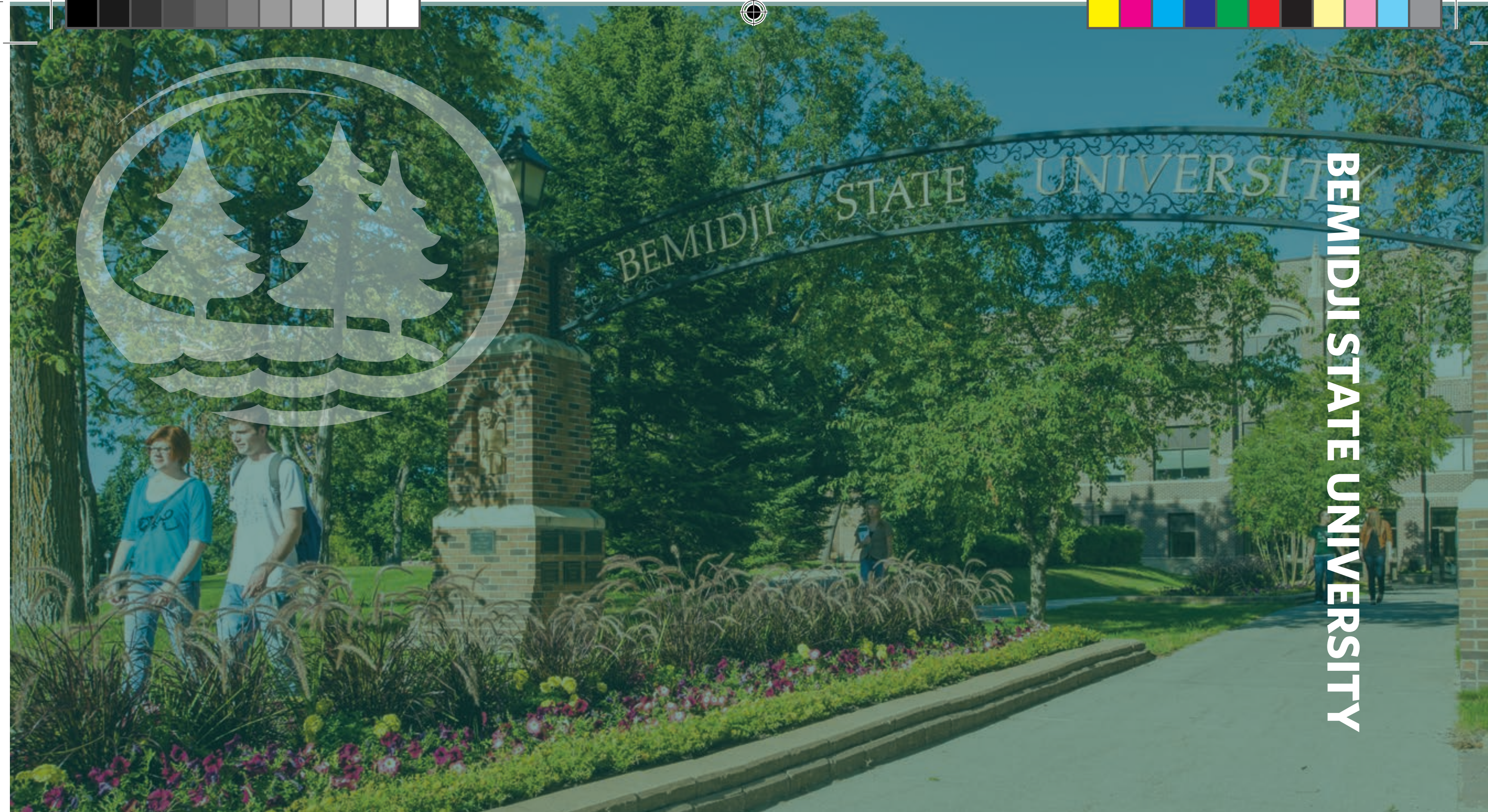

BEMIDJI STATE UNIVERSITY

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

A member of the Minnesota State Colleges and Universities system.

NORTHWEST TECHNICAL COLLEGE

BEMIDJI STATE UNIVERSITY

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

Prepared by:

Chief Financial Officer
Deputy Hall
Bemidji State University
1500 Birchmont Drive NE
Bemidji, MN 56601-2699

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BEMIDJI STATE UNIVERSITY

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

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INTRODUCTION

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INTRODUCTION

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Bemidji State University
Northwest Technical College

OFFICE OF THE PRESIDENT
218-755-2011 / FAX 218-755-2749 / president@bemidjistate.edu

November 13, 2015

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

Dear Board of Trustees and Chancellor Rosenstone:

I am pleased to submit the audited financial statements for Bemidji State University and Northwest Technical College for the fiscal years ending June 30, 2015 and 2014. This report includes the financial statements and disclosures necessary to accurately present the financial condition results of operations for the year. I am pleased to report that the financial status of our institutions continues to be stable during a time of transitioning to a smaller base of operating revenue. For a summary review and explanation of the financial statements, please review the Management's Discussion and Analysis section of this report. The responsibility for the accuracy, fairness, reliability and completeness of this report rests with the Finance and Administration staff from Bemidji State University and Northwest Technical College in partnership with the Finance Division from the Minnesota State Colleges and Universities system office.

Throughout fiscal year 2015, the university faculty, staff and administrators continued developing and implementing the new Strategic Plan. We will continue and increase our connections to our constituents; develop and reinforce the meaning/relevance/power of the liberal arts; and redouble our emphasis on innovation, access, and persistence and student success. We will strengthen our capacity to provide an education of enduring worth; expand the Imagine Tomorrow campaign; partner with Minnesota State Colleges and Universities in the execution of Charting the Future; and strengthen the institutional performance metrics.

One component of the Strategic Plan is to launch the Imagine Tomorrow capital campaign. The Bemidji State University Foundation campaign is in its fourth year and has exceeded the original campaign goal and will continue to seek additional contributions. Imagine Tomorrow is already providing increased access and support for our students as well as enhancing our academic programs and building a robust annual fund yielding greater flexibility and growth. Since 2010, the dollars for scholarships from the Foundation have increased 76 percent; institutional scholarship dollars for scholarships from the Foundation have increased 76 percent; institutional scholarship dollars have increased by 33 percent; and the value of our endowment since 2010 has increased from $12.5 million to over $25 million.

Strategic enrollment management continues to be critical in supporting and enhancing student success. The Strategic Enrollment Management Committee has developed a plan to sustain Bemidji State University's enrollment and the retention of students. Among the tasks for this committee is to market to a younger age, recruit new and transfer students, and retain and graduate students. During fiscal year 2015, Bemidji State University and Northwest Technical College continued to create and strengthen collaborations and partnerships within Bemidji and the greater Minnesota region. Relationships continued to grow with the Aazhoogan Consortium (Tribal College Coalition), Minnesota Innovation Institution (Mii) and the 360° Manufacturing and Applied Engineering Center of Excellence/ATE Regional Center that established a consortium of high schools to offer eTECH Production Technologies.

