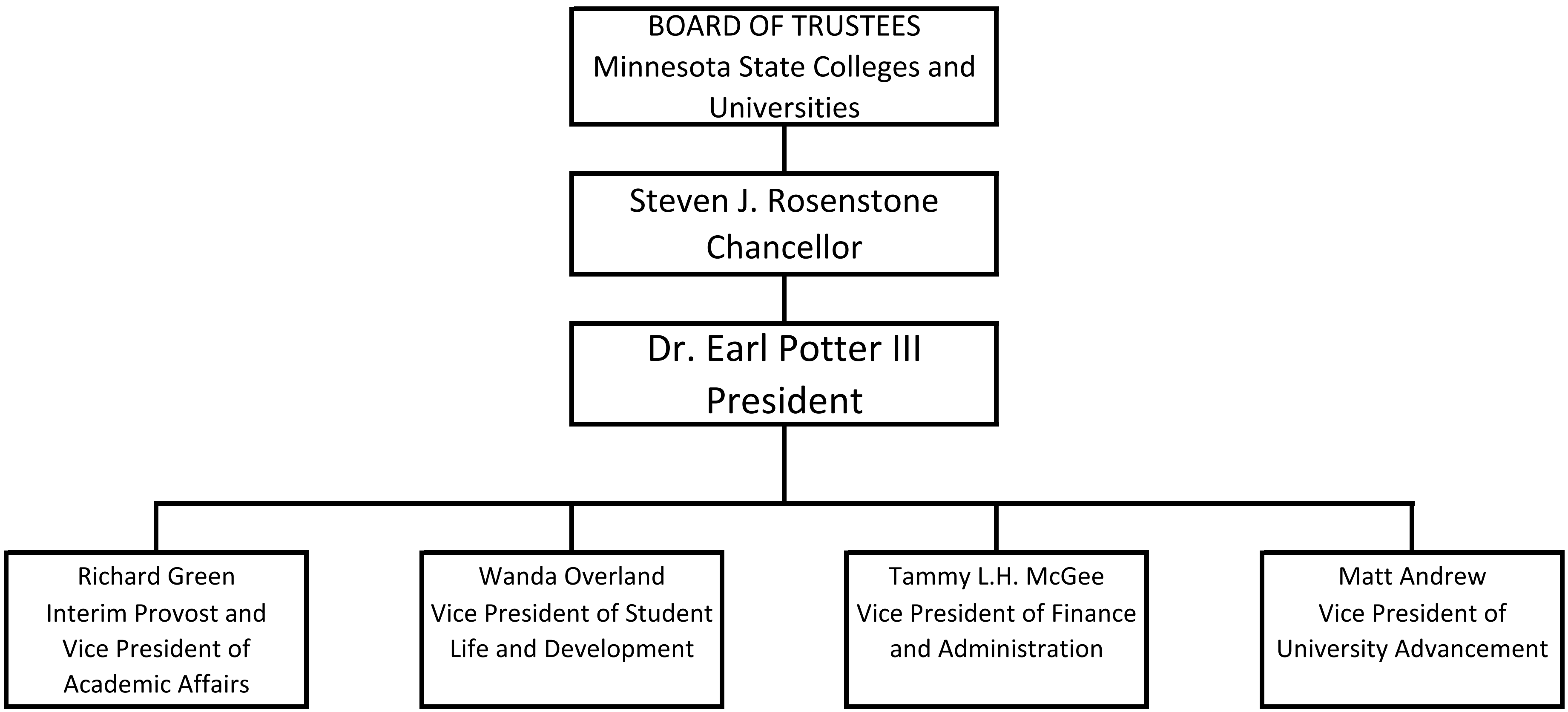
Sincerely,

Earl H. Potter III

Earl H. Potter III
President

St. Cloud State University

Organizational Chart



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

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

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

FINANCIAL SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Prior Period Financial Statements

The financial statements of the University as of June 30, 2013, were audited by other auditors whose report dated November 15, 2013, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of Saint Cloud State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint Cloud State University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 12, 2014

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, 2014 and 2013. 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 15,416 students including 1,664 graduate and professional students. Approximately 1,500 faculty and staff members are employed by the University. The University offers 200 majors, minors, and pre-professional programs in business, education, fine arts and humanities, science and engineering and social sciences, and 60 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

Assets totaled $362.0 million compared to liabilities of $153.1 million. Net position, which represent the residual interest in the University's assets after liabilities are deducted, is comprised of net investments in capital assets, of $170.5 million, restricted assets of $23.2 million, and unrestricted assets of $15.3 million. The fiscal year 2014 net assets total of $208.9 million represents a decrease of $7.5 million, or 3.5 percent, over fiscal year 2013 and an increase of $10.5 million, or 5.3 percent, over fiscal year 2012. The University's fiscal year 2014 appropriation revenue of $58.8 million represents an 8.1 percent increase compared to fiscal year 2013, and a 10.5 percent increase compared to fiscal year 2012.

