ANNUAL Financial Report

FOR THE YEARS ENDED **JUNE 30, 2015 AND 2014**

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STATE UNIVERSITY

A community of learners improving our world

A member of the Minnesota State Colleges and Universities system

WINONA 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:

Winona State University
P.O. Box 5838
Winona, MN 55987

WINONA STATE UNIVERSITY

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

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INTRODUCTION

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November 13, 2015

Board of Trustees
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:

We are pleased to submit the financial report of Winona State University for fiscal year 2015. The accompanying statements show the University's financial position and results of operations ending on June 30, 2015.

This is a challenging time for higher education. Changing demographics mean increased competition for fewer students. In response to this shift, Winona State University developed a strategic enrollment plan, leading to solid recruitment and stable enrollment at a time when many sibling institutions are struggling. Winona State University also focused strategically on development and achieved a record fundraising year – nearly $5.2 million in gifts in fiscal year 2015.

To ensure continued success and recognition for Winona State University, we have identified four pillars that highlight the distinctive appeal of the University and make it the best place for our students, for our communities, and for the State of Minnesota. We are actively taking steps to focus our efforts on these four pillars and ensure a bright future for Winona State University.

The first pillar is Recreation, Health, Athletics, and Wellness. With a robust Division II Athletics program, a thriving Integrated Wellness Complex, and a multi-faceted Outdoor Education and Recreation Center—which features a new 30-foot modular-style climbing center—Winona State University is well poised to grow its offerings and refine its resources.

The second pillar is Entrepreneurship, Creativity, and Innovation. Our many local industry partners offer a wealth of experience and our new Engagement for Innovation Center will support sustainable growth in this area.

The third pillar is Arts and Entertainment, something both the Winona area and Winona State University are already known for, but with the recent gift of the Laird Norton Center for Art and Design, we plan to offer more galleries for the exhibition of student and faculty art, along community collaboration opportunities and studio space.

President's Office
Winona State University
P.O. Box 5838
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The final pillar hearkens back to the roots of Winona State University as the first normal school west of the Mississippi River. Our focus on Learning will coalesce in the Education Village, which will create state-of-the-art learning and teaching spaces, and make Winona State University a national and world leader in preparing teachers.

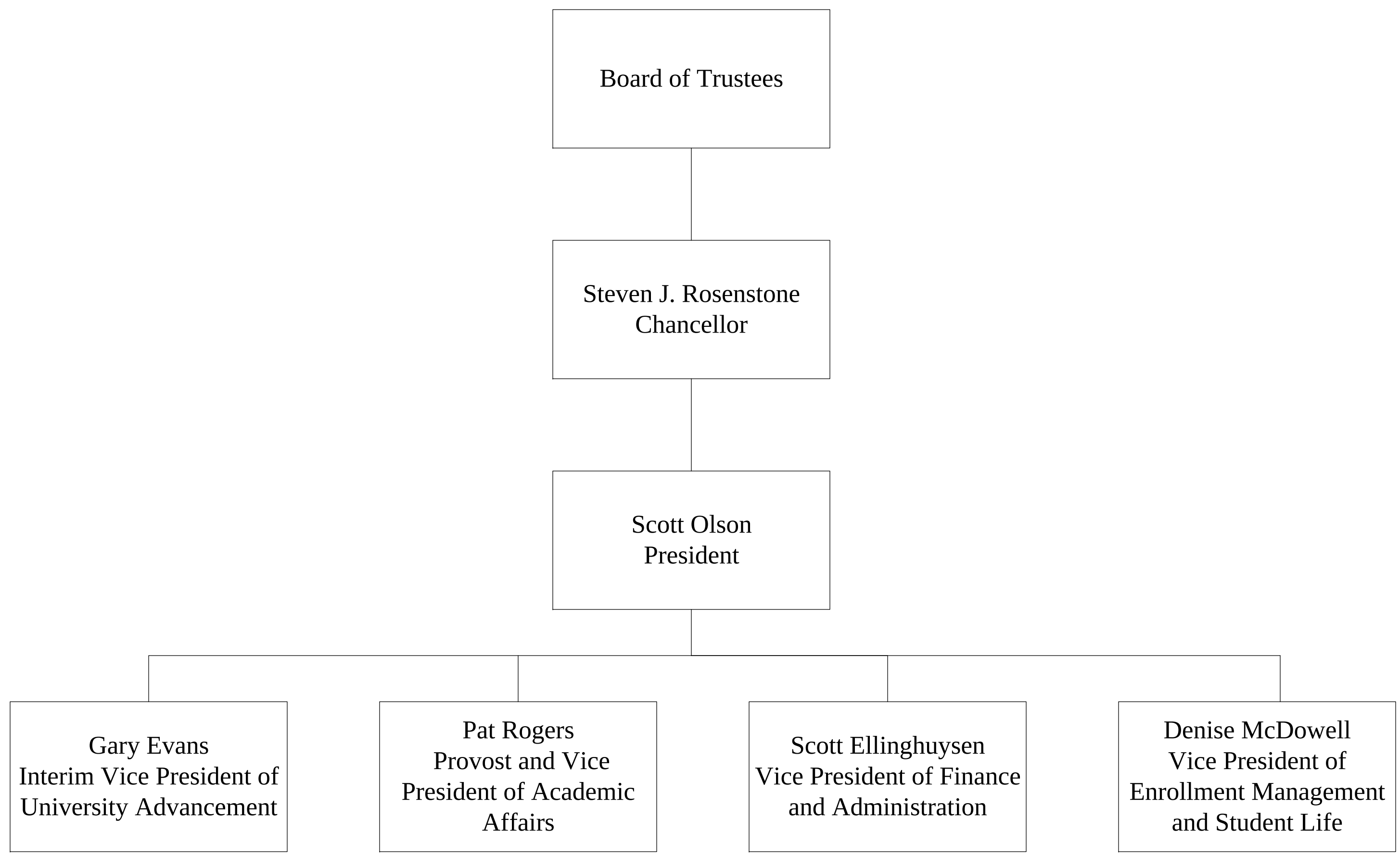
One hundred fifty-seven years ago Winona State University was established to respond to the needs of the State of Minnesota and help shape its future. Today, we feel the same calling. Our faculty, staff, students and more than 50,000 alumni are making a difference on our campus, in our communities, and around the world. With the support of the Minnesota State Colleges and Universities system, Winona State University is living its mission to improve the world. Thank you for the trust you have placed in us as good stewards of the public's resources.