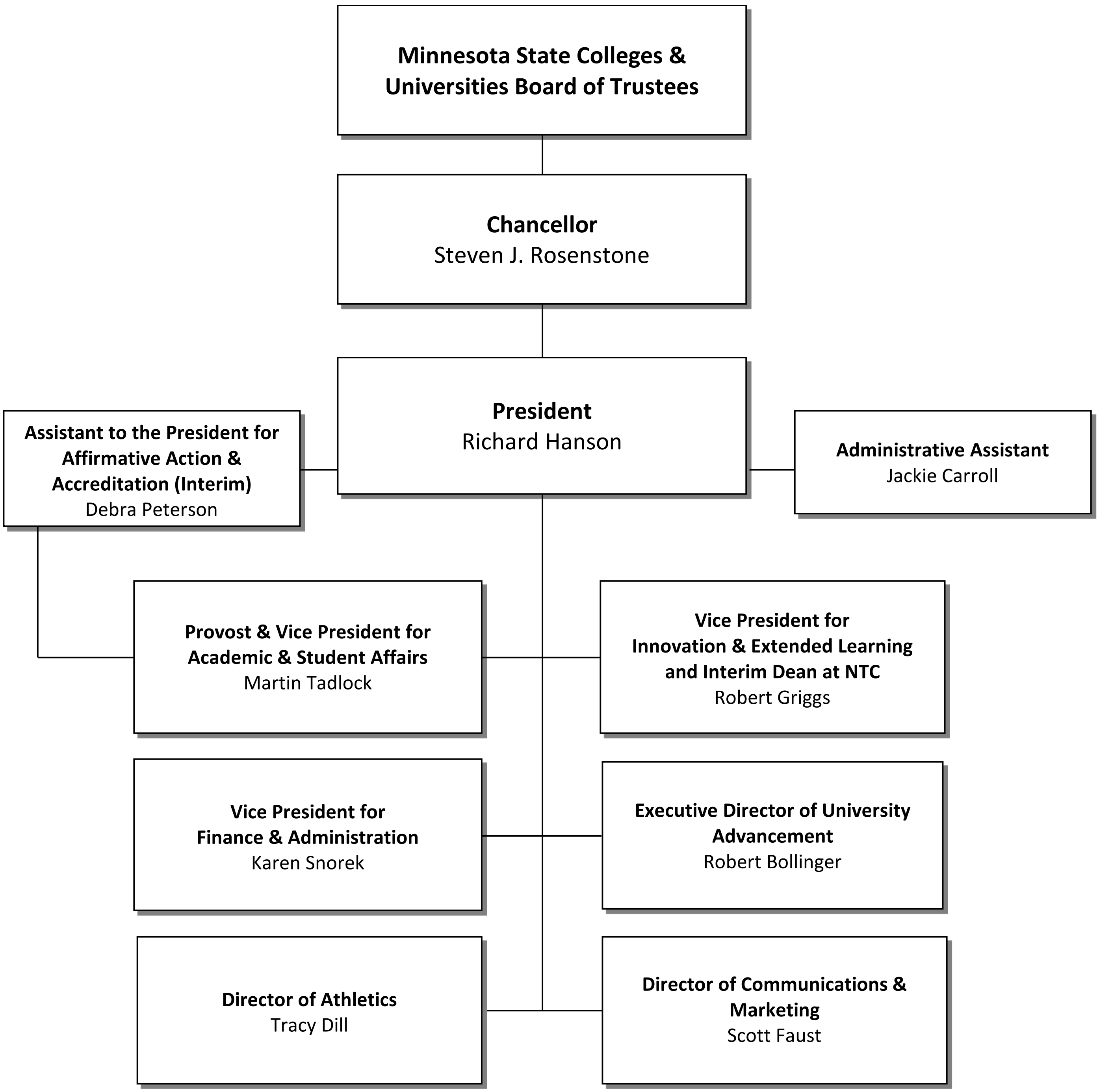
Our financial sustainability is not only dependent on our continued success in developing new revenue streams for operations but also in developing new partnerships and collaborations. We will continue to work diligently to shape our own destiny, fulfill our public mission, enrich our learning environment, impact students, sharpen our educational focus, achieve true distinction and secure our future.

Respectfully submitted,

Richard A. Hanson, Ph.D.
President

Bemidji State University/Northwest Technical College

Organizational Chart



The combined financial position and activities of Bemidji State University and Northwest Technical College are included in this report and referred to within this document as the University unless specifically noted. 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 LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bemidji State University (the University), a campus of Minnesota State Colleges and Universities, and the discretely presented component unit, as of and for the year ended June 30, 2015 and 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 did not audit the financial statements of the Bemidji State University Foundation, which represents 100% of the total assets and total revenues of the discretely presented component unit of Bemidji State University. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bemidji State University Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Bemidji 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.

Auditors' Responsibility (Continued)

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

Opinions

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

Emphasis of Matters

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

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

Other Matters

Required Supplementary Information

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

Other Matters (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bemidji State University's basic financial statements. The schedules of components of Bemidji State University are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of components of Bemidji State University are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the schedules of components of Bemidji State University are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of Bemidji 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 Bemidji State University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Bemidji State University, a member of the Minnesota State Colleges and Universities system for the years ended June 30, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes, which follow this section.

Bemidji State University (BSU) and Northwest Technical College (NTC) are aligned under the leadership of one president. The institutions share administration, business services, information technology, select student services, and some academic areas. BSU and NTC maintain separate institutional accreditation from the Higher Learning Commission and all student, personnel, and financial records are recorded in separate integrated student records systems. For financial statement purposes, the records of BSU and NTC are combined and referred to within this document as the University unless specifically noted.

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

BSU is a comprehensive public institution of higher learning founded in 1919, with current student enrollment of approximately 5000 undergraduate students and 300 graduate students from nearly all 50 states and approximately 35 foreign countries. The campus is comprised of 89 acres with 19 academic/student services buildings, six residence buildings, and a 240 acre private forest. BSU offers more than 65 majors and pre-professional programs. A select number of graduate programs are offered. The online programs offered through professional education have the highest enrollment. BSU operates with approximately 450 faculty members and 200 staff.

NTC was established in 1965 and has a current student enrollment of approximately 1,200 students. NTC offers 23 areas of study in six divisions – Business; Environmental Technology, Industrial Technology and General Technology; General Education; Health; Human and Protective Services and the Bemidji School of Nursing. NTC operates with approximately 85 faculty members and 40 staff.

NTC is also the fiscal agent for Distance Minnesota, an online inter-institutional consortium as well as state-wide collaborations such as Minnesota Department of Veterans Affairs and Minnesota Department of Education. Over half of its 1,200 students have courses through this consortium. The membership to Distance Minnesota includes founding members – Alexandria Technical and Community College, Northland Community and Technical College and Northwest Technical College, and a university partner – Bemidji State University.

FINANCIAL HIGHLIGHTS

The University's financial position overall adjusted downward due to Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB) one time purchases and construction project disputes during the fiscal year 2015, and ended on June 30 with assets and deferred outflows of resources of $125.9 million and liabilities and deferred inflows of resources of $69.4 million, compared to fiscal year 2014 with assets of $117.9 million and liabilities of $42.3 million and fiscal year 2013 with assets of $117.5 million and liabilities of $42.9 million.

Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, is comprised of:

- Net investment in capital assets was $51.0 million for fiscal year 2015 compared with $47.5 million in fiscal year 2014 and $46.5 million in fiscal year 2013.

- Restricted net position was $7.2 million for fiscal year 2015, $8.0 million for fiscal year 2014 and $7.2 million for fiscal year 2013.

- Unrestricted net position was $(1.8) million for fiscal year 2015, $20.1 million for fiscal year 2014, and $20.9 million for fiscal year 2013. For fiscal year 2015, unrestricted net position decreased by $21.1 million due to the GASB Statement No.68 implementation. Without this adjustment, unrestricted net position would have been $19.3 million.

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 generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) through authoritative pronouncements. These GASB statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into three net position categories. A summary of significant accounting policies followed by the University is included in Note 1 to the financial statements.

STATEMENTS OF NET POSITION

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

Summarized statements of net position for the fiscal year ended June 30, 2015, 2014, and 2013 follow:

Summarized Statements of Net Position
(In Thousands)

	2015	2014	2013
Assets			
Current assets	$ 39,311	$ 41,567	$ 41,020
Current restricted assets	6,932	2,961	2,904
Noncurrent assets			
Student loans receivable, net	4,011	4,209	4,295
Capital assets, net	73,795	69,189	69,275
Deferred outflows of resources	1,853	-	-
Total assets and deferred outflows of resources	125,902	117,926	117,494
Liabilities			
Current liabilities	13,881	10,767	10,259
Noncurrent liabilities	45,468	31,527	32,595
Deferred inflows of resources	10,049	-	-
Total liabilities and deferred inflows of resources	69,398	42,294	42,854
Net Position	$ 56,504	$ 75,632	$ 74,640

Unrestricted current assets consist primarily of cash, cash equivalents and investments which total $34.7 million at June 30, 2015, $37.1 million at June 30, 2014, and $36.1 million at June 30, 2013. This represents approximately 5.5 months, 5.9 months, and 6.0 months of operating expenses (excluding depreciation) for fiscal years 2015, 2014 and 2013, respectively.

Included in current assets are accounts receivable. The accounts receivable balance ending June 30, 2015 was $2.1 million comprised primarily of tuition and fees, room and board charges, as well as Distance Minnesota contract billings. The accounts receivable balance ending June 30, 2014 was $2.1 million while accounts receivable balance ending June 30, 2013 was $2.6 million. Accounts receivables were steady for the past two fiscal years.

Due to the GASB Statement No. 68 implemented during fiscal year 2015, deferred outflows of resources were recorded for the first time as a separate line item after total assets. For fiscal year ended June 30, 2015, $1.9 million were recorded as deferred outflows of resources.

Current liabilities consist primarily of accounts payable and salaries and related benefits payable. Accounts payable were $1.5 million at June 30, 2015, $1.7 million at June 30, 2014 and $1.6 million at June 30, 2013. Salaries and benefits payable were $4.3 million at June 30, 2015, $4.9 million at June 30, 2014 and $4.5 million June 30, 2013. The net increase in salaries and benefits payable in fiscal year 2014 was due to the retroactive pay adjustments processed after June 30, 2014 for recently settled employment contract.

