Metropolitan
State University

Annual Financial Report

For the Years Ended June 30, 2015 and 2014

A member of the Minnesota State Colleges and Universities system.

METROPOLITAN 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:

Metropolitan State University
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METROPOLITAN STATE UNIVERSITY

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

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Metropolitan
State University

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November 13, 2015

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

Dear Board of Trustees and Chancellor Rosenstone:

I am pleased to submit to you the Metropolitan State University (University) audited Annual Financial Report for the fiscal years ended June 30, 2015 and 2014. It includes the appropriate financial statements and disclosures necessary to accurately represent the financial condition of our University, as well as operational results for the year. These financial statements are presented in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. The management of the University is responsible for ensuring the accuracy, reliability, and completeness of the information in this report.

The financial statements have been audited by the firm of CliftonLarsonAllen LLP. You will find a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. Please consult the Management's Discussion and Analysis section of this report for a summary review and explanation of the financial statements.

The University was established in 1971 by the Minnesota State Legislature to offer baccalaureate education to adult students in the Twin Cities metropolitan area in a way that was convenient for their busy work and personal schedules. Classes were offered throughout the Twin Cities through complete reliance on community-based assets, such as convening class meetings in public libraries, church basements, and other educational institutions' classrooms.

Since those early years of serving a few hundred students who were returning to complete their bachelor's degrees, we now serve nearly 11,500 students annually. They can complete their bachelor's degrees and go on to complete master's programs and doctoral programs. The University currently offers over fifty undergraduate majors, seventeen master's degree programs, eight graduate certificates, and applied doctoral programs in nursing practice and business administration. Our regional accrediting agency, the North Central Association's Higher Learning Commission, in recognition of the high quality of our online program offerings, has authorized the University to offer any of our degree programs online.

Metropolitan State University, Minnesota's only public, urban, comprehensive university remains true to its mission to engage the needs of underserved populations across the greater Twin Cities metropolitan area. The University is responsive to and experienced serving a diverse array of "post-traditional" students, adults (average age is 32 years), transfer students (97 percent are transfer students who bring an average of 72 credit hours), and communities of color (overall, 38 percent of the student body are men and women of color). Metropolitan State University has a laser focus on recruiting and educating prepared students from the communities of color among which virtually the entire region's demographic and workforce growth will emerge for the foreseeable future. Two-thirds of our students study part-time and most are also employed. Metropolitan State University's forty-year legacy of intentional civic engagement and community-situated curricular design is stronger than ever, and it adds unique value to the extraordinary academic programs our students enjoy. Metropolitan State University's value proposition to three million Minnesotans is unparalleled.

In addition to its main campus in Saint Paul, the University also has an extensive classroom and office facility in the Midway area, a School of Law Enforcement and Criminal Justice in Brooklyn Park on the Hennepin Technical College campus, and a College of Management and a Theatre program in Minneapolis on the Minneapolis Community & Technical College campus. Degree completion programs are also offered at the campuses of several other Metro Alliance college campuses, including Normandale Community College, Inver Hills Community College, Century College, North Hennepin Community College, St. Paul College, and Anoka-Ramsey Community College. The University recently joined Inver Hills Community College in establishing an instructional site at the new Workforce Center in Burnsville. In addition, the University offers an impressive array of online degree programs, certificates, and coursework. One in three Metropolitan State University students is enrolled in at least one online course in any given semester, and the online programs serve residents across Greater Minnesota, as well as throughout the metropolitan area.

The mission of the University is to provide high-quality, affordable educational programs and services in a student-centered environment across the Twin Cities metropolitan region. In many ways, our faculty, staff, and students reflect the area's rich diversity and demonstrate an unwavering commitment to civic engagement. This University is focused on issues that matter to legislators and other public officials and opinion leaders: increasing the proportion of urban residents who hold baccalaureate degrees, addressing Minnesota's chronic achievement gaps by strengthening the faculties of urban schools, expanding the capacity of affordable programs that prepare highly-skilled healthcare workers, and preparing practitioners across a range of professional fields with the skills and cultural competencies required for a competitive global economy. In particular, we have made significant, sustained investments in strengthening and expanding our partnerships with Minnesota State Colleges and Universities (MnSCU) colleges in order to provide seamless access to high-demand baccalaureate programs. We offer these programs in growing numbers on college campuses. We are working diligently to expand our capacity to offer the online programs for which student demand continues to outstrip supply.

Highlighted below a few of the many ways in which the University is deeply involved with the Twin Cities community:

- Our signature Library and Learning Center on the Saint Paul campus has completed its tenth year of operation, and continues to enjoy high levels of usage, amounting to one-half million student and community patron visits annually. Our students, staff, and faculty have access to extensive print and electronic resources, as well as over 250 fixed and wireless computer stations.

- A prominent portion of the library facility houses a branch of the Saint Paul Public Library, a first for our Dayton's Bluff neighborhood. Young people from the community study in the computerized Young Adult Homework Center. Others find, in the Children's Reading Room, a safe and inviting place to gather for story hours and reading-related activities. Tutors and interns work with neighborhood children daily. Significant ongoing private funding supports literacy and other community outreach programs.

- Metropolitan State's University Institute for Community Engagement and Scholarship coordinates dozens of community-based programs throughout the year, including outreach efforts such as "Read! Read! Read!" "College for Kids," the Public Achievement program, career and community-based academic internships, Project SHINE (Students Helping in the Naturalization of Elders), Constitution Day, American Democracy Project programs, "Metro State Votes!," and many more.

- The University's significant commitment to online degree programs is allowing individuals and organizations to conveniently take advantage of education tailored to meet their special needs as lifelong learners. We continue to provide online courses to members of the National Guard serving abroad and to Peace Corps Volunteers around the world. We frequently have online students in every state senate district.

- The University continues to lead an active collaboration between MnSCU institutions and industry partners, through Advance IT Minnesota. Legislative funds for this innovative initiative were awarded by the System Office through a competitive "Centers of Excellence" selection process.

Metropolitan State University has developed an array of dynamic, student-centered partnerships with the MnSCU colleges in the Twin Cities metropolitan area and beyond. Recent innovative partnerships include:

- "Reverse transfer" initiatives piloted with several of the colleges, enabling students to be awarded their associate degrees by their colleges, even if they had transferred to Metropolitan State before completing all of their associate degree requirements.

- Dual enrollment plans piloted with Inver Hills Community College and Normandale Community College. At Normandale, this effort resulted in an immediate increase in enrollments in the dental hygiene baccalaureate program. For these students, financial aid is administered through Metropolitan State throughout their undergraduate studies. Through the Minnesota Alliance of Nursing Education (MANE) program (see below), dual enrollment is also available at Anoka-Ramsey Community College, Century College, North Hennepin Community College, Ridgewater Community and Technical College, and Riverland Community and Technical College.
- Academic program transfer guides developed for the most popular baccalaureate majors. Students beginning their studies at each of the community colleges can now see from the outset which courses to take, in the correct sequence, to most efficiently complete their baccalaureate degrees at Metropolitan State University.

- Degree completion programs in an array of majors, including business administration, accounting, nursing, psychology, criminal justice, individualized studies, and other fields, offered on the campuses of MnSCU two-year colleges in the metro area.

- The charter for the MANE program, which was signed in November 2013. This collaborative curriculum was developed with seven community colleges. Students are admitted to both Metropolitan State and a partner community college. As part of the MANE program, Metropolitan State is initiating its first full four-year baccalaureate program in nursing.

- Since 2004, Metropolitan State University has been physically co-located with Minneapolis Community and Technical College (MCTC) at its site at 15th Street and Hennepin Avenue South in Minneapolis. As a result, MCTC students can finish their bachelor's degree programs in the College of Management without having to change locations. The University has expanded classroom space and faculty offices in the Management Education Center, increasing our instructional capacity on that site.

- Throughout 2015 continued collaboration with Normandale Community College to offer the nursing baccalaureate completion program. We also enable community college graduates to complete bachelor's degrees in management on multiple MnSCU community college campuses in the metropolitan area. The University currently offers classes in 24 locations throughout the Twin Cities, including every Metro Alliance community college campus and most technical colleges.