Sincerely,

Dr. Scott R. Olson
President, Winona State University

Winona State University

Organizational Chart



The financial activity of Winona 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 Winona State University (the University), a campus of Minnesota State Colleges and Universities, and the discretely presented component unit, for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Winona State University Foundation, which represents 100% of the total assets and total revenues of the discretely presented component unit of Winona 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 Winona 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 Winona 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 Winona 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 Winona 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, Winona 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, Winona 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 Winona 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 Winona 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 Winona State University, a member of the Minnesota State Colleges and Universities, 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.

Winona State University is one of 31 colleges and universities comprising Minnesota State Colleges and Universities. The Minnesota State Colleges and Universities system is governed by a 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 and has broad policy responsibility for system planning, academic programs, fiscal management, personnel, admissions requirements, tuition and fees, and policies and procedures.

The University is a comprehensive public higher education institution that serves more than 8,100 students including 417 graduate and professional students. Approximately 1,200 faculty and staff members are employed by the University. Founded in 1858, Winona State University is the oldest member of the Minnesota State Colleges and Universities System. The University is a premier regional university offering more than 75 academic and 10 pre-professional, certificate, and licensure, graduate, and doctorate programs between its two campuses: the Main campus, in Winona, MN, and Winona State University-Rochester in Rochester, MN. The University is accredited by 10 national accrediting agencies, including the Association to Advance Collegiate Schools of Business International (AACSB) and the Higher Learning Commission (HLC).

The five colleges that comprise the University's academic programs are as follows:

- Business
- Education
- Liberal Arts
- Nursing and Health Sciences
- Science and Engineering

FINANCIAL HIGHLIGHTS

The University's financial position declined during fiscal year 2015 mainly due to the new Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* requirements. 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 $34.2 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.

The University experienced an increase of $2.2 million in state appropriation revenue during fiscal year 2015 and a $0.8 million decrease in its tuition and fees revenue. The University also saw a decrease in operating expenses of $5.7 million, of which $2.7 million was related to the implementation of GASB Statement No.68.

For the fiscal year ended June 30, 2015, assets and deferred outflows totaled $254.3 million while liabilities and deferred inflows totaled $111.9 million. Net position, which represent the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows are deducted, is comprised of net investment in capital assets of $121.9 million, restricted assets of $16.9 million and unrestricted assets of $3.7 million. The fiscal year 2015 net position total of $142.5 million represents a decrease of $30.1 million over fiscal year 2014 and a decrease of $33.2 million over fiscal year 2013. The fiscal year 2015 unrestricted net position total of $3.7 million constitutes a $29.0 million decrease over the fiscal year 2014 total and a $33.2 million decrease over fiscal year 2013. The majority of this decrease is related to the GASB Statement No. 68 implementation which was $31.5 million in fiscal year 2015.