Payable from restricted assets were$4.1 million at June 30, 2015, $0.1 million at June 30, 2014 and $0.2 million at June 30, 2013. The increase in payable from restricted assets was due to construction project payments being held until issues were resolved. One major contractor had payments withheld that totaled over $2.9 million. Retainage on construction projects for fiscal year 2015 was $0.4 million.

Due to GASB Statement No. 68, being implemented during fiscal year 2015, net pension liability was recorded for the first time as a separate line item under total noncurrent liabilities in the amount of $12.9 million. Deferred inflows of resources was recorded for the first time as a separate line item under total liabilities. For fiscal year ended June 30, 2015 $10.0 million was recorded as deferred inflows of resources.

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

Summarized Net Position
(In Thousands)

	2015	2014	2013
Net investment in capital assets	$ 51,041	$ 47,469	$ 46,522
Restricted expendable, bond covenants	3,282	4,191	3,555
Restricted expendable, other	3,948	3,837	3,672
Unrestricted	(1,767)	20,135	20,891
Total net position	$ 56,504	$ 75,632	$ 74,640

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt. Restricted net position includes funding received for capital projects, revenue bond covenants and the University's capital contribution for Perkins loans.

GASB Statement No. 68, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by $22.7 million to retroactively report the net pension liability and the deferred inflows and deferred outflows of resources. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. Comparability between fiscal years will have variances due to this new accounting standard and is explained throughout the management discussion and analysis.

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 a long-range plan to modernize its complement of older facilities, balanced with some new construction.

The University was appropriated $13.8 million capital appropriation in the 2014 state of Minnesota bonding bill to design the future demolition of Hagg-Sauer Hall and complete the renovation of Memorial and Decker Halls along with the demolition of Sanford Hall. During fiscal year 2015, the University entered into a $0.8 million contract for the design services for the Hagg-Sauer project. As of June 30, 2015 the University had expended $7.1 million towards these projects. The University was appropriated $2.5 million in Higher Education Asset Preservation and Replacement (HEAPR) funds in the 2014 state of Minnesota bonding bill to replace the Gillett Recreation Center roof and complete concrete and masonry work in the tunnels. As of June 30, 2015 the University had expended approximately $1.2 million towards these projects. All of the above projects are slated to be completed in fiscal year 2016.

Long-term debt consisting primarily of general obligation bonds and revenue bonds totaled $24.2 million at June 30, 2015, $23.1 million at June 30, 2014, and $24.2 million at June 30, 2013. The general obligation bonds are primarily issued to finance construction of buildings and repairs. Additional information on capital and debt activities can be found in Notes 6 and 8 to the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statements of revenues, expenses and changes in net position present the University's results of operations for the year. When reviewing the full statement, users should note that GASB requires classification of state appropriations as nonoperating revenue.

Summarized statements for the years ended June 30, 2015, 2014 and 2013, respectively follow:

Summarized Statements of Revenues, Expenses and Changes in Net Position
(In Thousands)

	2015	2014	2013
Operating revenues:			
Tuition, fees and sales, net	$ 27,120	$ 27,672	$ 27,673
Restricted student payments, net	10,460	10,286	9,619
Other income	444	598	555
Total operating revenues	38,024	38,556	37,847
Nonoperating revenues:			
State and capital appropriations	28,983	24,150	21,321
Private grants and other	2,762	3,470	2,081
Federal and state grants	16,404	16,334	17,562
Total nonoperating revenues	48,149	43,954	40,964
Total revenues	86,173	82,510	78,811
Operating expenses:			
Salaries and benefits	51,325	51,156	49,021
Supplies, services and other	23,469	22,684	21,344
Depreciation	5,403	5,334	5,257
Financial aid, net	1,400	1,346	1,757
Total operating expenses	81,597	80,520	77,379
Nonoperating expenses	961	998	1,047
Total expenses	82,558	81,518	78,426
Change in net position	3,615	992	385
Net position, beginning of year	75,632	74,640	74,255
Cumulative effect of change in accounting principle	(22,743)	-	-
Net position, beginning of year, as restated	52,889	74,640	74,255
Net position, end of year	$ 56,504	$ 75,632	$ 74,640

Tuition, fees, and state appropriations are the primary sources of funding for the University's academic and residential life programs. Net tuition, fees and sales revenue declined by 2.0 percent in fiscal year 2015, however, it was steady in fiscal years 2014 and 2013. The net restricted student payments increased by 1.7 percent in fiscal year 2015, and by 6.9 percent in fiscal year 2014.

Total operating expenses increased by $1.1 million in fiscal year 2015, and by $3.1 million in fiscal year 2014, in addition to increasing $3.6 million in fiscal year 2013.

Due to GASB Statement No. 68, being implemented during fiscal year 2015, salaries and benefits were reduced by $1.7 million making it appear that salary and benefits stayed steady when in reality there was a 3.3 percent increase for fiscal year ending June 30, 2015. Contract settlements that were bargained in fiscal year 2014 included across the board and step increases for salary compensation which then ranged from 3.3 percent to 5.5 percent for fiscal year 2015.

Supplies expense increased during fiscal year 2015 by 31.4 percent or $1.2 million over fiscal year 2014. The University implemented a faculty laptop and lab refreshes as a one-time investment of $0.7 million. Donated materials were recorded for a total of $0.2 million. Residential life started many repair and replacement projects and spent $0.2 million in supplies. A renovation project in Benson Hall spent $0.2 million in this reporting category.

State appropriations and federal grants remained steady in the fiscal years ending June 30, 2015 and 2014.

State grant revenue increased by $0.5 million due to collections from Minnesota State grants, Minnesota Adult Workforce, Minnesota Indian Scholarship and Minnesota Child Care.

Private grant revenue decreased in fiscal year 2015 compared to fiscal year 2014. In fiscal year 2014, the foundation donated $0.6 million for the artificial turf. In addition, a one year training programming in the amount of $0.4 million was received from private industry.

FOUNDATION

The Bemidji State University Foundation (BSU Foundation) is a component unit of the University. As such, the separately audited financial statements for the BSU Foundation are included, but shown separately from those of the University in compliance with the requirements of GASB Statement No. 39. The BSU Foundation contributed $1,192,821, $1,076,785, and $837,095 to University scholarships for the fiscal years ended June 30, 2015, 2014 and 2013, respectively. Additional information regarding the BSU Foundation can be found in Note 18 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

As the University reviews the results of fiscal year 2015 and budgets for the future, enrollment is a major focus. The University will make investments in enrollment management to ensure growth for the future. The University has engaged in a recruiting plan for both on-campus freshman and transfer students. The University will search for new leadership in Admissions that can implement and sustain innovated recruiting plans.

BSU/NTC long serving President has announced his retirement as of June 30, 2016. BSU/NTC is excited about seeking a dynamic and engaging leader to work with students, faculty, staff and community stakeholders for both institutions in the vigorous pursuit of their individual missions and common goals.

At BSU, new online and off-campus programs are being developed to target new markets. Examples include more emphasis on recruiting international students and bringing successful programs to the Minneapolis and St. Paul area. BSU has partnered with other MnSCU colleges in the Twin Cities to deliver programs such as professional education, nursing, business administration and biology.

The state legislature froze undergraduate tuition rates for fiscal years 2014 and 2015. The state of Minnesota has allowed an increase of 3 percent for BSU in fiscal year 2016, while NTC will remain frozen in fiscal year 2016. NTC will then reduce tuition in fiscal year 2017 while BSU will be frozen for fiscal year 2017. Having no rate increase in fiscal year 2016 and a declining or flat enrollment base will continue to put short-term pressure on BSU and NTC's revenue streams. Since the majority of our funding is from tuition revenue, it will be important to manage expenses at a rate that is less than the growth of revenue from state appropriations.

The capital campaign for BSU, which was publically launched on September 27, 2013, has created significant asset growth in the BSU Foundation's portfolio. The first campaign in the University's history currently has exceeded $30 million in pledges and has already increased the BSU Foundation's investments by over fifty percent since the campaign began. The BSU Foundation ended fiscal year 2015 with $24.3 million in investments. The campaign has already helped increase the amount of scholarships the University is able to award to new and returning students. Private funding will become more important to the success of BSU. The BSU Foundation has developed a solid structure that has yielded impressive results.