- In 2015 continued partnership with Hennepin Technical College (HTC) through co-locating programs in the Law Enforcement and Criminal Justice Education Center on the HTC campus. This is a state-of-the-art facility that serves the needs of law enforcement and criminal justice students from across the metropolitan area of the Twin Cities. The Center opened its doors in August 2010.

- During fiscal year 2015, Metropolitan State University continued our partnership agreement with Normandale Community College to jointly use their newly constructed Partnership Center. This partnership enables Normandale students to transition to a MnSCU university, while remaining on the Normandale campus.

Future Planning:

The recent growth in facilities and program offerings is expected to continue. Our future growth will be guided by the concentrated analysis and planning going on this semester to refresh our strategic positioning platform. We will seek to enlist the entire University community as individual champions of Metropolitan State University unparalleled value proposition for urban and metropolitan students whose careers and lives can be enhanced by completing the collegiate careers they have started.

- In 2011, a special legislative session approved $3.44 million for design of a Science Education Center. In the 2014 session, construction funds of $35.86 million were authorized. Ground was broken in September 2014, and construction is now fully under way. This Saint Paul campus building will provide much-needed science classrooms and laboratories, which will be available to students in January 2016. Metropolitan State University is currently the only university in the MnSCU system without a science building.

- The University is on track to resume a moderate pattern of enrollment growth. This involves development of an integrated marketing initiative, implementation of coordinated enrollment retention and management strategies, pursuit of additional space for long-term and short-term classroom and office needs, and building the faculty and infrastructure that we will need to serve a growing student population. For the foreseeable future, we expect to grow at a more moderate pace than we had experienced in recent years.

- The University's updated Facilities Master Plan was approved in 2011 by the System Office. Consistent with that plan, we are working to expand and strengthen our distributed degree-completion programs around the Twin Cities metropolitan area, while we build capacity to contribute to the emerging Charting the Future initiative and to the Board's Metro Area Baccalaureate plan. In 2016, we will begin planning work that will support an updated Facilities Master Plan, to be submitted to the System Office in 2017.

- Realizing another goal of the 2011 Facilities Master Plan, the University has received 2013 revenue bond funds for two new projects at the Saint Paul campus. A $24 million parking ramp, comprising approximately 750 stalls, was completed this summer 2015. During fiscal year 2015 we continued construction of the Student Center, and will be opening in the fall of 2015.

The administrative team is pleased with what is being accomplished at Metropolitan State University and want to express sincere thanks to our faculty, staff, and students for their important contributions to our success. Appreciation similarly goes to the Board of Trustees and the System Office. The University will continue to uphold the highest standards of financial and educational stewardship in the best interests of the diverse communities we serve.

Respectfully submitted,

D Malhotra

Devinder Malhotra, Ph.D.
Interim President

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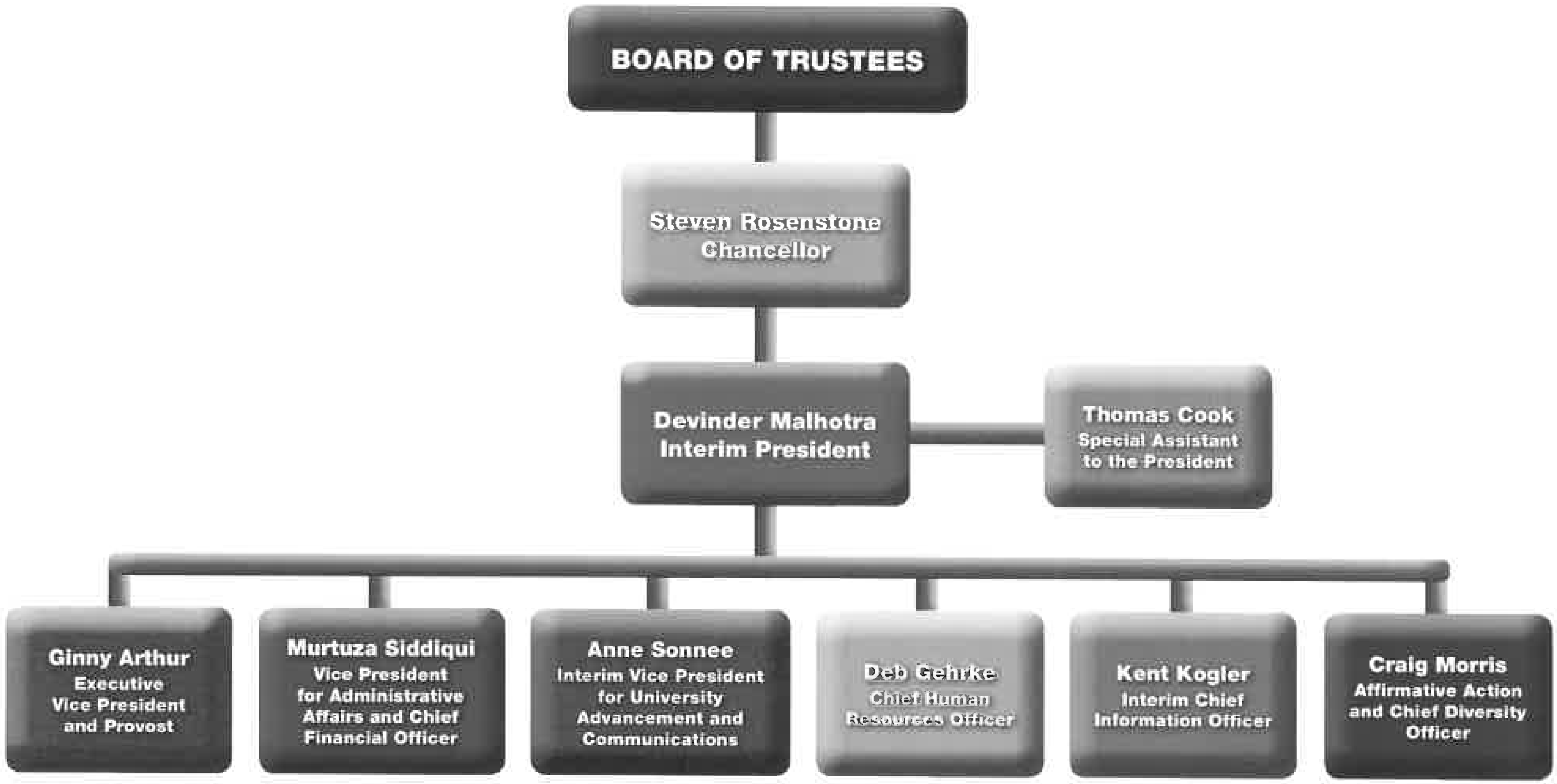
Metropolitan State University



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

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

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Metropolitan 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 audits. We did not audit the financial statements of the Metropolitan State University Foundation, which represents 100% of the total assets and total revenues of the discretely presented component unit of Metropolitan 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 Metropolitan State University Foundation, is based solely on the report of the other auditors. We conducted our audits 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 Metropolitan 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 audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan State University, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows, were applicable, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only Metropolitan 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, Metropolitan 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, Metropolitan State University reported a restatement for the change in accounting principle (see Note 1). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Board of Trustees
Minnesota State Colleges and Universities

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of Metropolitan 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 Metropolitan 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 Metropolitan State University for the fiscal years ended June 30, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Metropolitan State University is a member of the Minnesota State Colleges and Universities (MnSCU) system, one of two systems of public higher education in the state of Minnesota (the other is the University of Minnesota). The Minnesota State Colleges and Universities system has 31 institutions with 54 campuses conveniently located in 47 Minnesota communities that serve more than 435,000 students.

The Minnesota State Colleges and Universities system is governed by a 15 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 who is responsible for providing academic leadership to the system's 31 colleges and universities, ensuring effective and efficient management and operation of the system, carrying out board policies, recommending operating and capital budgets to the board, and planning for the current and long-term educational needs of Minnesota. Each college and university is headed by a president who serves as the chief executive officer. The presidents report to the chancellor.