Operating revenue decreased $0.8 million from fiscal year 2014 to fiscal year 2015. This follows a $0.7 million decrease from fiscal year 2013 to fiscal year 2014. The two year total decrease of $1.5 million is due primarily to a decline in the University's revenue fund housing occupancy rate of 3.0 percent. Operating expenses decreased $5.7 million from fiscal year 2014 to fiscal year 2015, with $2.7 million of that decrease in compensation being related to the GASB Statement No. 68 implementation along with a $1.0 million decrease in repairs and maintenance expenses due to an increase in small dollar construction projects on campus.

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. The University has included a summary of significant accounting policies in Note 1 to the financial statements. These 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 four asset categories.

STATEMENTS OF NET POSITION

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

Summarized Statements of Net Position
(In Thousands)

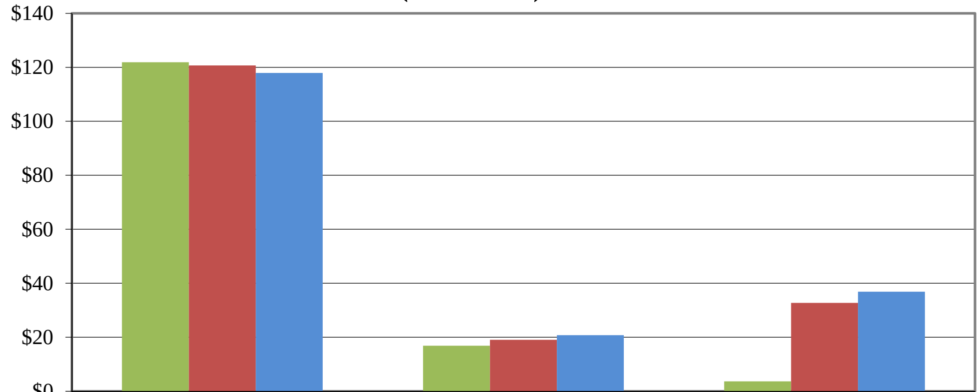
	2015	2014	2013
Assets			
Current assets	$ 75,092	$ 78,236	$ 80,262
Current restricted assets	7,363	7,603	9,471
Noncurrent restricted assets	-	-	74
Student loans, net	2,086	2,086	2,079
Capital assets, net	167,222	170,445	168,281
Total Assets	251,763	258,370	260,167
Deferred outflows of resources	2,537	-	-
Total assets and deferred outflows of resources	254,300	258,370	260,167
Liabilities			
Current liabilities	20,701	25,469	20,325
Noncurrent liabilities	75,663	60,404	64,245
Total Liabilities	96,364	85,873	84,570
Deferred inflows of resources	15,494	-	-
Total liabilities and deferred inflows of resources	111,858	85,873	84,570
Net Position			
Net investment in capital assets	121,870	120,696	117,904
Restricted	16,889	19,074	20,792
Unrestricted	3,683	32,727	36,901
Total net position	$ 142,442	$ 172,497	$ 175,597

Current unrestricted assets consist primarily of cash and cash equivalents and investments totaling $68.9 million at June 30, 2015. This is a decrease of $3.5 million over fiscal year 2014 and represents 6.3 months of operating expenses (excluding depreciation). This is compared to 6.6 months and 7.3 months for the fiscal years ended June 30, 2014 and 2013, respectively. Noncurrent assets of $169.3 million, represents the value of land, buildings, construction in progress, equipment, library collections, and federal Perkins loans receivable. The total value of noncurrent assets is reduced by accumulated depreciation.

Current liabilities consist primarily of accounts payable and salaries and benefits payable, compensated absences, workers' compensation, current portion of long-term debt, and unearned revenue. Salaries and benefits payable totaled $7.9 million at June 30, 2015, which was $3.1 million lower than the previous fiscal year. Early retirement incentives offered in fiscal year 2014 along with contract settlements occurring after June 30, 2014, account for a significant portion of the salaries payable decrease. Unearned revenue consists of summer session tuition and grant receipts received, but not yet earned. At June 30, 2015, $2.7 million was held as unearned revenue. Summer session began in May and ended in August 2015, with tuition being allocated based on the number of session days in fiscal year 2015.

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

Comparison of Net Position
Fiscal Years 2015, 2014 and 2013
(In Millions)



	Net Investment in Capital Assets	Restricted	Unrestricted
2015	121.87	16.89	3.68
2014	120.69	19.07	32.73
2013	117.90	20.79	36.90

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Restricted net position primarily includes donations received for specific purposes, capital projects, bond covenants, and debt service.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in maintaining the quality of the University's academic programs and student life programs is the development and renewal of its property, plant, and equipment. The University continues to implement its long-term plan to modernize its older facilities while planning for new additions and / or construction. Capital assets, net of accumulated depreciation, totaled $167.2 million as of June 30, 2015. This represents a decrease of $3.2 million compared to June 30, 2014 and a decrease of $1.1 million from June 30, 2013. Capital outlays primarily consist of recently completed new buildings, replacement and renovation of existing facilities, as well as significant investments in equipment and library materials. Capital outlay totaled $7.4 million in fiscal year 2015, a decrease of $5.3 million from fiscal year 2014. Significant capital outlays made in fiscal year 2015 include the renovation of academic facilities, student residence halls, and capital projects which include the Pedestrian Tunnel and Education Village projects.