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, 2014, 2013, and 2012, respectively, is as follows:

	(In Thousands)		
	2014	2013	2012
Current assets	$ 79,020	$ 96,223	$ 93,328
Current restricted assets	8,166	26,839	24,103
Noncurrent restricted assets	13,511	26,108	9,639
Noncurrent assets	261,311	230,679	206,845
Total assets	362,008	379,849	333,915
Current liabilities	37,642	41,837	34,852
Noncurrent liabilities	115,479	121,661	100,664
Total liabilities	153,121	163,498	135,516
Total net position	$ 208,887	$ 216,351	$ 198,399

Current unrestricted assets consist primarily of cash, cash equivalents, investments and accounts receivable which totaled $73.4 million at June 30, 2014, a decrease of $17.4 million compared to fiscal year 2013. This decrease consists of a decrease of $13.5 million in cash and the reduction of $3.8 million of prior year accounts receivables related to bond proceeds. Current unrestricted assets at June 30, 2014 which also includes prepaid expenses, current student loans and other assets decreased by a total of $17.2 million, or 17.9 percent, compared to fiscal year 2013.

Restricted assets decreased from $52.9 million in fiscal year 2013 to $21.7 million in fiscal year 2014, as a result of normal timing differences in capital projects activity. With restricted project funding the University continued an $18.1 million renovation of Shoemaker Halls East and West and recognized the completion of a $12.2 million renovation of Hill Case Hall, a $14.8 million expansion and renovation of Herb Brooks National Hockey Center and a $4.8 million renovation of Atwood Memorial Center.

Current liabilities consist primarily of salaries and benefits payable and accounts payable. Salaries and benefits payable totaled $14.0 million at June 30, 2014, an increase of $1.6 million, or 12.4 percent, over the prior year. Included within the salary payable accrual is $11.2 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. In addition there is $2.4 million of current liabilities increase due to fiscal year 2014 retroactive pay adjustments for employee settlements, which were paid after June 30th and $0.4 million in salary earned the final pay period in fiscal year 2014.

Net position represents the residual interest in the University's assets after liabilities are deducted. The University's net position as of June 30, 2014, 2013, and 2012, respectively, are summarized as follows:

	(In Thousands)		
	2014	2013	2012
Net investments in capital assets	$ 170,460	$ 158,881	$ 131,599
Restricted	23,162	29,218	34,578
Unrestricted	15,265	28,252	32,222
Total net position	$ 208,887	$ 216,351	$ 198,399

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 assets have constraints placed on their use by external creditors, grantors, laws or regulations and consist primarily of those assets restricted for debt service of $6.9 million, and restrictions imposed by bond covenants, of $12.4 million a decrease of $2 million from fiscal year 2013. Unrestricted net assets represent assets available for University investments in future years and also provides for reserves set by board policy. As shown in the table above, total net position has increased by $10.5 million from fiscal year 2012 to fiscal year 2014. The two year shift of $28.4 million from restricted and unrestricted to capital assets reflects the University's investment in academic and residential buildings and equipment.

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, 2014, totaled $269.8 million, an increase of $18.3 million, or 7.3 percent over fiscal year 2013.

Capital outlay totaled $33.0 million in 2014. The University expended $14.1 million towards completing the Shoemaker Hall East and West renovation, $6.4 million towards construction of the Integrated Science and Engineering Laboratory Facility (ISELF), $2.7 million towards construction of the Herb Brooks National Hockey Center improvements, $3.7 million Mass Communication High Definition upgrade, and $3.1 million towards the Atwood Memorial Center renovation. Additional capital expenses were comprised of replacement and renovation of existing facilities, and investments in equipment.

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

Long-term debt payable on June 30, 2014 consisted of $27.6 million of general obligation bonds, $43.0 million of revenue bonds and $26.2 million of capital leases. The general obligation bonds are issued to finance construction of buildings and repairs. Revenue bonds are issued for the construction and maintenance of revenue producing facilities such as residence halls and the student union. Additional information on capital debt and debt activities can be found in notes 6 and 8 in the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Tuition and state appropriations are the primary sources of funding for the University's academic programs. Gross tuition revenue decreased $3.0 million to $84.9 million in fiscal year 2014 as a net result of a 5.1 percent decrease in enrollment and a 3 percent increase in graduate tuition and online class rates. Total state appropriations totaled $58.8 million in 2014, an increase of $4.4 million from fiscal year 2013. Capital appropriations decreased by 16.0 million as the majority of Integrated Science and Engineering Laboratory Facility (ISELF) funding was received in fiscal year 2013.