The University is a comprehensive public, urban institution of higher learning with over 11,000 students with an average age of 32. Over 99 percent of the undergraduate degree-seeking students that matriculated in the 2014-2015 academic year transferred credits from between one and twelve institutions prior to enrolling at Metropolitan State University. The University employs about 1,300 faculty and staff members, including approximately 550 part-time community faculty who are often practitioners in the fields in which they teach.

The University offers certificate programs; baccalaureate, masters and doctorate degrees. The University is accredited by the Higher Learning Commission. The largest program-based student majors are business, individualized studies, accounting, psychology, criminal justice and human services. Our individualized studies program, which enables students to customize degree requirements to fit their individual academic aspirations, is one of the unique educational opportunities offered at Metropolitan State University. The Urban Teacher Program, which was developed in collaboration with Minneapolis Community and Technical College, Inver Hills Community College, and the Minneapolis and St. Paul Public Schools, is a unique program designed to increase the number of teachers of color in urban schools.

In fiscal year 2015, the University has continued to make investments in infrastructure, public safety and academics. During fiscal year 2016, completion will occur on our parking ramp, student center and science education center, effectively doubling of the square footage of University facilities under management.

- The parking ramp and additional surface parking will provide 830 parking spaces to accommodate the University's growth and new parking for the Student Center. Additionally, the Maria traffic calming project, implementing traffic-calming measures on Maria Avenue between E. 6th St. and E. 7th St. in partnership with the City of St. Paul, will improve public safety on campus as well as add to the overall streetscape.

- The student center will provide students a unique set of services and spaces that currently do not exist on campus, such as informal lounge/study space, food service operations, a flexible programming space for events, a workout room, and a student involvement suite.

- The science education center will be a 3-story 64,000 square foot building with a penthouse and skyway. Spaces will include classrooms, teaching and research laboratories, faculty offices, student mentoring / tutoring areas, student work / study areas, and building support services. In conjunction with the science education center, we introduced new STEM (Science, Technology, Engineering and Mathematics) Bachelor degrees in Environmental Science and Chemistry Teaching, and a Master's in Biology, along with other programs and majors.

FINANCIAL HIGHLIGHTS

The University's financial position changed substantially during fiscal year 2015 with net position decreasing by $9.7 million, or 18.2 percent. This decrease was the result of offsetting activities: $17.8 million is attributable to Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB) that had an unfavorable impact and $8.1 million or 15.1 percent current year net position increase, which had a favorable impact. The $8.1 million growth in net position was driven by a $14.2 million increase in net investments in capital assets, which was supported by a $13.7 million increase in capital contributions. There were several factors that offset this favorable impact including a $4.7 million (excluding the impact of GASB Statement No.68) increase in personnel costs, $1.3 million increase in purchased services and $0.5 million increase in scholarships.

USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows. These financial statements are prepared in accordance with applicable generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) through authoritative pronouncements. These GASB statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the university as a whole, with resources classified for accounting and reporting purposes into three net position categories. A summary of significant accounting policies followed by the University is included in Note 1 to the financial statements.

STATEMENTS OF NET POSITION

The statements of net position present the financial position of Metropolitan State University at the end of the fiscal year and include all assets and deferred outflows and liabilities and deferred inflows of the University as measured using the accrual basis of accounting. The difference between total assets and deferred outflows and total liabilities and deferred inflows is net position, one indicator of the current financial condition of the University. The change in net position is an indicator of whether the overall financial condition has improved or 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 statement of revenues, expenses and changes in net position.

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

	2015	2014	2013
Current assets	$ 33,456	$ 40,823	$ 40,413
Restricted assets	42,585	34,522	34,271
Noncurrent assets	59,695	39,410	41,135
Deferred outflows of resources	2,072	—	—
Total assets and deferred outflows of resources	138,808	114,755	115,819
Current liabilities	20,580	15,715	9,772
Noncurrent liabilities	64,716	45,573	46,300
Deferred inflows of resources	8,775	—	—
Total liabilities and deferred inflows of resources	94,071	61,288	56,072
Net position	$ 43,737	53,467	59,747

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 $19.2 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.

Current assets consist primarily of cash and cash equivalents (unrestricted) totaling $30.1 million at June 30, 2015, which represents approximately 4.7 months of operating expenses (excluding depreciation) and an overall decrease of $6.8 million in cash and cash equivalents over the prior year due to increases in personnel expenses and purchased services related to construction.

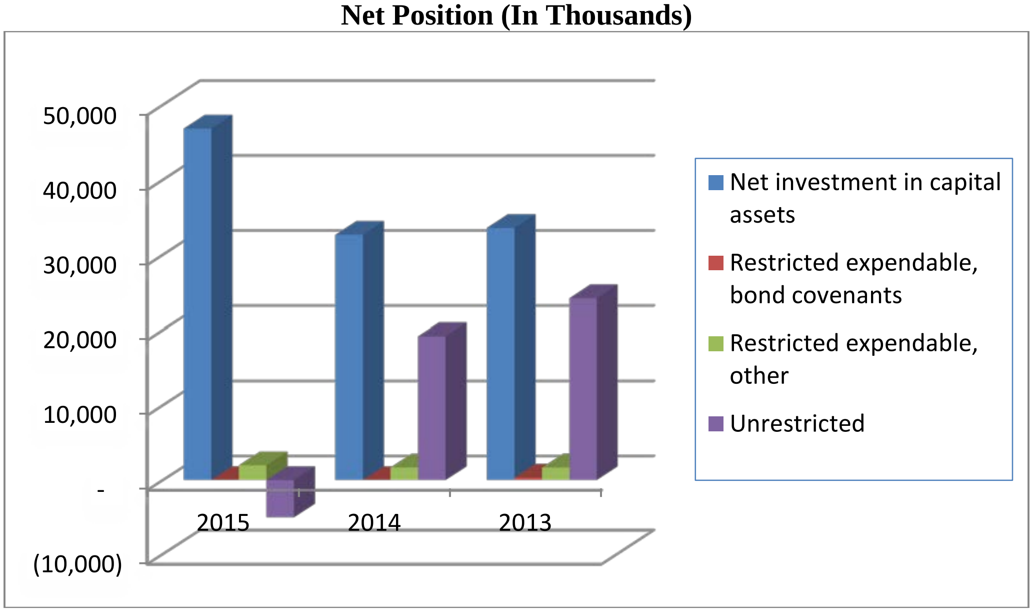
Restricted assets increased by $8.1 million during fiscal year 2015. Restricted cash declined by $12.8 million and restricted construction in progress increased $20.8 million. Restricted assets consist primarily of revenue bond proceeds and construction in progress for design and construction of a parking ramp and a student center on the University's Saint Paul Campus.

Current liabilities consist primarily of salaries and benefits payable, accounts payable, accounts payable from restricted assets, unearned revenue, current obligations for repayment of debt, other compensation benefits, and other liabilities. Total current liabilities increased by $4.9 million during fiscal year 2015 due to construction of the revenue bond funded projects for a parking ramp and student center.

The noncurrent liabilities increased by $19.1 million or 42.0 percent in fiscal year 2015 compared to fiscal year 2014. This was due to GASB Statement No. 68 implementation which resulted in net pension liability of $11.1 million in fiscal year 2015, along with $7.3 million increase in long term debt. In fiscal year 2015, deferred inflows of $8.8 million were reported which represent acquisition of net position that is applicable to a future reporting period is due to the GASB Statement No. 68 implementation.

Changes in net position for fiscal years 2015 through 2013 are presented as follows:

Net Position (In Thousands)



CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the University's academic programs and student life is the development and renewal of its capital assets. Capital assets as of June 30, 2015 totaled $84.4 million, net of accumulated depreciation of $27.9 million. Total capital assets net of accumulated depreciation increased during fiscal year 2015 by $41.1 million, which represents the progress made on the parking ramp, student center and science education center projects. A summary of the University's change in net capital assets as of June 30, 2015, 2014 and 2013, respectively, is as follows (in thousands):

	2015	2014	2013
Land	$ 4,383	$ 4,383	$ 4,193
Construction in Progress	48,878	6,012	2,471
Buildings and Improvements	29,849	31,792	33,793
Equipment	879	625	677
Library Collections	418	466	524
Capital assets	$ 84,407	$ 43,278	$ 41,658

In fiscal year 2014, the University received bond funds for the science education center on the Saint Paul campus. Total cost of the project is $35.8 million, of which $19.1 million had been spent as of June 30, 2015. Residual commitments to the University total $16.4 million.