BSU is currently in the process of making significant investments in its physical plant. A $12.8 million capital project appropriation resulted in the demolition of one building and the renovation of one significantly underutilized building which will be completed for fall 2015. The University is also currently designing an $18.1 million project for the 2016 capital bonding request. While the University will be incurring additional debt service, completion of these projects will save operating costs and reduce deferred maintenance by over $15.0 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the University's financial position. Those interested in the University's finances should direct questions concerning any of the information provided in this report or requests for additional financial information to:

Chief Financial Officer
Deputy Hall
Bemidji State University
1500 Birchmont Drive N.E.
Bemidji, MN 56601

BEMIDJI STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015 AND 2014
(IN THOUSANDS)

Assets	2015	2014
Current Assets		
Cash and cash equivalents	$ 34,316	$ 36,721
Investments	405	383
Grants receivable	424	498
Accounts receivable, net	2,105	2,079
Prepaid expense	1,057	954
Inventory and other assets	254	307
Student loans, net	750	625
Total current assets	39,311	41,567
Current Restricted Assets		
Cash and cash equivalents	6,932	2,961
Total current restricted assets	6,932	2,961
Noncurrent Assets		
Student loans, net	4,011	4,209
Capital assets, net	73,795	69,189
Total noncurrent assets	77,806	73,398
Total Assets	124,049	117,926
Deferred Outflows of Resources	1,853	-
Total Assets and Deferred Outflows of Resources	125,902	117,926
Liabilities		
Current Liabilities		
Salaries and benefits payable	4,326	4,927
Accounts payable	1,535	1,654
Unearned revenue	1,003	1,194
Payable from restricted assets	4,096	120
Interest payable	148	156
Funds held for others	216	269
Current portion of long-term debt	1,671	1,546
Other compensation benefits	886	901
Total current liabilities	13,881	10,767
Noncurrent Liabilities		
Noncurrent portion of long-term debt	22,503	21,594
Other compensation benefits	5,670	5,492
Net pension liability	12,880	-
Capital contributions payable	4,415	4,441
Total noncurrent liabilities	45,468	31,527
Total Liabilities	59,349	42,294
Deferred Inflows of Resources	10,049	-
Total Liabilities and Deferred Inflows of Resources	69,398	42,294
Net Position		
Net investment in capital assets	51,041	47,469
Restricted expendable, bond covenants	3,282	4,191
Restricted expendable, other	3,948	3,837
Unrestricted	(1,767)	20,135
Total Net Position	$ 56,504	$ 75,632

The notes are an integral part of the financial statements.

BEMIDJI STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014
(IN THOUSANDS)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 49	$ 52
Investments	24,291	22,750
Pledges and contributions receivable, net	2,429	2,391
Other receivables and other assets	4	12
Total current assets	26,773	25,205
Noncurrent Assets		
Long-term pledges receivable	2,308	4,485
Annuities/Remainder interests/Trusts	91	132
Property and equipment, net	325	300
Other assets	11	36
Total noncurrent assets	2,735	4,953
Total Assets	$ 29,508	$ 30,158
Liabilities and Net Assets		
Current Liabilities		
Salaries and benefits payable	$ 57	$ 26
Accounts payable	19	42
Interest payable	-	3
Annuities payable	23	23
Escrow deposit	-	100
Total current liabilities	99	194
Noncurrent Liabilities		
Annuities payable	167	173
Notes payable	-	732
Total noncurrent liabilities	167	905
Total Liabilities	266	1,099
Net Assets		
Unrestricted	4,642	5,978
Temporarily restricted	4,352	5,152
Permanently restricted	20,248	17,929
Total Net Assets	29,242	29,059
Total Liabilities and Net Assets	$ 29,508	$ 30,158

The notes are an integral part of the financial statements.

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

	2015	2014
Operating Revenues		
Tuition, net	$ 22,060	$ 22,400
Fees, net	2,554	2,680
Sales, net	2,506	2,592
Restricted student payments, net	10,460	10,286
Other income	444	598
Total operating revenues	38,024	38,556
Operating Expenses		
Salaries and benefits	51,325	51,156
Purchased services	12,450	12,614
Supplies	5,183	3,945
Repairs and maintenance	1,737	1,717
Depreciation	5,403	5,334
Financial aid, net	1,400	1,346
Other expense	4,099	4,408
Total operating expenses	81,597	80,520
Operating loss	(43,573)	(41,964)
Nonoperating Revenues (Expenses)		
Appropriations	22,771	22,267
Federal grants	11,509	11,893
State grants	4,895	4,441
Private grants	2,264	3,210
Interest income	265	260
Interest expense	(958)	(988)
Total nonoperating revenues (expenses)	40,746	41,083
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,827)	(881)
Capital appropriations	6,212	1,883
Donated assets and supplies	233	-
Loss on disposal of capital assets	(3)	(10)
Change in net position	3,615	992
Total Net Position, Beginning of Year	75,632	74,640
Cumulative Effect of Change in Accounting Principle	(22,743)	-
Total Net Position, Beginning of Year, as Restated	52,889	74,640
Total Net Position, End of Year	$ 56,504	$ 75,632

The notes are an integral part of the financial statements.

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BEMIDJI STATE UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Support and Revenue					
Contributions	$ 608	$ 1,107	$ -	$ 1,715	$ 3,641
Endowment gifts	-	-	1,291	1,291	1,601
Unrealized loss	(10)	-	-	(10)	-
Investment income	98	561	-	659	2,198
Program income	16	61	-	77	89
Other income	5	-	-	5	10
Net assets released from restrictions	1,501	(2,529)	1,028	-	-
Total support and revenue	2,218	(800)	2,319	3,737	7,539
Expenses					
Program services					
Scholarships	1,193	-	-	1,193	1,077
Special projects	1,483	-	-	1,483	1,884
Total program services	2,676	-	-	2,676	2,961
Supporting services					
Management and general	189	-	-	189	189
Fundraising	689	-	-	689	680
Total supporting services	878	-	-	878	869
Total expenses	3,554	-	-	3,554	3,830
Change in Net Assets	(1,336)	(800)	2,319	183	3,709
Net Assets, Beginning of Year	5,978	5,152	17,929	29,059	25,350
Net Assets, End of Year	$ 4,642	$ 4,352	$ 20,248	$ 29,242	$ 29,059

The notes are an integral part of the financial statements.

BEMIDJI STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Support and Revenue				
Contributions	$ 1,448	$ 2,193	$ -	$ 3,641
Endowment gifts	-	-	1,601	1,601
Investment income	319	1,879	-	2,198
Program income	28	61	-	89
Other income	10	-	-	10
Net assets released from restrictions	2,549	(2,554)	5	-
Total support and revenue	4,354	1,579	1,606	7,539
Expenses				
Program services				
Scholarships	1,077	-	-	1,077
Special projects	1,884	-	-	1,884
Total program services	2,961	-	-	2,961
Supporting services				
Management and general	189	-	-	189
Fundraising	680	-	-	680
Total supporting services	869	-	-	869
Total expenses	3,830	-	-	3,830
Change in Net Assets	524	1,579	1,606	3,709
Net Assets, Beginning of Year	5,454	3,573	16,323	25,350
Net Assets, End of Year	$ 5,978	$ 5,152	$ 17,929	$ 29,059

The notes are an integral part of the financial statements.

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

	2015	2014
Cash Flows from Operating Activities		
Cash received from customers	$ 37,872	$ 38,718
Cash repayment of program loans	845	692
Cash paid to suppliers for goods or services	(23,448)	(22,517)
Cash payments for employees	(53,329)	(50,534)
Financial aid disbursements	(1,430)	(1,367)
Cash payments for program loans	(816)	(765)
Net cash flows used in operating activities	(40,306)	(35,773)
Cash Flows from Noncapital Financing Activities		
Appropriations	22,771	22,267
Federal grants	11,585	11,927
State grants	4,895	4,441
Private grants	2,264	3,210
Agency activity	(52)	3
Net cash flows provided by noncapital financing activities	41,463	41,848
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(6,051)	(5,320)
Capital appropriation	6,212	2,071
Proceeds from sale of capital assets	31	8
Proceeds from borrowing	2,249	490
Proceeds from bond premium	424	58
Interest paid	(1,002)	(983)
Repayment of note principal	(42)	(38)
Repayment of bond principal	(1,549)	(1,470)
Net cash flows provided by (used in) capital and related financing activities	272	(5,184)
Cash Flows from Investing Activities		
Investment earnings	137	97
Net cash flows provided by investing activities	137	97
Net Increase In Cash and Cash Equivalents	1,566	988
Cash and Cash Equivalents, Beginning of Year	39,682	38,694
Cash and Cash Equivalents, End of Year	$ 41,248	$ 39,682

The notes are an integral part of the financial statements.