The resources expended for compensation and benefits increased $4.8 million to $139.8 million in fiscal year 2014. This increase is based primarily on contractual settlements as the University's employee base remained flat from fiscal year 2013 to fiscal year 2014. Operating revenues are presented net of scholarship allowance. Depreciation expense increased $2.4 million due to the first year depreciation on the numerous projects capitalized in fiscal year 2014 and fiscal year 2013.

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) 2014	2013	2012
Operating revenues			
Student tuition and fees	$ 70,341	$ 73,036	$ 75,840
Room and board	16,693	16,984	17,195
Sales	11,378	12,147	12,071
Other	2,521	4,212	5,239
Total operating revenues	100,933	106,379	110,345
Nonoperating revenues			
State appropriations	58,772	54,372	53,186
Grants and donated assets	33,433	33,401	39,327
Capital appropriations	4,152	20,215	7,212
Investment and other income	852	638	528
Total nonoperating revenues	97,209	108,626	100,253
Total revenues	198,142	215,005	210,598
Operating expenses			
Salaries and benefits	139,832	134,996	128,184
Supplies and services	44,270	43,031	41,718
Depreciation	14,621	12,209	12,220
Financial aid	3,127	3,368	1,742
Total operating expenses	201,850	193,604	183,864
Nonoperating expenses			
Interest expense	3,191	2,869	2,724
Grants to other organizations	565	580	134
Loss on disposal of capital asset	—	—	19
Total nonoperating expenses	3,756	3,449	2,877
Total expenses	205,606	197,053	186,741
Change in net position	(7,464)	17,952	23,857
Net position, beginning of year	216,351	198,399	174,542
Net position, end of year	$ 208,887	$ 216,351	$ 198,399

FOUNDATION

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Enrollment growth at both the undergraduate and graduate levels through strategic academic program development that aligns with our current academic strengths, where strong student and market demand exist, is critical to the future vitality of the institution. Growth through gains in student retention rates and other student success indicators are additional important initiatives currently underway.

The development of alternative revenue sources through research and development partnerships with industry such as those evolving with the addition of the Integrated Science, Engineering Lab facility, which respond to the dynamic workforce needs of our state and region, is key. State Capital Appropriations to sustain the physical and technological infrastructure of the University's is necessary.

The Foundation continues its work of enhancing the depth and breadth of its donor base while also developing its potential to increase its financial support of our students and the work being done on campus.

Effective alignment of talented faculty and staff necessary to student success will significantly impact the financial sustainability of the university going forward as it works to ensure expenses are not out-pacing revenue streams. Non-personnel costs could begin to see sharper inflation and regulatory driven cost increases in the coming years, which will make oversight relative to changes in revenues, increasing expectations relative to technology infrastructure and reductions in physical plant square footage important considerations.

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, 2014 AND 2013
(IN THOUSANDS)

Assets	2014	2013
Current Assets		
Cash and cash equivalents	$ 67,447	$ 80,927
Investments	2,409	2,427
Grants receivable	922	920
Accounts receivable, net	3,582	7,465
Prepaid expense	3,036	2,883
Inventory	168	148
Student loans, net	1,000	850
Other assets	325	363
Advances from other schools	131	240
Total current assets	79,020	96,223
Current Restricted Assets		
Cash and cash equivalents	8,166	26,839
Total current restricted assets	8,166	26,839
Noncurrent Restricted Assets		
Construction in progress	13,511	26,108
Total noncurrent restricted assets	13,511	26,108
Total restricted assets	21,677	52,947
Noncurrent Assets		
Student loans, net	4,990	5,332
Capital assets, net	256,321	225,347
Total noncurrent assets	261,311	230,679
Total Assets	362,008	379,849
Liabilities		
Current Liabilities		
Salaries and benefits payable	14,034	12,481
Accounts payable	5,079	5,505
Unearned revenue	5,325	5,396
Payable from restricted assets	380	6,710
Interest payable	435	471
Funds held for others	1,235	859
Current portion of long-term debt	8,455	7,707
Other compensation benefits	2,199	2,153
Other liabilities	500	555
Total current liabilities	37,642	41,837
Noncurrent Liabilities		
Noncurrent portion of long-term debt	93,029	99,702
Other compensation benefits	16,659	16,090
Capital contributions payable	5,791	5,869
Total noncurrent liabilities	115,479	121,661
Total Liabilities	153,121	163,498
Net Position		
Net investment in capital assets	170,460	158,881
Restricted expendable, bond covenants	12,352	14,482
Restricted expendable, other	10,810	14,736
Unrestricted	15,265	28,252
Total Net Position	$ 208,887	$ 216,351