In February 2013, Minnesota State Colleges and Universities sold revenue bonds in the amount of $33.5 million to fund design and construction of a parking ramp and a student center on the Saint Paul campus of Metropolitan State University.

Construction of the parking ramp began during fiscal year 2014, with an expected completion date in early fiscal year 2016. Due to soil contamination issues involving regulated wastes in the parking ramp construction site and associated construction delays and other changes, the total projected cost of the parking ramp has increased from $17.6 million to $21.3 million. Included in the total project cost of $21.3 million is $3.7 million recorded as costs for soil contamination issues in the construction site.

Construction of the student center also began during fiscal year 2014, with an expected completion date in early fiscal year 2016. Total cost of the student center project has increased by $100 thousand due to soil contamination at the construction site involving regulated wastes. Revenue bonds issued for the student center project include $11.1 million in tax-exempt bonds and $1.6 million in taxable bonds.

Additional information on capital and debt activities can be found in Note 5 and Note 7 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 statements, users should note that GASB requires classification of state appropriations as non-operating revenue.

A summarized statement for the years ended June 30, 2015, 2014 and 2013, respectively, follow (in thousands):

	2015	2014	2013
Operating revenues:			
Tuition, fees and sales, net	$ 29,909	$ 30,682	$ 31,991
Restricted student payments	347	326	—
Other revenue	417	132	280
Total operating revenues	30,673	31,140	32,271
Nonoperating revenues:			
State appropriations	24,811	22,914	20,758
Capital appropriations	13,831	61	926
Other	20,760	19,796	18,786
Total nonoperating revenues	59,402	42,771	40,470
Total revenues	90,075	73,911	72,741
Operating expenses:			
Salaries and benefits	57,217	53,907	49,897
Services and other expenses	18,047	20,674	15,689
Depreciation	2,293	2,258	2,261
Financial aid, net	1,921	1,648	1,313
Total operating expenses	79,478	78,487	69,160
Nonoperating expenses:			
Interest expense	1,002	1,324	535
Other	124	380	73
Total nonoperating expenses	1,126	1,704	608
Total expenses	80,604	80,191	69,768
Change in net position	9,471	(6,280)	2,973
Net position, beginning of year	53,467	59,747	56,774
Cumulative effect of change in accounting principle	(19,201)	—	—
Net position, beginning of year, as restated	34,266	59,747	56,774
Net position, end of year	$ 43,737	$ 53,467	$ 59,747

Tuition and state appropriations are the primary sources of funding for the University's academic programs. For fiscal years 2014 and 2015, the Legislature froze tuition rates for all undergraduate programs in the Minnesota State Colleges and Universities system. During fiscal year 2014, the University began assessing a $2 per credit revenue fund fee to the students to use in funding operating costs in the revenue fund for the student center debt service. This fee is classified as restricted student payments, and is accompanied by an offsetting reduction in the student activity fee of $2 per credit. The fee has continued through fiscal year 2015 until the opening of the student center in fiscal year 2016, when the full fee assessment will be charged to the students.

State appropriation revenue increased in fiscal year 2015 by $1.9 million to $24.8 million, representing an 8.3 percent increase over fiscal year ended June 30, 2014 and 9.2 percent increase from the fiscal year ended June 30, 2013. The increase was due to receipt of a special tuition mitigation appropriation of $2.5 million. Fiscal year 2015 tuition revenue is down $752 thousand from fiscal year 2014, and represents a second consecutive year of decline. This is consistent with fiscal year full year equivalents (FYE), which were 6,052 and 6,192 in fiscal years 2015 and 2014, respectively.

Capital appropriations have increased greatly over fiscal years ended June 30, 2014. For fiscal year ended June 30, 2015, the University received a $13.7 million increase. This is the due to the continuation the science education center and other projects.

Salaries and benefits is the University's single largest expense component. Salaries and benefits expense increased $4.7 million (excluding the impact of GASB Statement No.68) or 8.8 percent, in fiscal year 2015 and represented 72 percent of total operating expense. The fiscal year 2014 increase of $4.0 million or 7.4 percent represented 68.7 of total operating expense. Total compensation expense included fringe benefits costs of $13.6 million (excluding the impact of GASB Statement No.68) and $12.2 million in fiscal years 2015 and 2014, respectively. In addition, there was also an increase of 18 full-time equivalent (FTE) over fiscal year 2014 and overall increase in compensation due to labor contract settlements and severance payouts.

FOUNDATION

The Metropolitan State University Foundation is a component unit of Metropolitan State University. As such, the separately audited financial statements for the Foundation are included, but shown separately from those of the University in compliance with the requirements of GASB Statement No. 39. Additional information regarding the Foundation can be found in Note 17 to the financial statements. The Foundation helps the University raise funds, provides financial support to students, and assists the University in funding projects consistent with the University's mission.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Looking into the future, management believes that the University is positioned to improve upon its relatively sound financial condition and level of excellence, even though we experienced a sizable decline in our cash and fund balance during fiscal year 2015. During fiscal year 2015, the University received approval to add a number of new majors and degrees, to take effect in fiscal year 2016. With the introduction of these new majors and degree programs, coupled with the addition of a brand new Science Education Center (opening January 2016), we anticipate welcoming a new group of students. In addition, through aggressive enrollment management and retention strategies and the University's strategic positioning with community and technical colleges, the University is in good position to strengthen and improve its enrollment projections for the foreseeable future, and result in a sharpened academic program portfolio and further enhance the University's public, urban character.

Metropolitan State University's focus has always been on adult and traditionally underserved students, which are projected to be a growth market in higher education. With over 100,000 students in attendance at metropolitan-area community and technical colleges, the University is positioning itself to be the preferred provider for baccalaureate and graduate degrees for those students. Through working with our partner institutions, management expects to see significant increases in enrollment of students that complete their Associates degrees. As the most diverse public university in the state and the only four year Minnesota State Colleges and Universities (MnSCU) university located in the Twin Cities, Metropolitan State University has worked diligently to become an institution of choice for communities of color and recent immigrants, and thus it is well positioned to take advantage of the projected demographic increases in those groups.

During fiscal year 2015, the University continued to strengthen its partnership relationships with the Metropolitan area two year community and technical colleges. One of the primary goals of the partnership is to enhance the student experience, whereas a student can start their educational journey at a two-year MnSCU institution, and complete their baccalaureate and graduate degrees on that very two-year campus.

Despite the fact that college costs are rising, management believes that our degree programs will continue to be preferred due to the University's value proposition. Students and their families can better afford to get a higher education at Metropolitan State University, a fact that will have sizeable impact for Minnesota's future economy. Management sees the University as uniquely positioned to meet the future demands of the state's labor market, which will increasingly require a postsecondary credential. We will accomplish this by working with our faculty, employers, and our community partners to insure that the University continues to provide the highest value, most affordable higher education option.

For the fiscal year ending 2015, 66 percent of the students were eligible for some type of financial aid funding with this figure equal to the fiscal year 2014 percentage. The average amount of financial aid awards decreased slightly from prior year with the average award in fiscal year 2015 approximately $8,618, compared to $8,862 and $8,859 in fiscal years 2014 and 2013, respectively. The percentage of undergraduates qualifying for the Federal Pell Grant has increased slightly from fiscal year 2014 (41 percent) to fiscal year 2015 (42 percent). The Federal Pell Grant is given to only the students deemed to be the lowest income by the federal financial aid formula and is an indication of socioeconomic status of the undergraduate student body. As the university remains heavily reliant on financial aid as a payment method for students, changes in federal and state legislation regarding financial aid program funding could have material effect on students' ability to pay for higher education and impact enrollment as well as completion.