Long-term debt payable on June 30, 2015 consisted of $10.4 million of general obligation bonds, $35.2 of revenue bonds, bond premiums of $1.4 million, and $1.4 million of notes payable. The general obligation bonds are primarily used to finance construction of buildings and repairs. Additional information on capital debt and debt activities can be found in notes 6 and 8 in the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

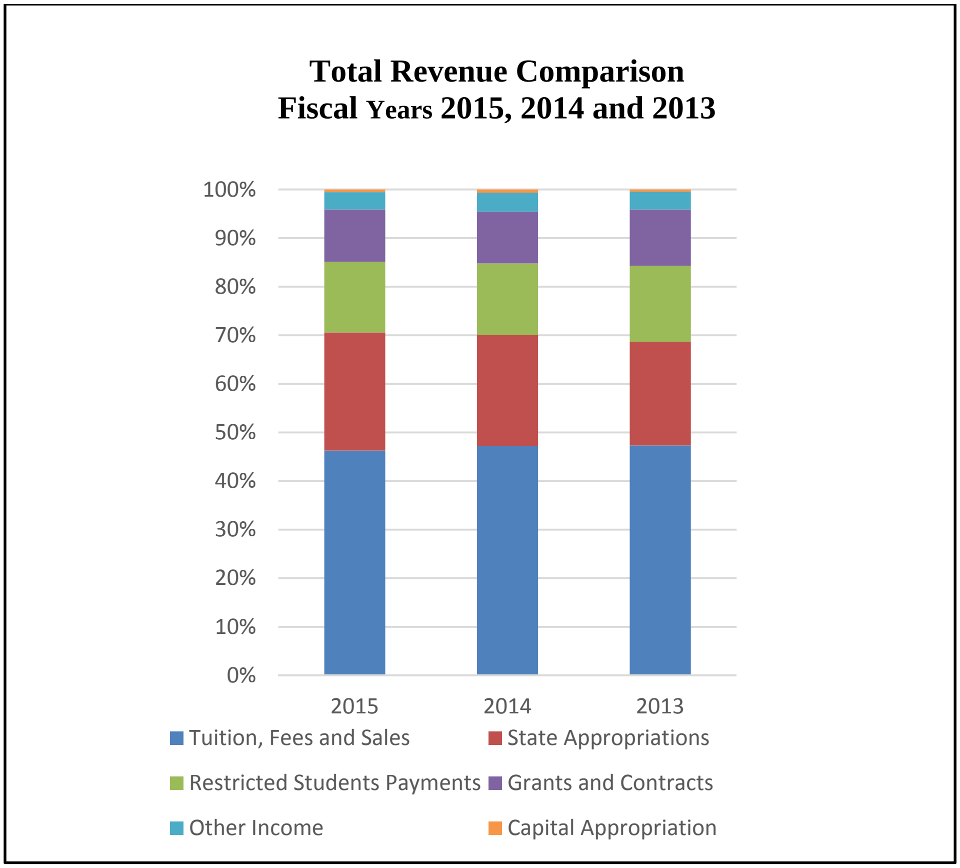
A summarized statement for the years ended June 30, 2015, 2014 and 2013, respectively, follows:

Summarized Statements of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	2015	2014	2013
Operating revenues:			
Tuition, net	$ 43,770	$ 44,366	$ 43,826
Fees, net	5,236	5,444	5,381
Sales, net	16,170	16,210	16,704
Restricted student payments, net	20,474	20,590	21,756
Other income	1,596	1,437	1,085
Total operating revenues	87,246	88,047	88,752
Non-operating revenues:			
State appropriations	34,228	32,033	29,752
Federal, state, and private grants	17,870	17,669	18,857
Capital appropriations	762	894	639
Other	1,263	1,324	1,285
Total non-operating revenues	54,123	51,920	50,533
Total revenues	141,369	139,967	139,285
Operating expenses:			
Salaries and benefits	83,876	86,880	78,909
Supplies and other services	40,861	43,178	40,783
Depreciation	9,799	9,713	9,564
Financial aid, net	502	995	1,482
Total operating expenses	135,038	140,766	130,738
Non-operating expenses:			
Loss on disposal of assets	65	39	-
Grants to other organizations	23	33	127
Interest expense	2,100	2,229	2,372
Total nonoperating expenses	2,188	2,301	2,499
Total expenses	137,226	143,067	133,237
Change in net position	4,143	(3,100)	6,048
Net position, beginning of year	172,497	175,597	169,549
Cumulative effect of change in accounting principle	(34,198)	-	-
Total net position, beginning of year, as restated	138,299	175,597	169,549
Net position, end of year	$ 142,442	$ 172,497	$ 175,597