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 1,225	$ 458
Investments	33,788	30,210
Restricted cash and cash equivalents	1,022	1,022
Pledges and contributions receivable	731	1,938
Other receivables	57	17
Accrued investment/Interest income	50	55
Finance lease receivable from University	870	845
Total current assets	37,743	34,545
Noncurrent Assets		
Long-term pledges receivable	2,002	2,582
Finance lease receivable, net	6,678	7,548
Annuities/Remainder interests/Trusts	336	308
Property and equipment, net	272	275
Other assets	251	280
Total noncurrent assets	9,539	10,993
Total Assets	$ 47,282	$ 45,538
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 157	$ 60
Interest payable	62	68
Annuities payable	46	44
Notes payable	165	740
Bonds payable	870	845
Other liabilities	80	73
Total current liabilities	1,380	1,830
Noncurrent Liabilities		
Annuities payable	303	311
Notes payable	2,880	4,320
Bonds payable	8,570	9,538
Total noncurrent liabilities	11,753	14,169
Total Liabilities	13,133	15,999
Net Assets		
Unrestricted	(4,469)	(5,737)
Temporarily restricted	20,945	18,239
Permanently restricted	17,673	17,037
Total Net Assets	34,149	29,539
Total Liabilities and Net Assets	$ 47,282	$ 45,538

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, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Operating Revenues		
Tuition, net	$ 57,893	$ 60,439
Fees, net	9,185	9,252
Sales, net	12,201	12,921
Restricted student payments, net	19,133	19,555
Other income	2,521	4,212
Total operating revenues	100,933	106,379
Operating Expenses		
Salaries and benefits	139,832	134,996
Purchased services	22,918	21,087
Supplies	10,132	8,953
Repairs and maintenance	2,800	3,244
Depreciation	14,621	12,209
Financial aid, net	3,127	3,368
Other expense	8,420	9,747
Total operating expenses	201,850	193,604
Operating loss	(100,917)	(87,225)
Nonoperating Revenues (Expenses)		
Appropriations	58,772	54,372
Federal grants	21,181	21,371
State grants	8,411	9,309
Private grants	3,426	2,721
Interest income	609	602
Interest expense	(3,191)	(2,869)
Grants to other organizations	(565)	(580)
Total nonoperating revenues (expenses)	88,643	84,926
Loss Before Other Revenues, Expenses, Gains, or Losses	(12,274)	(2,299)
Capital appropriations	4,152	20,215
Donated assets and supplies	415	-
Gain on disposal of capital assets	243	36
Change in net position	(7,464)	17,952
Total Net Position, Beginning of Year	216,351	198,399
Total Net Position, End of Year	$ 208,887	$ 216,351

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, 2014 AND 2013
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Support and Revenue					
Contributions	$ 789	$ 2,337	$ 561	$ 3,687	$ 5,552
In-kind contributions	1,474	386	9	1,869	1,810
Investment income	314	762	7	1,083	544
Realized gain	1	323	3	327	508
Unrealized gain	8	3,274	32	3,314	2,421
Transfers	(27)	3	24	-	-
Net assets released from restrictions	4,379	(4,379)	-	-	-
Total support and revenue	6,938	2,706	636	10,280	10,835
Expenses					
Program services					
Program services	316	-	-	316	339
Scholarships	3,182	-	-	3,182	2,696
Total program services	3,498	-	-	3,498	3,035
Supporting services					
Interest expense	372	-	-	372	439
Management and general	1,064	-	-	1,064	927
Fundraising	736	-	-	736	633
Total supporting services	2,172	-	-	2,172	1,999
Total expenses	5,670	-	-	5,670	5,034
Change in Net Assets	1,268	2,706	636	4,610	5,801
Net Assets, Beginning of Year	(5,737)	18,239	17,037	29,539	23,738
Net Assets, End of Year	$ (4,469)	$ 20,945	$ 17,673	$ 34,149	$ 29,539