An ongoing challenge for the University will be staying financially accessible, given the shifts in funding sources for public higher education in Minnesota. In 2000, the State of Minnesota contributed about 65 percent of the cost of education for Metropolitan State University students, with tuition and other revenue covering the other 35 percent. In fiscal year 2015, funding for the education had completely changed and reversed. Approximately, 65 percent of the cost of education was paid by the students, and approximately 35 percent through the State of Minnesota support.

The University anticipates challenges in the future years with tuition rate growth. Undergraduate tuition was frozen in fiscal year 2015; however, the University did receive a special state appropriation to offset the loss of tuition rate increase. During fiscal year 2016, the University was allowed to increase its tuition rate, but the following year, it will be frozen, without a state subsidy. As we move forward, the University has to be very efficient, nimble and carefully manage its resources, as it responds to the growing needs of employers in educating the students in the STEM field.

REQUESTS FOR INFORMATION

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

Chief Financial Officer/Vice President for Administrative Affairs
Metropolitan State University
700 East 7th Street
St. Paul, MN 55106-5000

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

Assets	2015	2014
Current Assets		
Cash and cash equivalents	$ 30,059	$ 36,906
Grants receivable	719	1,029
Accounts receivable, net	1,464	1,974
Prepaid expense	1,205	906
Other assets	9	8
Total current assets	33,456	40,823
Current Restricted Assets		
Cash and cash equivalents	17,873	30,654
Total current restricted assets	17,873	30,654
Noncurrent Restricted Assets		
Construction in progress	24,712	3,868
Total noncurrent restricted assets	24,712	3,868
Total restricted assets	42,585	34,522
Noncurrent Assets		
Capital assets, net	59,695	39,410
Total noncurrent assets	59,695	39,410
Total Assets	135,736	114,755
Deferred Outflows of Resources	2,072	-
Total Assets and Deferred Outflows of Resources	137,808	114,755
Liabilities		
Current Liabilities		
Salaries and benefits payable	4,309	4,517
Accounts payable and other liabilities	3,339	2,175
Unearned revenue	2,742	2,659
Payable from restricted assets	8,160	4,740
Interest payable	285	285
Funds held for others	5	58
Current portion of long-term debt	1,119	677
Advances to other schools	-	24
Other compensation benefits	621	580
Total current liabilities	20,580	15,715
Noncurrent Liabilities		
Noncurrent portion of long-term debt	47,356	40,096
Other compensation benefits	6,276	5,477
Net pension liability	11,084	-
Total noncurrent liabilities	64,716	45,573
Total Liabilities	85,296	61,288
Deferred Inflows of Resources	8,775	-
Total Liabilities and Deferred Inflows of Resources	94,071	61,288
Net Position		
Net investment in capital assets	46,815	32,643
Restricted expendable, other	1,963	1,674
Unrestricted	(5,041)	19,150
Total Net Position	$ 43,737	$ 53,467

The notes are an integral part of the financial statements.

METROPOLITAN 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	$ 646	$ 1,381
Investments	738	647
Pledges and contributions receivable, net	49	85
Other receivables	7	2
Total current assets	1,440	2,115
Noncurrent Assets		
Investments held for endowment	3,177	3,178
Other assets held for endowment	35	30
Total noncurrent assets	3,212	3,208
Total Assets	$ 4,652	$ 5,323
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 61	$ 740
Scholarships payable	5	22
Total current liabilities	66	762
Net Assets		
Unrestricted	285	257
Temporarily restricted	1,755	1,795
Permanently restricted	2,546	2,509
Total Net Assets	4,586	4,561
Total Liabilities and Net Assets	$ 4,652	$ 5,323

The notes are an integral part of the financial statements.

METROPOLITAN 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	$ 27,622	$ 28,348
Fees, net	1,483	1,407
Sales, net	804	927
Restricted student payments, net	347	326
Other income	417	132
Total operating revenues	30,673	31,140
Operating Expenses		
Salaries and benefits	57,217	53,907
Purchased services	11,833	10,514
Supplies	1,985	2,450
Repairs and maintenance	1,027	1,725
Depreciation	2,293	2,258
Financial aid, net	1,921	1,648
Other expense	3,202	5,985
Total operating expenses	79,478	78,487
Operating loss	(48,805)	(47,347)
Nonoperating Revenues (Expenses)		
Appropriations	24,811	22,914
Federal grants	14,263	14,101
State grants	5,079	4,718
Private grants	1,060	745
Interest income	330	232
Interest expense	(1,002)	(1,324)
Grants to other organizations	(124)	(24)
Total nonoperating revenues (expenses)	44,417	41,362
Loss Before Other Revenues, Expenses, Gains, or Losses	(4,388)	(5,985)
Capital appropriations	13,831	61
Gain (loss) on disposal of capital assets	28	(356)
Change in net position	9,471	(6,280)
Total Net Position, Beginning of Year	53,467	59,747
Cumulative Effect of Change in Accounting Principle	(19,201)	-
Total Net Position, Beginning of Year, as Restated	34,266	59,747
Total Net Position, End of Year	$ 43,737	$ 53,467

The notes are an integral part of the financial statements.

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METROPOLITAN 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	$ 528	$ 550	$ 30	$ 1,108	$ 1,209
Unrealized gains	15	-	7	22	22
Investment income	24	62	-	86	343
Net assets released from restrictions	650	(650)	-	-	-
Total support and revenue	1,217	(38)	37	1,216	1,574
Expenses					
Program services					
Program Services	848	-	-	848	831
Total program services	848	-	-	848	831
Supporting services					
Management and general	134			134	209
Fundraising	209	-	-	209	246
Total supporting services	343	-	-	343	455
Total expenses	1,191	-	-	1,191	1,286
Change in Net Assets	26	(38)	37	25	288
Net Assets, Beginning of Year	257	1,795	2,509	4,561	4,273
Net Asset Transfer Related to Application of UPMIFA	2	(2)	-	-	-
Net Assets, End of Year	$ 285	$ 1,755	$ 2,546	$ 4,586	$ 4,561

The notes are an integral part of the financial statements.

METROPOLITAN 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	$ 715	$ 437	$ 57	$ 1,209
Unrealized gains	14	-	8	22
Investment income	59	284	-	343
Net assets released from restrictions	554	(554)	-	-
Total support and revenue	1,342	167	65	1,574
Expenses				
Program services				
Program Services	831	-	-	831
Total program services	831	-	-	831
Supporting services				
Management and general	209	-	-	209
Fundraising	246	-	-	246
Total supporting services	455	-	-	455
Total expenses	1,286	-	-	1,286
Change in Net Assets	56	167	65	288
Net Assets, Beginning of Year	190	1,639	2,444	4,273
Net Asset Transfer Related to Application of UPMIFA	11	(11)	-	-
Net Assets, End of Year	$ 257	$ 1,795	$ 2,509	$ 4,561

The notes are an integral part of the financial statements.

METROPOLITAN 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	$ 31,119	$ 31,458
Cash paid to suppliers for goods or services	(17,926)	(17,581)
Cash payments for employees	(57,998)	(53,200)
Financial aid disbursements	(1,936)	(1,637)
Net cash flows used in operating activities	(46,741)	(40,960)
Cash Flows from Noncapital Financing Activities		
Appropriations	24,811	22,914
Federal grants	14,720	14,225
State grants	5,079	4,718
Private grants	1,060	745
Agency activity	(53)	(44)
Loans from other schools	(24)	(7)
Grants to other organizations	(124)	(24)
Net cash flows provided by noncapital financing activities	45,469	42,527
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(38,834)	(1,961)
Capital appropriation	13,831	61
Proceeds from sale of capital assets	28	-
Proceeds from borrowing	7,717	11
Proceeds from bond premium	969	15
Interest paid	(1,145)	(1,343)
Repayment of bond principal	(944)	(668)
Net cash flows used in capital and related financing activities	(18,378)	(3,885)
Cash Flows from Investing Activities		
Investment earnings	22	(9)
Net cash flows provided by (used in) investing activities	22	(9)
Net Decrease in Cash and Cash Equivalents	(19,628)	(2,327)
Cash and Cash Equivalents, Beginning of Year	67,560	69,887
Cash and Cash Equivalents, End of Year	$ 47,932	$ 67,560

The notes are an integral part of the financial statements.