Tuition and state appropriations are the primary sources of funding for the University's operations. Enrollment fell by 118 full year equivalents (FYE) from fiscal year 2014 to fiscal year 2015 which represents a 1.4 percent decrease. Enrollment levels totaled 8,149, 8,267, and 8,460 FYE for fiscal years ended June 30, 2015, 2014 and 2013, respectively. Undergraduate tuition rates were frozen in both fiscal years 2015 and 2014 while graduate tuition rates rose by 3.0 percent.



Operating expenses as of June 30, 2015 decreased by $5.7 million over fiscal year 2014. The resources expended for employee compensation and benefits totaled $83.9 million for the fiscal year ended June 30, 2015, which represents a decrease of $3.0 million over 2014, with the majority of that related to the $2.7 million decrease in compensation due to the GASB Statement No. 68 implementation. Early retirement incentives and contract settlements both contributed to the larger expense in employee compensation for the fiscal year ended June 30. 2014.

FOUNDATION

The Winona State University Foundation is a component unit of Winona State University. As such, the separately audited financial statements for the Foundation are included, but shown separately from those of the University in compliance with the requirements of GASB Statement No. 39. Additional information regarding the Foundation can be found in note 18 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's administration continues to manage university resources to maximum efficiency while improving the student experience at Winona State. Pending legislative approval the University will be embarking on a dramatic re-design and redevelopment of our College of Education. The Education Village, a $31.0 million state general obligation bond funded project, will be the physical facility that will house this robust change and expansion to our College of Education. The University will also invest in other campus-wide facilities to ensure a safe and welcoming environment to current and future students.

Revenue diversification is an important component of the University's long term strategic plan to maintain financial sustainability. Assuming state funding either decreases or stabilizes in the future, other sources such as student based revenue and private philanthropy will play a greater role in our success. The University will continue to emphasize the need for private fundraising and donations whether they be in monetary or other means.

REQUESTS FOR INFORMATION

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

Vice President of Finance and Administration/CFO
Winona State University
PO Box 5838
Winona, MN 55987

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

Assets	2015	2014
Current Assets		
Cash and cash equivalents	$ 62,960	$ 66,407
Investments	5,952	6,016
Grants receivable	450	253
Accounts receivable, net	2,785	2,189
Prepaid expense	1,706	1,701
Inventory and other assets	894	1,325
Student loans, net	345	345
Total current assets	75,092	78,236
Current Restricted Assets		
Cash and cash equivalents	7,363	7,603
Total current restricted assets	7,363	7,603
Noncurrent Assets		
Student loans, net	2,086	2,086
Capital assets, net	167,222	170,445
Total noncurrent assets	169,308	172,531
Total Assets	251,763	258,370
Deferred Outflows of Resources	2,537	-
Total Assets and Deferred Outflows of Resources	254,300	258,370
Liabilities		
Current Liabilities		
Salaries and benefits payable	7,907	11,049
Accounts payable	4,133	5,340
Unearned revenue	2,725	3,170
Payable from restricted assets	475	10
Interest payable	381	406
Funds held for others	370	534
Current portion of long-term debt	3,342	3,550
Other compensation benefits	1,368	1,410
Total current liabilities	20,701	25,469
Noncurrent Liabilities		
Noncurrent portion of long-term debt	45,068	48,816
Other compensation benefits	9,442	8,972
Net pension liability	18,558	-
Capital contributions payable	2,595	2,616
Total noncurrent liabilities	75,663	60,404
Total Liabilities	96,364	85,873
Deferred Inflows of Resources	15,494	-
Total Liabilities and Deferred Inflows of Resources	111,858	85,873
Net Position		
Net investment in capital assets	121,870	120,696
Restricted expendable, bond covenants	10,294	12,297
Restricted expendable, other	6,595	6,777
Unrestricted	3,683	32,727
Total Net Position	$ 142,442	$ 172,497

The notes are an integral part of the financial statements.