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Cash Flows from Operating Activities		
Cash received from customers	$ 102,995	$ 106,355
Cash repayment of program loans	1,017	901
Cash paid to suppliers for goods or services	(42,503)	(42,165)
Cash payments to employees	(137,628)	(131,662)
Financial aid disbursements	(3,243)	(3,326)
Cash payments of program loans	(917)	(1,261)
Net cash flows used in operating activities	(80,279)	(71,158)
Cash Flows from Noncapital Financing Activities		
Appropriations	58,772	54,372
Agency activity	376	250
Federal grants	19,172	21,323
State grants	8,411	9,309
Private grants	3,125	2,721
Loans to other schools	109	(240)
Grants to other organizations	(565)	(580)
Net cash flows provided by noncapital financing activities	89,400	87,155
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(40,927)	(49,482)
Capital appropriation	7,994	16,453
Proceeds from sale of capital assets	324	70
Proceeds from borrowing	1,875	30,361
Proceeds from bond premium	275	3,321
Interest paid	(3,227)	(2,843)
Repayment of lease principal	(4,092)	(4,118)
Repayment of bond principal	(3,700)	(8,769)
Net cash flows used in capital and related financing activities	(41,478)	(15,007)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	1,843	1,274
Purchase of Investments	(1,852)	(1,378)
Investment earnings	213	317
Net cash flows provided by investing activities	204	213
Net Increase (Decrease) in Cash and Cash Equivalents	(32,153)	1,203
Cash and Cash Equivalents, Beginning of Year	107,766	106,563
Cash and Cash Equivalents, End of Year	$ 75,613	$ 107,766

The notes are an integral part of the financial statements.

ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Operating Loss	$ (100,917)	$ (87,225)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	14,621	12,209
Provision for loan defaults	9	45
Loan principal repayments	1,017	901
Loans issued	(917)	(1,262)
Loans forgiven	83	68
Donated and lease supplies and equipment not capitalized	301	-
Change in assets and liabilities		
Accounts receivable	41	(259)
Accounts payable	1,491	758
Salaries and benefits payable	1,553	1,990
Other compensation benefits	615	1,313
Capital contributions payable	(78)	37
Unearned revenues	1,936	235
Other assets and liabilities	(34)	32
Net reconciling items to be added to operating loss	20,638	16,067
Net cash flow used in operating activities	$ (80,279)	$ (71,158)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 627	$ 8,872
Donated equipment	415	-
Amortization of bond premium	437	399
Gain on retirement of capital assets	388	231

ST. CLOUD STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Receivables — Receivables are shown net of an allowance for 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:

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

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

Funds Held for Others — Funds held for others are primarily assets held in a custodial capacity such as student organizations, student loans and other clearing accounts that serve as a flow-through conduit.

Long Term Liabilities — The state of Minnesota appropriates for and sells general obligation bonds to support construction and renovation of the Minnesota State Colleges and Universities' facilities as approved through the state's capital budget process. The University is responsible for a portion of the debt service on the bonds sold for some of its projects. The University may also enter into capital lease agreements for certain capital assets. Other long term liabilities include compensated absences, net 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 — The University participates in several federal grant programs. The largest programs include Pell, Supplemental Educational Opportunity Grant and Federal Work Study. Federal Grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

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

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 the University are as follows:

  Restricted for bond covenants — revenue bond restrictions:

  Restricted for other — includes restrictions for the following:

  Capital projects — restricted for completion of capital projects.

  Debt service — legally restricted for bond debt repayment.

  Donations — donation restrictions.

  Faculty contract obligations — faculty development and travel required.

  Loans — University capital contribution for Perkins loans.

Net Position Restricted for Other
(In Thousands)

	2014	2013
Capital projects	$ 851	$ 5,522
Debt service	6,901	6,078
Donations	576	712
Faculty contract obligations	1,785	1,718
Loans	697	706
Total	$ 10,810	$ 14,736

- *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 — In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB No. 27. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. The statement requires that an employer recognize its obligation for pension net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as additional note disclosures regarding the obligation. The new standard is effective retrospectively starting with the fiscal year beginning July 1, 2014. The effect GASB Statements No. 68 will have on the fiscal year 2015 financial statements has not yet been determined.

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	2014	2013
Cash and repurchase agreements	$ 7,553	$ 8,189
Cash in bank - Foreign currencies	169	160
Change fund	25	25
Cash, trustee account (US Bank)	3,788	17,832
Total local cash and cash equivalents	11,535	26,206
Total treasury cash accounts	64,078	81,560
Grand Total	$ 75,613	$ 107,766

At June 30, 2014 and 2013, the University's bank balances were $8,125,268 and $10,178,201, 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, 2014 and 2013, the University had $7,430,141 and $9,368,446, respectively, in repurchase agreements. The cash accounts are invested in short term, liquid, high quality debt securities.