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

	2015	2014
Operating Loss	$ (48,805)	$ (47,347)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	2,293	2,258
Change in assets and liabilities		
Accounts receivable	510	191
Accounts payable and other liabilities	107	3,104
Salaries and benefits payable	(208)	514
Other compensation benefits	841	193
Deferred outflows of resources / Net pension liability	(1,414)	-
Unearned revenues	(65)	127
Net reconciling items to be added to operating loss	2,064	6,387
Net cash flow used in operating activities	$ (46,741)	$ (40,960)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 9,116	$ 4,740
Amortization of bond premium	309	240

METROPOLITAN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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*. Metropolitan State University Foundation is considered significant to the University and is included as a discretely presented component unit and separately identified in Note 17. Complete financial statements may be obtained from Metropolitan State University Foundation, 700 East Seventh Street, St. Paul, MN 55106-5000.

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

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

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

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

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

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

Restricted cash is cash held for capital projects. The Revenue Fund holds restricted cash for capital projects and debt service. The Revenue Fund is used to account for the revenues, expenses, and net position of revenue producing facilities. 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 has one checking account in a local bank. The activities handled through the local bank include financial aid, student payroll, auxiliary operations, 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 allocated to the colleges and universities.

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

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

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	30-40 years
Building improvement	15-20 years
Equipment	3-20 years
Internally developed software	7 years
Library collections	7 years

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

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

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

Minnesota State Colleges and Universities may finance the construction, renovation, and acquisition of facilities for student residences, student unions, and parking facilities 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 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 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 nonoperating revenues, including state appropriations, federal, state and private grants, and investment income.

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances. The University does not conduct retail sales. Note 10 to the financial statements provides additional information.

Restricted Student Payments — Restricted student payments consist of fee revenue restricted for payment of revenue bonds, and are net of scholarship allowance. Note 10 to the financial statements provides additional information.

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

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

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

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

(In Thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ —	$ 4,614
Changes in actuarial assumptions	9	4,041
Contributions paid to pension plans subsequent to the measurement date	967	—
Difference between expected and actual experience	466	120
Change in proportion	630	—
Total	$ 2,072	$ 8,775

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

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

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

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

  Restricted for bond covenants — revenue bond restrictions.
  Restricted for other — includes restrictions for the following:
    Capital projects — restricted for completion of capital projects.
    Debt service — legally restricted for bond repayments.
    Donations — restricted per donor requests.
    Faculty contract obligations — faculty development and travel required by contracts.

Net Position Restricted for Other
(In Thousands)

	2015	2014
Debt service	$ 1,154	$ 869
Donations	337	314
Faculty contract obligations	472	491
Total	$ 1,963	$ 1,674

- *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 $19,200,579. 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 a checking account in a local bank. The activities handled through the local bank 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.

Cash and cash equivalents are categorized to give an indication of the level of custodial credit risk. Category 1 includes cash and cash equivalents insured or collateralized with securities held by the state or its agent in Minnesota State Colleges and Universities' name. Category 3 includes uncollateralized cash and cash equivalents. All the University's cash and cash equivalents are classified as Category 1.

At June 30, 2015 and 2014, the University's bank balance was $2,024,144 and $2,506,050, respectively. These bank 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 following table summarizes cash and cash equivalents:

Year Ended June 30
(In Thousands)

Carrying Amount	2015	2014
Cash, in bank	$ 1,752	$ 2,373
Cash, trustee account (US Bank)	7,513	30,585
Total local cash and cash equivalents	9,265	32,958
Total treasury cash accounts	38,667	34,602
Grand Total	$ 47,932	$ 67,560

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

At June 30, 2015 and 2014, the University held no investments.

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

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals. At June 30, 2015 and 2014, the total accounts receivable balances for the University were $2,520,731 and $3,158,044, respectively, less an allowance for uncollectible receivables of $1,056,943 and $1,183,724, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2015	2014
Tuition	$ 1,404	$ 1,793
Financial aid	280	227
Fees	126	183
Sales and services	188	253
Third party obligations	375	523
Other	148	179
Total accounts receivable	2,521	3,158
Allowance for uncollectible accounts	(1,057)	(1,184)
Net accounts receivable	$ 1,464	$ 1,974

The allowance for uncollectible accounts has been computed based on the following aging schedule for fiscal years 2015 and 2014:

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 $1,150,726 and $868,658 for fiscal years 2015 and 2014, respectively. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand on 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 was $54,679 and $37,458, respectively, stemming from prepaid software maintenance agreements and prepaid contractual support.

5. 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	$ 4,383	$ —	$ —	$ —	$ 4,383
Construction in progress	6,012	42,866	—	—	48,878
Total capital assets, not depreciated	10,395	42,866	—	—	53,261
Capital assets, depreciated:					
Buildings and improvements	55,541	—	—	—	55,541
Equipment	2,149	366	125	—	2,390
Library collections	1,240	110	244	—	1,106
Total capital assets, depreciated	58,930	476	369	—	59,037
Less accumulated depreciation:					
Buildings and improvements	23,748	1,944	—	—	25,692
Equipment	1,525	191	205	—	1,511
Library collections	774	158	244	—	688
Total accumulated depreciation	26,047	2,293	449	—	27,891
Total capital assets depreciated, net	32,883	(1,817)	(80)	—	31,146
Total capital assets, net	$ 43,278	$ 41,049	$ (80)	$ —	$ 84,407

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 4,193	$ 190	$ —	$ —	$ 4,383
Construction in progress	2,471	3,845	—	(304)	6,012
Total capital assets, not depreciated	6,664	4,035	—	(304)	10,395
Capital assets, depreciated:					
Buildings and improvements	55,791	—	554	304	55,541
Equipment	2,192	83	126	—	2,149
Library collections	1,343	119	222	—	1,240
Total capital assets, depreciated	59,326	202	902	304	58,930
Less accumulated depreciation:					
Buildings and improvements	21,998	1,947	197	—	23,748
Equipment	1,515	134	124	—	1,525
Library collections	819	177	222	—	774
Total accumulated depreciation	24,332	2,258	543	—	26,047
Total capital assets depreciated, net	34,994	(2,056)	359	304	32,883
Total capital assets, net	$ 41,658	$ 1,979	$ 359	$ —	$ 43,278

6. ACCOUNTS PAYABLE

Accounts payable represent amounts due at June 30, 2015 and 2014, for goods and services received prior to the end of the fiscal year.

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

	2015	2014
Purchased services	$ 1,052	$ 808
Capital projects	956	—
Supplies	50	61
Financial aid	112	127
Repairs and maintenance	105	55
Other payables	604	399
Total accounts payable	2,879	1,450
Other liabilities	460	725
Total accounts payable and other liabilities	$ 3,339	$ 2,175

In addition, as of June 30, 2015 and 2014, the University had payable from restricted assets in the amounts of $8,159,714 and $4,739,040, respectively, which were related to capital projects financed by general obligation bonds. The $0.4 million of other liabilities is the remaining balance of soil remediation.

7. LONG TERM OBLIGATIONS

Summaries of amounts that are 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 are as follows:

Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 3,152	$ 969	$ 309	$ 3,812	$ —
General obligation bonds	6,086	5,997	675	11,408	944
Revenue bonds	31,535	1,720	—	33,255	175
Total long-term debt	$ 40,773	$ 8,686	$ 984	$ 48,475	$ 1,119

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 3,377	$ 15	$ 240	$ 3,152	$ —
General obligation bonds	6,802	11	727	6,086	677
Revenue bonds	31,535	—	—	31,535	—
Total long-term debt	$ 41,714	$ 26	$ 967	$ 40,773	$ 677

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	$ 4,431	$ 1,116	$ 546	$ 5,001	$ 601
Net other postemployment benefits	1,558	394	97	1,855	—
Workers’ compensation	68	41	68	41	20
Total other compensation benefits	$ 6,057	$ 1,551	$ 711	$ 6,897	$ 621

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 4,468	$ 482	$ 519	$ 4,431	$ 547
Net other postemployment benefits	1,351	319	112	1,558	—
Workers’ compensation	44	40	16	68	33
Total other compensation benefits	$ 5,863	$ 841	$ 647	$ 6,057	$ 580

Bond Premium— Bonds were issued in fiscal years 2015 and 2014 resulting in premiums of $969,435 and $15,467 respectively. Amortization is calculated using the straight-line method and amortized over the remaining average life of the bonds.