WINONA 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	$ 1,559	$ 2,310
Pledges and contributions receivable, net	340	281
Other receivables	227	224
Prepaid expenses	8	8
Accrued investment/Interest income	19	15
Annuities/Remainder interests/Trusts	153	156
Total current assets	2,306	2,994
Noncurrent Assets		
Investments	31,877	27,931
Long-term pledges receivable	741	1,028
Buildings, property, and equipment, net	9,048	9,388
Other assets	917	1,006
Total noncurrent assets	42,583	39,353
Total Assets	$ 44,889	$ 42,347
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 64	$ 83
Interest payable	12	13
Annuities payable	351	382
Mortgage payable	555	541
Total current liabilities	982	1,019
Noncurrent Liabilities		
Notes payable	37	102
Mortgage payable	5,533	6,089
Total noncurrent liabilities	5,570	6,191
Total Liabilities	6,552	7,210
Net Assets		
Unrestricted	2,167	1,486
Temporarily restricted	14,324	14,135
Permanently restricted	21,846	19,516
Total Net Assets	38,337	35,137
Total Liabilities and Net Assets	$ 44,889	$ 42,347

The notes are an integral part of the financial statements.

WINONA 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	$ 43,770	$ 44,366
Fees, net	5,236	5,444
Sales and room and board, net	16,170	16,210
Restricted student payments, net	20,474	20,590
Other income	1,596	1,437
Total operating revenues	87,246	88,047
Operating Expenses		
Salaries and benefits	83,876	86,880
Purchased services	24,346	25,285
Supplies	7,810	8,012
Repairs and maintenance	2,252	3,245
Depreciation	9,799	9,713
Financial aid, net	502	995
Other expense	6,453	6,636
Total operating expenses	135,038	140,766
Operating loss	(47,792)	(52,719)
Nonoperating Revenues (Expenses)		
Appropriations	34,228	32,033
Federal grants	9,886	9,663
State grants	5,320	5,267
Private grants	2,664	2,739
Interest income	743	1,286
Interest expense	(2,100)	(2,229)
Grants to other organizations	(23)	(33)
Total nonoperating revenues (expenses)	50,718	48,726
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	2,926	(3,993)
Capital appropriations	762	894
Donated assets and supplies	520	38
Loss on disposal of capital assets	(65)	(39)
Change in net position	4,143	(3,100)
Total Net Position, Beginning of Year	172,497	175,597
Cumulative Effect of Change in Accounting Principle	(34,198)	-
Total Net Position, Beginning of Year, as Restated	138,299	175,597
Total Net Position, End of Year	$ 142,442	$ 172,497

The notes are an integral part of the financial statements.

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WINONA 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	$ 815	$ 962	$ 2,296	$ 4,073	$ 3,470
Investment income	87	892	-	979	728
Realized gains	498	5,114	-	5,612	212
Unrealized gains (losses)	(507)	(5,224)	-	(5,731)	3,207
Program income	720	153	-	873	769
Fundraising income	-	136	-	136	163
Net assets released from restrictions	1,841	(1,841)	-	-	-
Reclassifications	(31)	(3)	34	-	-
Total support and revenue	3,423	189	2,330	5,942	8,549
Expenses					
Program services					
Program services	457	-	-	457	512
Scholarships	1,224	-	-	1,224	1,186
University activities	870	-	-	870	524
Special projects	30	-	-	30	48
Total program services	2,581	-	-	2,581	2,270
Supporting services					
Management and general	74	-	-	74	68
Fundraising	87	-	-	87	79
Total supporting services	161	-	-	161	147
Total expenses	2,742	-	-	2,742	2,417
Change in Net Assets	681	189	2,330	3,200	6,132
Net Assets, Beginning of Year	1,486	14,135	19,516	35,137	29,005
Net Assets, End of Year	$ 2,167	$ 14,324	$ 21,846	$ 38,337	$ 35,137

The notes are an integral part of the financial statements.

WINONA 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	$ 276	$ 1,370	$ 1,824	$ 3,470
Investment income	49	679	-	728
Realized gains	14	198	-	212
Unrealized gains	213	2,979	15	3,207
Program income	712	57	-	769
Fundraising income	-	163	-	163
Net assets released from restrictions	1,553	(1,553)	-	-
Reclassifications	11	12	(23)	-
Total support and revenue	2,828	3,905	1,816	8,549
Expenses				
Program services				
Program services	512	-	-	512
Scholarships	1,186	-	-	1,186
University activities	524	-	-	524
Special projects	48	-	-	48
Total program services	2,270	-	-	2,270
Supporting services				
Management and general	68	-	-	68
Fundraising	79	-	-	79
Total supporting services	147	-	-	147
Total expenses	2,417	-	-	2,417
Change in Net Assets	411	3,905	1,816	6,132
Net Assets, Beginning of Year	1,075	10,230	17,700	29,005
Net Assets, End of Year	$ 1,486	$ 14,135	$ 19,516	$ 35,137

The notes are an integral part of the financial statements.