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

	2015	2014
Operating Loss	$ (43,573)	$ (41,964)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	5,403	5,334
Provision for loan defaults	(14)	(1)
Loan principal repayments	845	692
Loans issued	(816)	(765)
Loans forgiven	58	69
Donated property not capitalized	233	-
Change in assets and liabilities		
Inventory and other assets	42	(2)
Accounts receivable	(26)	287
Accounts payable and other liabilities	(200)	121
Salaries and benefits payable	(601)	467
Other compensation benefits	163	136
Deferred outflows of resources / Net pension liability	(1,667)	
Capital contributions payable	(26)	(21)
Unearned revenues	(127)	(126)
Net reconciling items to be added to operating loss	3,267	6,191
Net cash flow used in operating activities	$ (40,306)	$ (35,773)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 4,188	$ 226
Equipment on account	88	59
Amortization of bond premium	102	70
Donated supplies	233	-

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — The reporting policies of Bemidji State University (University), a member of the Minnesota State Colleges and Universities system, conform to generally accepted accounting principles (GAAP) 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 Bemidji 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. The University receives a portion of the 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. Bemidji State University and Northwest Technical College are aligned under the leadership of one president and share administration, business services, information technology, select student services and some academic areas. For financial statement purposes, Bemidji State University and Northwest Technical College are combined and referred to as the University.

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 Bemidji State University Foundation 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 Bemidji State University Foundation, 1501 Birchmont Drive Northeast, Bemidji, MN 56601-2699.

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. Inter-fund 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's biennial budget request and allocation as part of the 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 of Minnesota State Colleges and Universities.

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 the 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 is 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 accounts in local banks. The activities handled through local banks 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 as part of the appropriation allocation process.

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

Receivables — Receivables are shown net of an allowance for uncollectible accounts.

Inventories — Inventories consist primarily of carpentry houses which are valued at cost.

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	15-20 years
Equipment	3-20 years
Library Collections	7 years

Equipment includes all items with an original cost of $10,000 and over for items purchased since July 1, 2008; $5,000 and over for items purchased between July 1, 2003 and June 30, 2008; and $2,000 and over for items purchased prior to July 1, 2003. Buildings, building improvements, and internally developed software includes 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 University projects. The University may also enter into capital lease agreements for certain capital assets. Other long term liabilities include notes payable, compensated absences, net pension liability, net other postemployment benefits, workers' compensation claims, early termination benefits, and capital contributions associated with Perkins loan agreements with the U.S. 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.

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

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 non-operating revenues, including state appropriations, federal, state and private grants, and investment income.

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances. Note 12 to the financial statements provides additional information.

Restricted Student Payments — Restricted student payments consist of room, board, sales, and fee revenue restricted for payment of revenue bonds, and are net of scholarship allowances. See Note 12 to the financial statements provides additional information.

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

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

Deferred Outflows and Deferred Inflows of Resources — Deferred outflows of resources represent the consumption of net position by the University in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans.

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

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ —	$ 5,227
Changes in actuarial assumptions	36	4,255
Contributions paid to pension plans subsequent to the measurement date	1,069	—
Difference between expected and actual experience	576	127
Change in proportion	172	440
Total	$ 1,853	$ 10,049

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

Net Position — The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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:

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

Net Position Restricted for Other
(In Thousands)

	2015	2014
Debt service	$ 2,429	$ 2,344
Donations	339	338
Faculty contract obligations	690	661
Loans	490	494
Total	$ 3,948	$ 3,837

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

New Accounting Standards — The University has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* GASB Statements No. 68 and 71 require the University to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the pension plans. The July 1, 2014, balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the beginning net position, in the amount of $22,742,991. The pension plans were not able to provide sufficient information to restate the June 30, 2014, financial statements. The GASB Statements No. 68 and 71 implementation had no effect on the foundation financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents — All balances related to the appropriation, tuition, and most fees are in the state treasury. In addition, the University has two checking and three savings accounts in local banks. The activities handled through local banks include financial aid, student payroll, auxiliary, and student activities. Minnesota Statutes, Section 118A.03, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. This statute further requires that such insurance and collateral shall be at least 10 percent greater than the amount on deposit.

The following table summarizes cash and cash equivalents:

Year Ended June 30
(In Thousands)

Carrying Amount	2015	2014
Cash, in bank	$ 3,165	$ 3,237
Restricted cash	5,512	1,541
Cash, trustee account (US Bank)	1,420	1,420
Total local cash and cash equivalents	10,097	6,198
Total treasury cash accounts	31,151	33,484
Grand Total	$ 41,248	$ 39,682

At June 30, 2015 and 2014, the University's local bank balances were $3,308,173 and $3,372,526, 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 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 cash accounts are invested in short term, liquid, high quality debt securities.

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, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and the 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.

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 a debt investment. The University complies with Board procedure 7.5.1 that recommends considering fluctuating interest rates and cash flow needs when purchasing short term and long term investments.

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

Fair Value as of June 30
(In Thousands)

Investment Type	2015	2014
Stock	$ 195	$ 173
Certificate of deposit	210	210
Total fair value	$ 405	$ 383

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals and businesses. At June 30, 2015 and 2014, the total accounts receivable balances for the University were $2,893,620 and $2,597,702, respectively, less an allowance for uncollectible receivables of $789,483 and $518,441, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2015	2014
Tuition	$ 1,258	$ 1,147
Room and board	239	165
Sales and services	277	164
Fees	193	158
Other	927	963
Total accounts receivable	2,894	2,597
Allowance for uncollectible accounts	(789)	(518)
Net accounts receivable	$ 2,105	$ 2,079

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

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

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state's Debt Service Fund for future general obligation bond payments in the amounts of $1,012,622 and $923,333 for fiscal years 2015 and 2014, respectively. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand as of 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 fiscal year. Also, included in prepaid expense for fiscal years 2015 and 2014, is $44,753 and $30,328 respectively, stemming from prepaid software maintenance agreements and prepaid contractual support

5. LOANS RECEIVABLE

Loans receivable balances consist 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. Minnesota State Colleges and Universities' loan collections unit is responsible for loan collections for the University.
At June 30, 2015 and 2014, the total loans receivable for this program were $5,115,179 and $5,201,573, respectively, less an allowance for uncollectible loans of $354,599 and $367,150, respectively

6. CAPITAL ASSETS

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

Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 1,147	$ —	$ —	$ —	$ 1,147
Construction in progress	2,698	9,022	—	(1,516)	10,204
Total capital assets, not depreciated	3,845	9,022	—	(1,516)	11,351
Capital assets, depreciated:					
Buildings and improvements	141,634	—	679	1,516	142,471
Equipment	8,246	533	540	—	8,239
Library collections	3,495	489	483	—	3,501
Total capital assets, depreciated	153,375	1,022	1,702	1,516	154,211
Less accumulated depreciation:					
Buildings and improvements	79,908	4,470	679	—	83,699
Equipment	6,136	433	505	—	6,064
Library collections	1,987	500	483	—	2,004
Total accumulated depreciation	88,031	5,403	1,667	—	91,767
Total capital assets, depreciated, net	65,344	(4,381)	35	1,516	62,444
Total capital assets, net	$ 69,189	$ 4,641	$ 35	$ —	$ 73,795

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 1,147	$ —	$ —	$ —	$ 1,147
Construction in progress	634	4,474	—	(2,410)	2,698
Total capital assets, not depreciated	1,781	4,474	—	(2,410)	3,845
Capital assets, depreciated:					
Buildings and improvements	140,045	—	821	2,410	141,634
Equipment	8,492	302	548	—	8,246
Library collections	3,494	490	489	—	3,495
Total capital assets, depreciated	152,031	792	1,858	2,410	153,375
Less accumulated depreciation:					
Buildings and improvements	76,352	4,378	822	—	79,908
Equipment	6,208	457	529	—	6,136
Library collections	1,977	499	489	—	1,987
Total accumulated depreciation	84,537	5,334	1,840	—	88,031
Total capital assets, depreciated, net	67,494	(4,542)	18	2,410	65,344
Total capital assets, net	$ 69,275	$ (68)	$ 18	$ —	$ 69,189

7. ACCOUNTS PAYABLE

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

Summary of Accounts Payable at June 30
(In Thousands)

	2015	2014
Purchased services	$ 604	$ 566
Supplies	461	434
Capital projects/equipment	88	165
Repairs and maintenance	166	215
Other payables	216	274
Total	$1,535	$1,654

In addition, as of June 30, 2015 and 2014, the University had payable from restricted assets in the amounts of $4,095,511 and $120,033, which were related to capital projects financed by general obligation bonds and revenue bonds.

8. LONG TERM OBLIGATIONS

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

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

Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 518	$ 424	$ 102	$ 840	$ —
General obligation bonds	7,464	2,249	688	9,025	793
Notes payable	241	—	42	199	46
Revenue bonds	14,917	—	807	14,110	832
Total long-term debt	$ 23,140	$ 2,673	$ 1,639	$ 24,174	$ 1,671

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 530	$ 58	$ 70	$ 518	$ —
General obligation bonds	7,656	490	682	7,464	697
Notes payable	279	—	38	241	42
Revenue bonds	15,700	—	783	14,917	807
Total long-term debt	$ 24,165	$ 548	$ 1,573	$ 23,140	$ 1,546

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

Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 5,398	$ 835	$ 702	$ 5,531	$ 680
Early termination benefits	97	94	97	94	94
Net other postemployment benefits	619	406	323	702	—
Workers’ compensation	279	202	252	229	112
Total other compensation benefits	$ 6,393	$ 1,537	$ 1,374	$ 6,556	$ 886

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 5,365	$ 668	$ 635	$ 5,398	$ 670
Early termination benefits	36	97	36	97	97
Net other postemployment benefits	647	317	345	619	—
Workers’ compensation	209	212	142	279	134
Total other compensation benefits	$ 6,257	$ 1,294	$ 1,158	$ 6,393	$ 901

Bond Premium — In fiscal year 2015, bonds were issued resulting in premiums of $424,428. Amortization is calculated using the straight line method and amortized over the average remaining life of the bonds.