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has foreign checking accounts, denominated entirely in British Pounds. At June 30, 2014 and 2013, the fair value in U.S. Dollars is $169,238 and $160,218, 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, 2014 and 2013, 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	2014 Fair Value	Weighted Maturity (Years)	2013 Fair Value	Weighted Maturity (Years)
U.S. agencies	$ 1,833	2.66	$ 759	6.00
Municipal obligations	576	0.44	1,668	0.83
Total fair value	$ 2,409		$ 2,427	
Portfolio weighted average maturity		2.13		2.45

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals and businesses. At June 30, 2014 and 2013, the total accounts receivable balances for the University were $7,886,765 and $11,450,244, respectively, less an allowance for uncollectible receivables of $4,304,615 and $3,985,065, respectively.

There were capital project related receivables of $3,842,345 at June 30, 2013 for bond proceeds spent on capital projects, but not yet collected from the state of Minnesota.

Summary of Accounts Receivable at June 30
(In Thousands)

	2014	2013
Tuition	$ 3,908	$ 4,027
Room and board	1,911	1,654
Fees	1,132	1,225
Sales and services	566	569
Capital projects	—	3,842
Other income	370	133
Total accounts receivable	7,887	11,450
Allowance for uncollectible accounts	(4,305)	(3,985)
Net accounts receivable	$ 3,582	$ 7,465

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

Fiscal Year 2014
(In Thousands)

Year	Allowance Amount	Allowance Percentage
Summer 2014	$ 44	10
2014	803	25
2013	685	50
2012	784	80
2011 and before	1,989	100
Total	$ 4,305	

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	

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 $2,961,271 and $2,746,213 for fiscal years 2014 and 2013, 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 2014 and 2013 was $74,970 and $136,911, 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, 2014 and 2013, the loans receivable for this program totaled $6,314,020 and $6,496,786, respectively, less an allowance for uncollectible loans of $324,073 and $315,208, respectively.

6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2014 and 2013 follow:

Year Ended June 30, 2014
(In Thousands)

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

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

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)

	2014	2013
Capital projects	$ 627	$ 2,175
Supplies	1,481	1,040
Purchased services	1,742	1,531
Repairs & maintenance	708	227
Student Payroll	258	222
Other	263	310
Total	$ 5,079	$ 5,505

In addition, as of June 30, 2014 and 2013, the University also had payables from restricted assets in the amounts of $380,447 and $6,709,711, 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 2014 and 2013 follow:

Year Ended June 30, 2014
(In Thousands)

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

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

The changes in other compensation benefits for fiscal years 2014 and 2013 follow:

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 14,839	$ 2,063	$ 1,676	$ 15,226	$ 1,814
Early termination benefits	232	80	232	80	80
Net other postemployment benefits	2,662	822	567	2,917	—
Workers' compensation	510	349	224	635	305
Total other compensation benefits	$ 18,243	$ 3,314	$ 2,699	$ 18,858	$ 2,199

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

Bond Premium — In fiscal years 2014 and 2013 bonds were issued, resulting in premiums of $274,553 and $3,320,890, 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 prescribed by GAAP. 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 18.12 percent of net revenues. The total principal and interest remaining to be paid on the revenue bonds is $59,093,148. Principal and interest paid for the current year and total customer net revenues were $3,327,539 and $21,707,461 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 $635,013 and $510,075, at June 30, 2014 and 2013, 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 $5,791,120 and $5,869,250 at June 30, 2014 and 2013, respectively, represent the amount the University would owe the federal government if it were to discontinue the Perkins loan program. The net decrease is $78,130 for fiscal year 2014. There was a net increase of $37,404 for fiscal year 2013.

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
2015	$ 4,051	$ 893	$ 2,114	$ 1,286	$ 2,290	$ 1,643
2016	4,002	1,012	2,105	1,124	2,330	1,578
2017	3,965	1,122	2,004	1,020	2,340	1,507
2018	3,938	1,231	2,004	921	2,393	1,428
2019	3,883	1,339	1,981	824	2,493	1,339
2020-2024	6,333	1,823	8,071	2,827	12,526	5,125
2025-2029	—	—	6,369	1,153	9,920	2,801
2030-2034	—	—	2,933	206	8,710	671
Total	$ 26,172	$ 7,420	$ 27,581	$ 9,361	$ 43,002	$ 16,092

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 2014 and 2013.