General Obligation Bonds— The state of Minnesota sells general obligation bonds to finance most of Minnesota State Colleges and Universities' capital projects. The interest rate on these bonds ranges from 2.0 to 5.5 percent. Minnesota State Colleges and Universities is responsible for paying one third of the debt service for certain general obligation bonds sold for 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 bonds liability included in these financial statements represents the University's share.

Revenue Bonds — The Revenue Fund is authorized by Minnesota Statues, 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 1 percent to 4 percent.

The revenue bonds payable are solely from, and collateralized by, and irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. The revenue bonds are payable through fiscal year 2034. The total principal and interest remaining to be paid on the bonds is $45,459,346. Interest paid for the current year was $1,141,165.

Compensated Absences — University employees accrue vacation, sick, and compensatory leave at various rates within limits specified in the collective bargaining agreements. The liability for compensated absences will be converted to a health care savings plan account or severance pay under specific conditions as defined in bargaining unit contracts. This leave is liquidated only at the time of termination from state employment.

Net Other Postemployment Benefits — Net 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 8 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 $41,599 and $68,278 at June 30, 2015 and 2014, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end and is an undiscounted estimate of future payments.

Net Pension Liability — The net pension liability of $11,084,267 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 12 to the financial statements provides additional information.

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

Long-Term Debt Repayment Schedule
(In Thousands)

Fiscal Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	$ 944	$ 660	$ 175	$ 1,169
2017	886	484	1,495	1,144
2018	886	441	1,535	1,094
2019	823	398	1,580	1,043
2020	758	359	1,640	988
2021-2025	3,259	1,269	8,905	4,000
2026-2030	2,167	651	9,410	2,248
2031-2035	1,685	190	8,515	518
Total	$ 11,408	$ 4,452	$ 33,255	$ 12,204

8. 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 7 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 fiscal years 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)	$ 387	$ 308
Interest on net OPEB obligation	64	65
Adjustment to ARC	(57)	(54)
Annual OPEB cost	394	319
Contributions during the year	(97)	(112)
Increase in net OPEB obligation	297	207
Net OPEB obligation, beginning of year	1,558	1,351
Net OPEB obligation, end of year	$ 1,855	$1,558

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 year net OPEB obligation	$ 1,558	$ 1,351
Annual OPEB cost	394	319
Employer contribution	(97)	(112)
End of year net OPEB obligation	$ 1,855	$ 1,558
Percentage contributed	24.62%	35.11%

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.

(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	$ —	$ 3,085	$ 3,085	0.00	$ 41,690	7.40

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 twenty years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30 year period.

9. 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 totaled $1,287,242 and $1,310,961 for fiscal years 2015 and 2014, respectively.

The University's Minneapolis campus is co-located with Minneapolis Community and Technical College (MCTC). The University has an agreement with MCTC to reimburse MCTC for a share of facilities expenses.

The University has an operating agreement with Hennepin Technical College (HTC) to lease space at the Law Enforcement and Criminal Justice Education Center, located on the campus of HTC. The agreement allocates operating expenses between the University and HTC based on square footage allocated to each institution. The operating agreement is effective until July 1, 2015.

The University has extended the lease for current space at the Midway Campus through July 31, 2018. In addition, the University entered into a new lease agreement effective August 1, 2013 through December 31, 2019 for increased leased space at the Midway Campus. Due to excess capacity in the Twin Cities' current office space market, the effect on total lease costs per annum is minimal.

Future minimum lease payments are as follows:

Year Ended June 30 (In Thousands)	
Year	Amount
2016	$ 1,308
2017	1,251
2018	1,271
2019	325
2020	120
Total	$ 4,275

Income Leases —A new lease agreement with the Saint Paul Public Library Dayton's Bluff Branch is from July 1, 2014 and continues through June 30, 2019.

The University has an income lease with Verizon for a lease for cell phone tower located on campus. The current lease commenced February 6, 2004 and concluded on February 5, 2014. A new lease agreement with Verizon is in negotiations and not yet finalized for the new lease term.

10. TUITION, FEES, AND SALES, NET

The following tables provide 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	$ 43,245	$ (15,623)	$ 27,622	$ 43,568	$ (15,220)	$ 28,348
Fees	1,817	(334)	1,483	1,699	(292)	1,407
Sales	804	—	804	927	—	927
Restricted student payments	347	—	347	326	—	326
Total	$ 46,213	$ (15,957)	$ 30,256	$ 46,520	$ (15,512)	$ 31,008

11. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2015
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 12,889	$ 4,190	$ 6,381	$ 101	$ 23,561
Institutional support	6,332	1,865	2,388	49	10,634
Instruction	20,631	4,329	8,121	151	33,232
Public service	38	10	21	—	69
Research	146	47	54	1	248
Student services	4,935	1,314	2,467	37	8,753
Auxiliary enterprises	26	465	908	663	2,062
Scholarships & fellowships	—	—	1,921	—	1,921
Less interest expense	—	—	—	(1,002)	(1,002)
Total operating expenses	$ 44,997	$ 12,220	$ 22,261	$ —	$ 79,478

Year Ended June 30, 2014
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 14,184	$ 4,357	$ 6,267	$ 456	$ 25,264
Institutional support	5,744	1,602	4,990	180	12,516
Instruction	16,323	4,806	5,870	519	27,518
Public service	36	9	19	1	65
Research	256	82	62	8	408
Student services	5,092	1,373	2,423	159	9,047
Auxiliary enterprises	42	1	3,301	1	3,345
Scholarships & fellowships	—	—	1,648	—	1,648
Less interest expense	—	—	—	(1,324)	(1,324)
Total operating expenses	$ 41,677	$ 12,230	$ 24,580	$ —	$ 78,487

12. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund

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

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

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

Contributions – Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.0 percent of their annual covered salary in fiscal year 2014. Effective July 1, 2014, member and employer rates increased to 5.5 percent of total compensation. The University's contribution to the General Plan for the fiscal year ending June 30, 2015 was $526,274. 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 $5,543,785 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 0.34 percent.

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

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

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

(In Thousands)

	1 Percent Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1 Percent Increase in Discount Rate (8.9%)
Proportionate share of the net pension liability	$ 11,188	$ 5,543	$ 853

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University recognized a reduction in pension expense of $853,469 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	$ —	$ 2,876
Changes in actuarial assumptions	—	4,041
Contributions paid to pension plans subsequent to the measurement date	527	—
Difference between expected and actual experience	—	120
Change in proportion	113	—
Total	$ 640	$ 7,037

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	$ (2,308)
2017	(2,308)
2018	(2,308)
Total	$ (6,924)

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 $436,200. These contributions were equal to the required contributions for each year as set by state statute.

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

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

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

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

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

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

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

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

Net Pension Liability – At June 30, 2015, the University reported a liability of $5,455,787 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 0.12 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	$ 9,017	$ 5,456	$ 2,487

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 $399,662 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	$ —	$ 1,715
Contributions paid to pension plans subsequent to the measurement date	436	—
Difference between expected and actual experience	466	—
Change in proportion	517	—
Total	$ 1,419	$ 1,715

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	$ (244)
2017	(244)
2018	(244)
Total	$ (732)

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.

<u>Contributions</u> - Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. GERF Contributions Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the employer was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. Minnesota State Colleges and Universities contributions to the GERF for the plan’s fiscal year ended June 30, 2015, were $4,294. These contributions were equal to the required contributions for each year as set by state statute.