General Obligation Bonds— The state of Minnesota sells general obligation bonds to finance most of the Minnesota State Colleges and Universities' capital projects. The interest rate on these bonds ranges from 2.0 percent to 5.7 percent. The 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 upon the specific projects funded. The general obligation bond liability included in these financial statements represents the University's share.

Notes Payable — Notes payable consists of State Energy Efficiency Program loans granted by energy companies in order to improve energy efficiency in college and university buildings. Projects completed under Minnesota Statutes, Section 16C.14, have an interest component. The interest rate is tied to the prime interest rate at the time of the project.

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 dormitory, residence halls, food service, student union, and other revenue producing and related facilities at the state universities. Revenue bonds currently outstanding have interest rates of 3 percent to 5 percent.

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through fiscal year 2032. Annual principal and interest payments on the bonds are expected to require less than 12.94 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $18,910,884. Principal and interest paid for the current year and total customer net revenues were $1,416,483 and $10,958,397, 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 will be converted to a health care savings plan account or severance pay under specific conditions as defined in bargaining unit contracts. This leave is liquidated only at the time of termination from state employment.

Early Termination Benefits — Early termination benefits are benefits received for discontinuing services earlier than planned. Note 9 to the financial statements provides additional information.

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

Workers' Compensation — The state of Minnesota Department of Management and Budget manages the self-insured workers' compensation claims activities. The reported liability for workers' compensation of $229,289 and $279,624 as of June 30, 2015 and 2014, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end, and is an undiscounted estimate of future payments.

Net Pension Liability — The net pension liability of $12,879,828 at June 30, 2015, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 14 to the financial statements provides additional information.

Capital Contributions — The liabilities of $4,414,745 and $4,441,454 at June 30, 2015 and 2014, respectively, represent the amounts the University would owe the federal government if it were to discontinue the Perkins loan program. The net change is $26,709 and $21,097 for the fiscal years 2015 and 2014, respectively.

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

Long-Term Debt Repayment Schedule
(In Thousands)

	General Obligation Bonds		Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 793	$ 463	$ 46	$ 9	$ 832	$ 579
2017	759	375	50	7	870	548
2018	759	338	54	4	898	515
2019	716	301	49	1	925	479
2020	673	267	—	—	970	441
2021-2025	2,942	873	—	—	5,030	1,612
2026-2030	1,664	324	—	—	3,605	578
2031-2035	719	81	—	—	980	49
Total	$ 9,025	$ 3,022	$ 199	$ 21	$ 14,110	$ 4,801

9. EARLY TERMINATION BENEFITS

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. Certain bargaining unit contracts provide for this benefit. The following is a description of the different benefit arrangements for each contract, including number of retired faculty receiving the benefit, and the amount of future liability as of the end of fiscal years 2015 and 2014.

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

The number of retired faculty who received this benefit and the amount of future liability for that faculty, as of the end of fiscal years 2015 and 2014 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2015	3	$84
2014	3	49

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

The number of retired faculty who received this benefit and the amount of future liability for faculty as of the end of fiscal years 2015 and 2014 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2015	1	$10
2014	2	48

10. NET OTHER POSTEMPLOYMENT BENEFITS

The University provides health insurance benefits for certain retired employees under a single employer fully insured plan**,** as required by Minnesota Statute, 471.61, Subdivision 2B. Active employees who retire when eligible to receive a retirement benefit from a Minnesota public pension plan and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the health benefits program.

Retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2014, there were approximately 45 retirees receiving health benefits from the health plan.

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

The following table shows the components of the annual OPEB cost for 2015 and 2014, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Components of the Annual OPEB Cost
(In Thousands)

	2015	2014
Annual required contribution (ARC)	$ 404	$ 312
Interest on net OPEB obligation	25	31
Adjustment to ARC	(23)	(26)
Annual OPEB cost	406	317
Contributions during the year	(323)	(345)
Increase (decrease) in net OPEB obligation	83	(28)
Net OPEB obligation, beginning of year	619	647
Net OPEB obligation, end of year	$ 702	$ 619

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

Year Ended June 30
(In Thousands)

	2015	2014
Beginning of the year net OPEB obligation	$ 619	$ 647
Annual OPEB cost	406	317
Employer contribution	(323)	(345)
End of year net OPEB obligation	$ 702	$ 619
Percentage contributed	79.51%	108.83%

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2014	$ —	$4,013	$4,013	0.00	$38,977	10.29

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

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

In the July 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.1 percent discount rate, which is based on the estimated long term investment yield on the general assets, using an underlying long term inflation assumption of 3 percent. The annual healthcare cost trend rate is 6.8 percent initially, reduced incrementally to an ultimate rate of 4 percent after seventeen years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30 year period.

11. LEASE AGREEMENTS

Operating Leases — The University is committed under various leases primarily for building space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2015 and 2014, totaled $416,038 and $431,407, respectively. Future obligations consist primarily of an operating lease for the City of Bemidji's Regional Event Center which began in October 2010.

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

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2016	$ 440
2017	400
2018	276
2019	263
2020	267
2021-2025	1,368
2026-2030	1,572
2031	86
Total	$ 4,672

12. TUITION, FEES, AND SALES, NET

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

Year Ended June 30
(In Thousands)

Description	2015 Gross	2015 Scholarship Allowance	2015 Net	2014 Gross	2014 Scholarship Allowance	2014 Net
Tuition	$ 36,445	$ (14,385)	$ 22,060	$ 36,573	$ (14,173)	$ 22,400
Fees	3,285	(731)	2,554	3,304	(624)	2,680
Sales	2,682	(176)	2,506	2,758	(166)	2,592
Restricted student payments	10,937	(477)	10,460	10,658	(372)	10,286
Total	$ 53,349	$ (15,769)	$ 37,580	$ 53,293	$ (15,335)	$ 37,958

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2015
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 4,530	$ 1,271	$ 3,439	$ 41	$ 9,281
Institutional support	5,601	1,682	4,519	52	11,854
Instruction	19,002	5,126	5,904	200	30,232
Public service	25	7	122	—	154
Research	199	54	67	2	322
Student services	7,683	2,084	5,723	69	15,559
Auxiliary enterprises	3,099	962	9,098	594	13,753
Scholarships & fellowships	—	—	1,400	—	1,400
Less interest expense	—	—	—	(958)	(958)
Total operating expenses	$ 40,139	$ 11,186	$ 30,272	$ —	$ 81,597

Year Ended June 30, 2014
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 4,233	$ 1,394	$ 2,986	$ 40	$ 8,653
Institutional support	5,070	1,694	4,536	48	11,348
Instruction	18,883	5,723	6,212	203	31,021
Public service	12	—	130	—	142
Research	181	63	85	2	331
Student services	7,732	2,349	6,007	72	16,160
Auxiliary enterprises	3,032	790	8,062	623	12,507
Scholarships & fellowships	—	—	1,346	—	1,346
Less interest expense	—	—	—	(988)	(988)
Total operating expenses	$ 39,143	$ 12,013	$ 29,364	$ —	$ 80,520

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, Minnesota State Colleges and Universities participates in a Defined Contribution Retirement Plan which is available to faculty, system administrators and other unclassified employees.

State Employees Retirement Fund

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

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

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

Contributions – Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.0 percent of their annual covered salary in fiscal year 2014. Effective July 1, 2014, member and employer rates increased to 5.5 percent of total compensation. The University's contribution to the General Plan for the fiscal year ending June 30, 2015 was $521,686. These contributions were equal to the contractually required contributions for each year as set by state statute.

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

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

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

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

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

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

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

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

Net Pension Liability - At June 30, 2015, the University reported a liability of $5,838,252 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the employer contributions received by MSRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2014, the University's proportion was 0.36 percent.