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 2014 and 2013, follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2014	2	$ 80
2013	8	159

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 2014 and 2013 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2014	—	$ —
2013	3	73

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 Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the annual OPEB cost for 2014 and 2013, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Components of the Annual OPEB Cost
(In Thousands)

	2014	2013
Annual required contribution (ARC)	$ 802	$ 767
Interest on net OPEB obligation	126	113
Adjustment to ARC	(106)	(95)
Annual OPEB cost	822	785
Contributions during the year	(567)	(495)
Increase in net OPEB obligation	255	290
Net OPEB obligation, beginning of year	2,662	2,372
Net OPEB obligation, end of year	$ 2,917	$ 2,662

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2014 and 2013 were as follows:

Year Ended June 30
(In Thousands)

	2014	2013
Beginning of year net OPEB obligation	$ 2,662	$ 2,372
Annual OPEB cost	822	785
Employer contribution	(567)	(495)
End of year net OPEB obligation	$ 2,917	$ 2,662
Percentage contributed	68.98%	63.06%

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, 2014 and 2013, totaled $558,466 and $479,730, respectively.

Future minimum lease payments for existing lease agreements follow:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2015	$ 517
2016	481
2017	368
2018	188
2019	54
2020	2
Total	$ 1,610

Income Leases — The University has entered into several income lease agreements, primarily for building space. Lease income for the years ended June 30, 2014 and 2013, totaled $116,510 and $116,588 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
2015	$ 88
2016	47
2017	46
2018	20
2019	20
Total	$ 221

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

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

In August 2010, the University entered into agreements with Wedum St. Cloud Housing LLLC for residence hall and Welcome Center space for a term of ten years with two successive options for five year extensions.

The total cost of all capital assets acquired with capital leases and corresponding accumulated depreciation at June 30, 2014, are $46,634,144 and $16,271,826 respectively.

12. TUITION, FEES, AND SALES, NET

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

Year Ended June 30
(In Thousands)

Description	2014 Gross	2014 Scholarship Allowance	2014 Net	2013 Gross	2013 Scholarship Allowance	2013 Net
Tuition	$ 84,941	$ (27,048)	$ 57,893	$ 87,921	$ (27,482)	$ 60,439
Fees	10,218	(1,033)	9,185	10,434	(1,182)	9,252
Sales	12,253	(52)	12,201	12,980	(59)	12,921
Restricted student payments	19,796	(663)	19,133	20,357	(802)	19,555
Total	$ 127,208	$ (28,796)	$ 98,412	$ 131,692	$ (29,525)	$ 102,167

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2014
(In Thousands)

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

Year Ended June 30, 2013
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 13,971	$ 4,131	$ 5,688	$ 170	$ 23,960
Institutional support	11,108	4,515	7,823	146	23,592
Instruction	55,763	15,832	11,162	671	83,428
Public service	861	196	1,548	25	2,630
Research	1,256	319	952	15	2,542
Student services	14,275	4,451	7,762	382	26,870
Auxiliary enterprises	6,823	1,495	20,305	1,460	30,083
Scholarships & fellowships	—	—	3,368	—	3,368
Less interest expense	—	—	—	(2,869)	(2,869)
Total operating expenses	$ 104,057	$ 30,939	$ 58,608	$ —	$ 193,604

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 2012, 2013, and 2014 the funding requirement was 5 percent for both employer and employee and will increase to 5.5 percent in 2015. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)	
Fiscal Year	Amount
2014	$ 1,235
2013	1,174
2012	1,156

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 years 2012 and 2013, the funding requirement was 6 percent and 6.5 percent respectively, for both employer and employee coordinated members. For fiscal year 2014, the funding requirement was 7 percent for both employer and employee coordinated members and will increase to 7.5 percent for fiscal year 2015. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)	
Fiscal Year	Amount
2014	$ 783
2013	714
2012	609

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. Effective January 1, 2011 and thereafter, employee and employer contribution rates are 6.25. Actual contributions were 100 percent of required contributions.