WINONA 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	$ 86,437	$ 88,257
Cash repayment of program loans	428	384
Cash paid to suppliers for goods or services	(40,623)	(41,706)
Cash payments for employees	(89,572)	(82,997)
Financial aid disbursements	(523)	(1,028)
Cash payments for program loans	(456)	(477)
Net cash flows used in operating activities	(44,309)	(37,567)
Cash Flows from Noncapital Financing Activities		
Appropriations	34,228	32,033
Federal grants	9,455	9,954
State grants	5,320	5,267
Private grants	2,664	2,739
Agency activity	(162)	(28)
Grants to other organizations	(23)	(33)
Net cash flows provided by noncapital financing activities	51,482	49,932
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(6,384)	(12,372)
Capital appropriation	762	894
Proceeds from sale of capital assets	25	17
Proceeds from borrowing	60	-
Proceeds from bond premium	14	-
Interest paid	(2,107)	(2,179)
Repayment of note principal	(67)	(60)
Repayment of bond principal	(3,746)	(3,322)
Net cash flows used in capital and related financing activities	(11,443)	(17,022)
Cash Flows from Investing Activities		
Proceeds form sales and maturities of investments	381	491
Purchase of investments	(135)	(127)
Investment earnings	337	324
Net cash flows provided by investing activities	583	688
Net Decrease In Cash and Cash Equivalents	(3,687)	(3,969)
Cash and Cash Equivalents, Beginning of Year	74,010	77,979
Cash and Cash Equivalents, End of Year	$ 70,323	$ 74,010

The notes are an integral part of the financial statements.

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

	2015	2014
Operating Loss	$ (47,792)	$ (52,719)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	9,799	9,713
Provision for loan defaults	(8)	-
Loan principal repayments	428	384
Loans issued	(456)	(477)
Loans forgiven	35	46
Donated property not capitalized	-	38
Change in assets and liabilities		
Inventory	431	(48)
Accounts receivable	(596)	127
Accounts payable	(502)	1,315
Salaries and benefits payable	(3,142)	3,811
Other compensation benefits	428	72
Deferred outflows of resources / Net pension liability	(2,676)	-
Capital contributions payable	(21)	(32)
Unearned revenues	(211)	83
Other	(26)	120
Net reconciling items to be added to operating loss	3,483	15,152
Net cash flow used in operating activities	$ (44,309)	$ (37,567)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 475	$ 267
Change in fair market value of investments	182	752
Donated equipment	520	-
Investment earnings on account	42	40
Amortization of bond premium	216	214

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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

Discretely presented component units are legally separate organizations that raise and hold economic resources for the direct benefit of a college or university in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* The Winona State University Foundation is considered significant to the University and is included as a discretely presented component unit and separately identified in Note 18. Complete financial statements may be obtained from the Winona State University Foundation, Eighth & Johnson Streets, P.O. Box 5838, Winona, MN 55987-5838.

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 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 that are capitalized.

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

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

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

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

Inventories — Inventories are valued at cost using the first in, first out and retail cost methods.

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

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

Asset Type	Useful Life
Buildings	35-40 years
Building improvements	15-20 years
Equipment	3-20 years
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 includes all projects with a cost of $250,000 and over for projects started since July 1, 2008, and $100,000 and over for projects started prior to July 1, 2008. All land and library collection purchases are capitalized regardless of amount spent.

Funds Held for Others — Funds held for others are primarily assets held for student organizations and funds held for students for their campus card.

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

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. It may also enter into capital lease agreements for certain capital assets. Other long term liabilities include capital leases, compensated absences, net pension liability, net other postemployment benefits, workers' compensation claims, early termination benefits, and capital contributions associated with Perkins Loan agreements with the United States Department of Education.

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

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
Related to Pensions:		
Differences between projected and actual investment earnings	$ —	$ 7,805
Changes in actuarial assumptions	5	7,038
Contributions paid to pension plans subsequent to the measurement date	1,574	—
Difference between expected and actual experience	757	210
Change in proportion	196	441
Total related to pensions	2,532	15,494
Related to Refunding:		
Economic loss on refunding of revenue bonds	5	—
Total	$ 2,537	$ 15,494

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 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. Note 12 to the financial statements provides additional information.

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

Federal Grants — The University participates in several federal grant programs. The largest include Pell, Supplemental Educational Opportunity Grant, Carl D. Perkins, 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 Transaction*. 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.

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.

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.

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

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

- *Restricted expendable*: net position that is 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:

  Donations — restricted per donor requests.

  Capital projects/Debt service — restricted for completion of capital projects or bond debt repayments.

  Faculty contract obligations — faculty development and travel required by contracts.

  Loans — University contributed capital for Perkins loans.