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

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

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

(In Thousands)

	1 Percent Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1 Percent Increase in Discount Rate (8.9%)
Proportionate share of the net pension liability	$ 11,783	$ 5,838	$ 899

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University recognized a reduction in pension expense of $898,802 related to pensions. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ —	$ 3,029
Changes in actuarial assumptions	—	4,255
Contributions paid to pension plans subsequent to the measurement date	521	—
Difference between expected and actual experience	—	127
Change in proportion	120	—
Total	$ 641	$ 7,411

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

(In Thousands)

Fiscal Year	Amount
2016	$ (2,430)
2017	(2,430)
2018	(2,431)
Total	$ (7,291)

Teachers Retirement Fund

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

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

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

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

Tier I Benefits

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

With these provisions:

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

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

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

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

Contributions - Minnesota Statutes Chapter 354 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. TRA Basic Plan members and Coordinated Plan members were required to contribute 10.5 percent and 7.0 percent, respectively, of their annual covered salary in fiscal year 2014. Basic Plan members and Coordinated Plan members contributed 11.0 percent and 7.5 percent, respectively, of pay in 2015. In fiscal year 2014, the employer was required to contribute 11.0 percent of pay for Basic Plan members and 7.0 percent for Coordinated Plan members. In 2015, employer rates increased to 11.5 percent for the Basic plan and 7.5 percent for the Coordinated Plan. The University's contributions to the TRA for the fiscal year ended June 30, 2015, were $524,713. These contributions were equal to the required contributions for each year as set by state statute.

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

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

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

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

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

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

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

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

Net Pension Liability – At June 30, 2015, the University reported a liability of $6,690,711 for its proportionate share of TRF net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the employer contributions received by TRF during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of TRF's participating employers. At June 30, 2014, the University's proportion was 0.15 percent.

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

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

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

(In Thousands)

	1 Percent Decrease in Discount Rate (7.25%)	Discount Rate (8.25%)	1 Percent Increase in Discount Rate (9.25%)
Proportionate share of the net pension liability	$ 11,057	$ 6,691	$ 3,050

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University's recognized pension expense of $276,442 related to pensions. At June 30, 2015, the University's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ —	$ 2,103
Contributions paid to pension plans subsequent to the measurement date	525	—
Difference between expected and actual experience	571	—
Change in proportion	52	440
Total	$ 1,148	$ 2,543

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

(In Thousands)		
Fiscal Year		Amount
2016	$	(640)
2017		(640)
2018		(640)
Total	$	(1,920)

General Employees Retirement Fund

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

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

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

Contributions - Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. GERF Contributions Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the employer was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The University contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $22,880. These contributions were equal to the required contributions for each year as set by state statute.

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

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

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

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

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

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

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

Net Pension Liability - At June 30, 2015, the University reported a liability of $350,864 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the University's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the University's proportion was 0.0075 percent.

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

(In Thousands)

	1 Percent Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1 Percent Increase in Discount Rate (8.9%)
Proportionate share of the net pension liability	$ 566	$ 351	$ 174

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University recognized pension expense of $26,046 related to pensions. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ —	$ 95
Changes in actuarial assumptions	36	—
Contributions paid to pension plans subsequent to the measurement date	23	—
Difference between expected and actual experience	5	—
Total	$ 64	$ 95

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

(In Thousands)

Fiscal Year	Amount
2016	$ (11)
2017	(11)
2018	(32)
Total	$ (54)

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 Bemidji State University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2015	$ 1,161	$ 871
2014	1,164	872
2013	1,104	829

Supplemental Retirement Plan (SRP)

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

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

Member Group	Eligible Compensation	Max. Annual Contribution
Inter Faculty Organization	$ 6,000 to 51,000	$ 2,250
MN State University Association of Administrative & Service Faculty	6,000 to 50,000	2,200
Administrators	6,000 to 60,000	2,700
Middle Management Association Unclassified	6,000 to 40,000	1,700
Minnesota Association of Professional Employees Unclassified	6,000 to 40,000	1,700
Commissioner's Plan	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 the University were:

(In Thousands)	
Fiscal Year	Amount
2015	$ 475
2014	528
2013	516

Voluntary Retirement Savings Plans

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

Minnesota Deferred Compensation Plan (MNDCP) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2015, the plan had 159 participants.

In addition, to the state's deferred compensation program, Minnesota State Colleges and Universities also participates in a 403(b) Tax Sheltered Annuity (TSA) program. The plan consists of both pre-tax and after-tax contributions and accumulated investment gains or losses. As of June 30, 2015, the plan had 125 participants.

15. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand- alone entity, for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, deferred outflows, liabilities and deferred inflows that are required by an external party to be accounted for separately.

Minnesota State Colleges and Universities issues revenue bonds to finance the University dormitories and student unions.

Bemidji State University Portion of the Revenue Fund
(In Thousands)

	2015	2014
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 5,349	$ 4,992
Current restricted assets	2,836	2,841
Noncurrent assets	16,058	17,456
Total assets	24,243	25,289
Deferred outflow of resources	103	—
Total assets and deferred outflows of resources	24,346	25,289
Liabilities		
Current liabilities	1,429	1,412
Noncurrent liabilities	14,345	14,435
Total liabilities	15,774	15,847
Deferred inflows of resources	625	—
Total liabilities and deferred inflows of resources	16,399	15,847
Net position		
Net investment in capital assets	3,249	3,831
Restricted net position	4,698	5,611
Total net position	$ 7,947	$ 9,442
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 10,958	$ 10,896
Operating expenses	(10,516)	(10,234)
Net operating income	442	662
Nonoperating revenues (expenses)	(559)	(593)
Change in net position	(117)	69
Total net position, beginning of year	9,442	9,373
Cumulative effect of change in accounting principle	(1,378)	—
Total net position, beginning of year, as restated	8,064	9,373
Total net position, end of year	$ 7,947	$ 9,442
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) in		
Operating activities	$ 1,653	$ 2,098
Capital and related financing activities	(1,384)	(1,477)
Investing activities	23	21
Net increase	292	642
Cash, beginning of year	7,506	6,864
Cash, end of year	$ 7,798	$ 7,506

16. COMMITMENTS AND CONTINGENCIES.

The University received a $13.8 million capital appropriation in the 2014 state of Minnesota bonding bill to design the future demolition of Hagg-Sauer Hall and complete the renovation of Memorial and Decker Halls and the demolition of Sanford Hall. The University entered into a $11.8 million contract with Kraus Anderson Construction during fiscal year 2014 to complete the demolition of Sanford Hall and renovation of Memorial and Decker Halls and a $41,500 contract with LHB, Inc. for pre-design services for the Hagg-Sauer project. During fiscal year 2015 the University entered into a $0.8 million contract with Bentz/Thompson/Rietow, Inc. for design services for the Hagg-Sauer project. As of June 30, 2015 the University had expended approximately $7.1 million toward these projects.

The University also received $2.5 million in Higher Education Asset Preservation and Replacement (HEAPR) funds in the 2014 state of Minnesota bonding bill to replace the Gillett Recreation Center roof and complete concrete and masonry work in the tunnels. The University entered into a $1.7 million contract with Granite City Roofing during fiscal year 2015 and is expected to expend approximately $150,000 on the tunnel project. As of June 30, 2015 the University had expended approximately $1.2 million toward these projects.

The University also continued to expend proceeds from a prior year capital appropriation of $2.8 million for the demolition of Maple Hall and the planning and design for the renovation of Memorial and Decker Halls and the demolition of Sanford Hall. As of June 30, 2015 the University had expended approximately $2.6 million toward these projects.

All of these projects are expected to be completed during fiscal year 2016.

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. The University purchases optional physical damage coverage for their newest or most expensive vehicles. While property and casualty coverage is required by Minnesota State Colleges and Universities policy, campuses may select optional coverage. The University purchased optional coverage for professional liability for employed physicians and student health services professional liability. Property coverage offered by the Minnesota Risk Management Fund is as follows:

Coverage Type	Amount
Institution deductible	$25,000
Fund responsibility	Deductible to $1,000,000
Primary reinsurer coverage	$1,000,001 to $25,000,000
Multiple reinsurers' 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 in the last three years. The Minnesota Risk Management Fund purchased student intern professional liability, dental clinics professional liability, and a variety of bonds on the open market for the University and College.

Minnesota State Colleges and Universities participates in the State Employee Group Insurance Plan, which provides life insurance, 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 claims liability during the fiscal years ended June 30, 2015 and 2014.

(In Thousands)

	Beginning Liability	Net Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/15	$ 279	$ 202	$ 252	$ 229
Fiscal Year Ended 6/30/14	209	212	142	279

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 Bemidji State University is a legally separate, tax exempt entity and reported as a component unit.

The Bemidji State University Foundation (Foundation) is a separate legal entity formed for the purpose of obtaining and disbursing funds for the sole benefit of the University. The University does not appoint any members of the board and the resources held by the Foundation can only be used by, or for, the benefit of the University.

The Foundation's relationship with the institution is such that exclusion of the Foundation's financial statements would cause the University financial statements to be misleading or incomplete. The Foundation is considered a component unit of the University and their statements are discretely presented in the University's financial statements.