Required contributions for St. Cloud State University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2014	$ 23	$ 20
2013	21	18
2012	20	17

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
2014	$ 3,323	$ 2,479
2013	3,233	2,418
2012	3,081	2,300

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
2014	$ 1,535
2013	1,602
2012	1,519

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, 2014, the plan had 481 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, 2014, the plan had 261 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)

	2014	2013
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 14,548	$ 16,799
Current restricted assets	7,891	26,772
Noncurrent restricted assets	13,511	26,108
Noncurrent assets	63,140	34,765
Total assets	99,090	104,444
Liabilities		
Current liabilities	5,248	6,811
Noncurrent liabilities	45,703	48,373
Total liabilities	50,951	55,184
Net Position		
Net investment in capital assets	31,128	26,099
Restricted	17,011	23,161
Total net position	$ 48,139	$ 49,260
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 21,579	$ 23,897
Operating expenses	(21,591)	(20,405)
Net operating income	(12)	3,492
Nonoperating expenses	(1,109)	(989)
Gain on disposal of capital assets	—	10
Change in net position	(1,121)	2,513
Net position, beginning of year	49,260	46,747
Net position, end of year	$ 48,139	$ 49,260
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ 3,787	$ 8,234
Investing activities	(25)	45
Capital and related financing activities	(24,564)	(4,324)
Noncapital financing activities	10	—
Net increase (decrease)	(20,792)	3,955
Cash, beginning of year	42,538	38,583
Cash, end of year	$ 21,746	$ 42,538

16. COMMITMENTS

St. Cloud State University Involvement in Ongoing Projects 2014
(In Thousands)

Project	Estimated Total Cost	Spent to Date	Balance	Expected Completion
Shoemaker Halls East and West renovation	$18,097	$16,342	$1,755	August 2014

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 GAAP. Additional information regarding these leases agreements can be found in Note 11.

17. RISK MANAGEMENT

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

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

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

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

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

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

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

The following table presents changes in the balances of workers' compensation liability during the fiscal years ended June 30, 2014 and 2013.

	(In Thousands)			
	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/14	$ 510	$ 349	$ 224	$ 635
Fiscal Year Ended 6/30/13	326	443	259	510

18. COMPONENT UNITS

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

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

The Foundations financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the 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 Foundation whereby the University has agreed to furnish services for the operation of the Foundation. The values of such services, which are included in the University's expenses, are estimated at $1,473,640 and $1,278,481, respectively, for fiscal years 2014 and 2013.

An additional estimated $1,509,218 and $1,656,770, respectively, is included in the University's revenues and the Foundation's expenditures in fiscal years 2014 and 2013, as a result of planned transfers of Foundation funds to the University, whereby actual subsequent purchases are made from University accounts.
The Foundation expended $3,497,592 and $3,035,436, respectively, toward University educational program purposes during fiscal years 2014 and 2013. Of these amounts, approximately $774,674 and $838,693 respectively went to support student scholarships, talent grants, and other awards during fiscal years 2014 and 2013. The Foundation's total assets increased $1,743,687 and $3,187,771, respectively, in fiscal year 2014 and 2013.

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)

	2014	2013
Money market & CD's	$ 4,456	$ 6,185
Balanced mutual funds	19,400	16,199
Equity based mutual funds	223	196
Fixed income/Bonds/U.S. treasuries	5,055	3,931
Equity securities	4,654	3,699
Total investments	$ 33,788	$ 30,210

Capital Assets— Summaries of the Foundation's capital assets for fiscal years 2014 and 2013 are:

Schedule of Capital Assets at June 30
(In Thousands)

	2014	2013
Capital assets, not depreciated:		
Land	$ 175	$ 175
Capital assets, depreciated:		
Equipment	274	257
Leasehold improvements	107	107
Accumulated depreciation	(284)	(264)
Total capital assets depreciated, net	97	100
Total capital assets, net	$ 272	$ 275

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, $8,570,000 is outstanding as of June 30, 2014.

The Foundation has a note payable with Bremer Bank for $6,600,000. The note has a personal guarantee from a former member of the board of trustees. The proceeds of the note were transferred, along with other receipts to the University to finance construction costs of the Herb Brooks National Hockey Center (HBNHC) renovation and addition. The fund is anticipated to be replenished with future contributions to a capital campaign for the HBNHC. Of this loan amount, $3,045,000 is outstanding as of June 30, 2014.

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 $869,674, which is amortized over the life of the bonds.

Long Term Debt Principal Repayment Schedule
(In Thousands)

Fiscal Years	Bonds Payable	Notes Payable
2015	$ 870	$ 165
2016	885	1,440
2017	910	1,440
2018	945	—
2019	950	—
Thereafter	4,010	—
Total	$ 8,570	$ 3,045

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, 2014 are as follows:

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

Schedule of Funding Progress
(In Thousands)

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

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SUPPLEMENTARY SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Saint Cloud State University (the University), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Saint Cloud State University's basic financial statements, and have issued our report thereon dated November 12, 2014. The financial statements of the Saint Cloud State University Foundation were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 12, 2014

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