<u>Actuarial Assumptions</u> - 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 $84,695 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, Minnesota State Colleges and Universities proportion was 0.0018 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	$ 137	$ 85	$ 42

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 $6,287 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	$ —	$ 23
Changes in actuarial assumptions	9	—
Contributions paid to pension plans subsequent to the measurement date	4	—
Total	$ 13	$ 23

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:

Fiscal Year	Amount (In Thousands)
2016	$ (3)
2017	(3)
2018	(8)
Total	$ (14)

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

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

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

Individual Retirement Account Plan (IRAP)

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

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

Required contributions for Metropolitan State University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2015	$ 1,573	$ 1,180
2014	1,401	1,044
2013	1,318	984

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

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

Required contributions for Metropolitan State University were:

(In Thousands)	
Fiscal Year	Amount
2015	$ 617
2014	564
2013	550

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 152 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 136 participants.

13. 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, 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 issued revenue bonds to finance the University parking ramp.

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

	2015	2014
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 663	$ 1,135
Restricted assets	38,330	34,453
Noncurrent assets	471	—
Total assets	39,464	35,588
Deferred outflows of resources	—	—
Total assets and deferred outflows of resources	39,464	35,588
Liabilities		
Current liabilities	4,386	4,960
Noncurrent liabilities	35,421	34,006
Total liabilities	39,807	38,966
Deferred inflows of resources	—	—
Total liabilities and deferred inflows of resources	39,807	38,966
Net Position		
Restricted	(343)	(3,378)
Total net position	$ (343)	$ (3,378)
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 1,331	$ 325
Operating expenses	(40)	(3,064)
Net operating income (loss)	1,291	(2,739)
Nonoperating revenues (expenses)	(619)	(1,001)
Capital contributions	2,363	—
Change in net position	3,035	(3,740)
Total net position, beginning of year	(3,378)	362
Cumulative effect of change in accounting principle	—	—
Total net position, beginning of year, as restated	(3,378)	362
Total net position, end of year	$ (343)	$ (3,378)
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ (1,713)	$ 282
Investing activities	(15,618)	(124)
Capital and related financing activities	(93)	(2,855)
Net decrease in cash	(17,424)	(2,697)
Cash, beginning of year	31,698	34,395
Cash, end of year	$ 14,274	$ 31,698

14. RELATED PARTY TRANSACTIONS

The University's Minneapolis campus is co-located with Minneapolis Community and Technical College (MCTC) and shares physical plant and institutional and academic support. The University and MCTC have an agreement to share costs using relevant cost bases. This agreement articulates a cost allocation methodology which ensures that equitable and complete costs are absorbed by both schools. In fiscal years 2015 and 2014, the University's shared cost expense was $483,394 and $467,868, respectively. The University had no shared costs payable to MCTC at June 30, 2015 and 2014, respectively.

The University leases space from Hennepin Technical College (HTC) in the Law Enforcement and Criminal Justice Education Center, a partnership between the University, Minneapolis Community and Technical College (MCTC), and HTC. As of July 1, 2010, ownership of the building was transferred to HTC, and the University and HTC executed an operating agreement to share costs based on each institution's share of the usable square footage of the building. Shared costs were $208,193 and $189,107 for fiscal years 2015 and 2014, respectively. The University recorded shared costs receivable from HTC of $85,000 and $83,017 at June 30, 2015 and 2014 respectively, for reimbursable information technology services.

During fiscal year 2015, the University executed a co-location agreement with Normandale Community College (NCC) to lease space in NCC's University Partnership Suite for baccalaureate completion programs. The University and NCC have an agreement to share costs using relevant cost bases. This agreement articulates a cost allocation methodology which ensures that equitable and complete costs are absorbed by both schools. In fiscal year 2015 the University's shared cost expense was $98,250. The University had no shared costs payable to NCC at June 30, 2015.

15. COMMITMENTS AND CONTINGENCIES

In fiscal year 2014, the University received bond funds for the Science Education Center on the St. Paul campus. Total cost of the project is $35.8 million, of which $19.1 million had been spent as of June 30, 2015. Residual commitments to the University total $16.4 million.

In February 2013, Minnesota State Colleges and Universities sold Revenue Bonds in the amount of $33.5 million to fund design and construction of a parking ramp and a student center on the Saint Paul campus of Metropolitan State University.

Construction of the parking ramp began during fiscal year 2014, with an expected completion date in early fiscal year 2016. Due to soil contamination issues involving regulated wastes in the parking ramp construction site and associated construction delays and other changes, the total projected cost of the parking ramp has increased from $17.6 million to $21.3 million. Included in the total project cost of $21.3 million is $3.7 million recorded as expected costs for soil contamination issues in the construction site.

Construction of the student center also began during fiscal year 2014, with an expected completion date in early fiscal year 2016. Total cost of the student center project has increased by $100 thousand due to soil contamination at the construction site involving regulated wastes. Revenue bonds issued for the student center project include $11.1 million in tax-exempt bonds and $1.6 million in taxable bonds

16. 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 manages these risks through state of Minnesota insurance plans including the state of Minnesota Risk Management Fund, a self-insurance 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 also purchases optional physical damage coverage for their newest or most expensive vehicles. Property coverage offered by the Minnesota Risk Management Fund is as follows:

Coverage	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 and did not have any settlements in excess of coverage in the last three years.

The Minnesota Risk Management Fund purchased student intern professional liability insurance on the open market for the University.

Student intern professional liability per occurrence	$1,000,000
Student intern professional liability annual aggregate	$5,000,000

Minnesota State Colleges and Universities participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

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

The following table presents changes in the balances of workers' compensation liability during the fiscal years ended June 30, 2015 and 2014.

(In Thousands)

Fiscal Years Ended	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
June 30, 2015	$ 68	$ 41	$ 68	$ 41
June 30, 2014	44	40	16	68

17. COMPONENT UNITS

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the following foundation affiliated with Metropolitan State University is a legally separate, tax exempt entity and reported as a component unit.

The Metropolitan State University 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 its statements are discretely presented in the University's financial statements.

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

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

The University received $195,000 and $187,000 in fiscal years 2015 and 2014, respectively, from the Foundation for scholarships. In addition, the University received $456,000 and $370,000 for program support for the fiscal years ended June 30, 2015 and 2014, respectively. The University pays the salaries and benefits of certain individuals providing services to the Foundation. The estimated value of these salaries and benefits was $331,000 and $452,000 for the fiscal years ended June 30, 2015 and 2014, respectively.

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 statements of financial position.

Schedule of Investments at June 30
(In Thousands)

	2015	2014
Money market & Certificate of deposit	$ 143	$ 410
Fixed income/Bonds/US treasuries	1,795	1,483
Balanced mutual funds	642	670
Equity based mutual funds	1,244	1,132
Alternative investments	91	130
Total investments	$ 3,915	$ 3,825

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	$ (4)	$ 679	$ 2,509	$ 3,184
Change in value of trusts	—	—	37	37
Contributions	—	62	—	62
Amounts appropriated for expenditures	—	(91)	—	(91)
Other transfers	2	(2)	—	—
Net assets, end of year	$ (2)	$ 648	$ 2,546	$ 3,192

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	$ (15)	$ 441	$ 2,444	$ 2,870
Change in value of trusts	—	—	65	349
Contributions	—	284	65	—
Amounts appropriated for expenditures	—	(35)	—	(35)
Other transfers	11	(11)	—	—
Net assets, end of year	$ (4)	$ 679	$ 2,509	$ 3,184

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

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METROPOLITAN 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	$ —	$ 3,245	$ 3,245	0.00	$ 29,010	11.19
July 1, 2008	—	2,323	2,323	0.00	29,905	7.77
July 1, 2010	—	2,709	2,709	0.00	35,364	7.66
July 1, 2012	—	2,194	2,194	0.00	36,430	6.02
July 1, 2014	—	3,085	3,085	0.00	41,690	7.40

METROPOLITAN 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	0.34	$ 5,543	$8,755	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	$ 438	$ 438	$ —	$ 8,755	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.

METROPOLITAN 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	0.12	$ 5,456	$ 5,407	100.90	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	$ 378	$ 378	$ —	$ 5,407	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.

METROPOLITAN 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	0.0018	$ 85	$ 110	77.13	78.75

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2014	$ 7	$ 7	$ —	$ 110	6.25

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

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

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

SUPPLEMENTARY SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Metropolitan 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 Metropolitan 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 Metropolitan State University Foundation. The financial statements of the Metropolitan 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 Metropolitan 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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