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

- *Unrestricted net assets*: Net assets not subject to donor imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor imposed restrictions as to how the assets may be used.
- *Permanently restricted net assets*: Net assets subject to donor imposed stipulations that they be maintained permanently by the 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.

In fiscal years 2015 and 2014, Bemidji State University received $1,192,821 and $1,076,785, respectively, from its Foundation. These proceeds were used for student scholarships. In fiscal year 2014, Bemidji State University also received $625,000 from its Foundation to help offset the costs of the installation of artificial turf.

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

Schedule of Investments at June 30
(In Thousands)

	2015	2014
Money market & Certificate of deposit	$ 301	$ 420
Fixed income/Bonds/U.S. treasuries	4,738	4,092
Equity based mutual funds	14,219	12,515
Real estate (held for investment)	553	1,345
Other investments	4,480	4,378
Total investments	$ 24,291	$22,750

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

Schedule of Capital Assets at June 30
(In Thousands)

	2015	2014
Capital assets, depreciated		
Buildings and improvements	$ 652	$ 603
Equipment	56	56
Total capital assets, depreciated	708	659
Total accumulated depreciation	(383)	(359)
Total capital assets depreciated, net	$ 325	$ 300

Long Term Obligations — At June 30, 2014, Bemidji State University Foundation had a $732,250 secured note from Security Bank USA. The note was paid in full during fiscal year 2015.

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

Changes in endowment net assets as of June 30, 2015 are as follows:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 2,127	$ 1,716	$ 16,478	$ 20,321
Contributions	825	4	2,195	3,024
Investment income	217	265	(170)	312
Other transfers	(16)	(14)	35	5
Amounts appropriated for expenditures	(320)	(488)	—	(808)
Net assets, end of year	$ 2,833	$ 1,483	$ 18,538	$ 22,854

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	$ 1,662	$ 479	$ 14,604	$ 16,745
Contributions	852	27	1,871	2,750
Investment income	178	1,642	(39)	1,781
Other transfers	(65)	(18)	42	(41)
Amounts appropriated for expenditures	(500)	(414)	—	(914)
Net assets, end of year	$ 2,127	$ 1,716	$ 16,478	$ 20,321

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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BEMIDJI STATE UNIVERSITY
SCHEDULE OF FUNDING PROGRESS FOR NET OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2006	$ —	$ 4,167	$ 4,167	0.00	$ 37,825	11.02
July 1, 2008	—	4,733	4,733	0.00	35,617	13.29
July 1, 2010	—	5,063	5,063	0.00	39,511	12.81
July 1, 2012	—	3,670	3,670	0.00	35,965	10.20
July 1, 2014	—	4,013	4,013	0.00	38,977	10.29

BEMIDJI STATE UNIVERSITY
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
STATE EMPLOYEES RETIREMENT FUND

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

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.36	$ 5,838	$9,220	63.32	87.64

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2014	$ 461	$ 461	$ —	$ 9,220	5.0

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

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

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

BEMIDJI STATE UNIVERSITY
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
TEACHERS RETIREMENT FUND

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

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.15	$ 6,691	$6,624	101.01	81.50

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2014	$ 464	$ 464	$ —	$ 6,624	7.0

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

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

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

BEMIDJI STATE UNIVERSITY
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND

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

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.0075	$ 351	$ 113	309.73	78.75

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2014	$ 7	$ 7	$ —	$ 113	6.3

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

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

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

SUPPLEMENTARY SECTION

As of July 1, 2004, the Bemidji campus of the former Northwest Technical College was aligned with Bemidji State University under the name Northwest Technical College – Bemidji. The activities of the College were consolidated with the University effective July 1, 2005 and were first included in the University's fiscal year 2006 annual financial report. Included in the supplementary section are the audited financial statements of both individual institutions.

COMPONENTS OF BEMIDJI STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015 AND 2014
(IN THOUSANDS)

Assets	Bemidji State University	Northwest Technical College	Total 2015	Total 2014
Current Assets				
Cash and cash equivalents	$ 31,160	$ 3,156	$ 34,316	$ 36,721
Investments	405	-	405	383
Grants receivable	344	80	424	498
Accounts receivable, net	985	1,120	2,105	2,079
Prepaid expense	940	117	1,057	954
Inventory and other assets	27	227	254	307
Student loans, net	750	-	750	625
Total current assets	34,611	4,700	39,311	41,567
Current Restricted Assets				
Cash and cash equivalents	6,932	-	6,932	2,961
Total current restricted assets	6,932	-	6,932	2,961
Noncurrent Assets				
Student loans, net	4,011	-	4,011	4,209
Capital assets, net	69,470	4,325	73,795	69,189
Total noncurrent assets	73,481	4,325	77,806	73,398
Total Assets	115,024	9,025	124,049	117,926
Deferred Outflows of Resources	1,472	381	1,853	-
Total Assets and Deferred Outflows of Resources	116,496	9,406	125,902	117,926
Liabilities				
Current Liabilities				
Salaries and benefits payable	3,795	531	4,326	4,927
Accounts payable and other liabilities	1,171	364	1,535	1,654
Unearned revenue	896	107	1,003	1,194
Payable from restricted assets	4,096	-	4,096	120
Interest payable	148	-	148	156
Funds held for others	209	7	216	269
Current portion of long-term debt	1,544	127	1,671	1,546
Other compensation benefits	791	95	886	901
Total current liabilities	12,650	1,231	13,881	10,767
Noncurrent Liabilities				
Noncurrent portion of long-term debt	21,472	1,031	22,503	21,594
Other compensation benefits	4,949	721	5,670	5,492
Net pension liability	10,686	2,194	12,880	-
Capital contributions payable	4,415	-	4,415	4,441
Total noncurrent liabilities	41,522	3,946	45,468	31,527
Total Liabilities	54,172	5,177	59,349	42,294
Deferred Inflows of Resources	8,926	1,123	10,049	-
Total Liabilities and Deferred Inflows of Resources	63,098	6,300	69,398	42,294
Net Position				
Net investment in capital assets	47,874	3,167	51,041	47,469
Restricted expendable, bond covenants	3,282	-	3,282	4,191
Restricted expendable, other	3,836	112	3,948	3,837
Unrestricted	(1,594)	(173)	(1,767)	20,135
Total Net Position	$ 53,398	$ 3,106	$ 56,504	$ 75,632

COMPONENTS OF BEMIDJI STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(IN THOUSANDS)

	Bemidji State University	Northwest Technical College	Total 2015	Total 2014
Operating Revenues				
Tuition, net	$ 20,114	$ 1,946	$ 22,060	$ 22,400
Fees, net	2,311	243	2,554	2,680
Sales, net	1,856	650	2,506	2,592
Restricted student payments, net	10,460	-	10,460	10,286
Other income	303	141	444	598
Total operating revenues	35,044	2,980	38,024	38,556
Operating Expenses				
Salaries and benefits	45,144	6,181	51,325	51,156
Purchased services	11,034	1,416	12,450	12,614
Supplies	4,375	808	5,183	3,945
Repairs and maintenance	1,613	124	1,737	1,717
Depreciation	4,923	480	5,403	5,334
Financial aid, net	881	519	1,400	1,346
Other expense	3,684	415	4,099	4,408
Total operating expenses	71,654	9,943	81,597	80,520
Operating loss	(36,610)	(6,963)	(43,573)	(41,964)
Nonoperating Revenues (Expenses)				
Appropriations	19,732	3,039	22,771	22,267
Federal grants	9,406	2,103	11,509	11,893
State grants	3,971	924	4,895	4,441
Private grants	2,053	211	2,264	3,210
Interest income	241	24	265	260
Interest expense	(902)	(56)	(958)	(988)
Total nonoperating revenues (expenses)	34,501	6,245	40,746	41,083
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,109)	(718)	(2,827)	(881)
Capital appropriations	6,212	-	6,212	1,883
Donated assets and supplies	233	-	233	-
Gain (loss) on disposal of capital assets	2	(5)	(3)	(10)
Change in net position	4,338	(723)	3,615	992
Total Net Position, Beginning of Year	68,744	6,888	75,632	74,640
Cumulative Effect of Change in Accounting Principle	(19,684)	(3,059)	(22,743)	-
Total Net Position, Beginning of Year, as Restated	49,060	3,829	52,889	74,640
Total Net Position, End of Year	$ 53,398	$ 3,106	$ 56,504	$ 75,632

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bemidji State University (the University), a campus of Minnesota State Colleges and Universities, and the discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bemidji State University's basic financial statements, and have issued our report thereon dated November 13, 2015. Our report includes a reference to other auditors who audited the financial statements of the Bemidji State University Foundation. The financial statements of the Bemidji 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 Bemidji State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Board of Trustees
Minnesota State Colleges and Universities

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2015

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