Net Position Restricted for Other (In Thousands)		
	2015	2014
Donations	$ 114	$ —
Capital projects/Debt service	5,140	5,445
Faculty contract obligations	1,027	1,016
Loans	314	316
Total	$ 6,595	$ 6,777

- *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, 2015, 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 $34,197,679. The pension plans were not able to provide sufficient information to restate the June 30, 2014, financial statements. The GASB Statement No. 68 and 71 implementation had no effect on the foundation financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

The following table summarizes cash and cash equivalents:

Year Ended June 30 (In Thousands)		
Carrying Amount	2015	2014
Cash, in bank	$ 665	$ (61)
Change fund	13	13
Money markets	4,370	3,887
Cash, trustee account (US Bank)	3,506	3,787
Total local cash and cash equivalents	8,554	7,626
Total treasury cash accounts	61,769	66,384
Grand Total	$ 70,323	$ 74,010

At June 30, 2015 and 2014, the University's bank balances were $4,837,920 and $4,340,684, respectively. These balances were adjusted by items in transit to arrive at the University's cash in bank balance.
The University's balance in the treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment as part of the state investment pool. This asset is reported as a cash equivalent.
The cash accounts are invested in short term, liquid, high quality debt securities.

Investments — The Minnesota State Board of Investment manages the majority of the state's investments. All investments managed by 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, Minnesota State Board of Investment has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

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

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with Minnesota Statutes, Section 118A.04. This statute limits investments to the top quality rating categories of a nationally recognized rating agency.

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

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University complies with Board procedure 7.5.1 that recommends considering fluctuating interest rates and cash flow needs when purchasing short term and long term debt investments. As of June 30, the University had the following investments and maturities:

Year Ended June 30 (in Thousands)	2015 Fair Value	Weighted Maturity (In Years)	2014 Fair Value	Weighted Maturity (In Years)
State investment pool cash equivalents	$ 383	—	$ 874	—
Corporate/municipal bonds	948	6.86	876	6.85
US agencies	768	9.12	391	7.58
Stocks	—	—	15	5.87
Asset backed	113	4.12	2	2.32
Total	2,212		2,158	
Portfolio weighted average maturity		6.32		4.20
Corporate stock	3,740		3,858	
Total	$ 5,952		$ 6,016	

3. ACCOUNTS RECEIVABLE

Accounts receivable balances are primarily receivables from students, a few businesses and federal and state grant receivables. At June 30, 2015 and 2014, total accounts receivable balances for the University were $3,893,124 and $3,134,163, respectively, less an allowance for uncollectible receivables of $1,108,427 and $945,643, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2015	2014
Sales and services	$ 1,260	$ 920
Tuition	819	736
Fees	326	379
Room and board	533	531
Third party obligations	397	350
Other	558	218
Total accounts receivable	3,893	3,134
Allowance for uncollectible accounts	(1,108)	(945)
Net accounts receivable	$ 2,785	$ 2,189

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

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

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state's Debt Service Fund for future general obligation bond payments in the amounts of $1,631,960 and $1,650,601 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 $73,830 and $50,678, respectively, stemming from prepaid software maintenance agreements and prepaid contractual support.

5. LOANS RECEIVABLE

Loans receivable balances consist of loans under the Federal Perkins Loan program. The federal government provides most of the funding for the loans with amounts collected used for new loan advances. The University is responsible for loan collections. As of June 30, 2015 and 2014, the total loans receivable for this program were $2,777,912 and $2,785,709, respectively, less an allowance for uncollectible loans of $346,529 and $354,806, respectively.

6. CAPITAL ASSETS

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

Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 10,571	$ 911	$ —	$ —	$ 11,482
Construction in progress	3,308	4,316	768	(2,359)	4,497
Total capital assets, not depreciated	13,879	5,227	768	(2,359)	15,979
Capital assets, depreciated:					
Buildings and improvements	246,913	375	—	2,359	249,647
Equipment	14,676	850	506	—	15,020
Library collections	6,754	974	1,043	—	6,685
Total capital assets, depreciated	268,343	2,199	1,549	2,359	271,352
Less accumulated depreciation:					
Buildings and improvements	95,395	8,204	—	—	103,599
Equipment	12,461	640	424	—	12,677
Library collections	3,921	955	1,043	—	3,833
Total accumulated depreciation	111,777	9,799	1,467	—	120,109
Total capital assets, depreciated, net	156,566	(7,600)	82	2,359	151,243
Total capital assets, net	$ 170,445	$ (2,373)	$ 850	$ —	$ 167,222

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 9,739	$ 832	$ —	$ —	$ 10,571
Construction in progress	2,232	10,178	827	(8,275)	3,308
Total capital assets, not depreciated	11,971	11,010	827	(8,275)	13,879
Capital assets, depreciated:					
Buildings and improvements	238,638	—	—	8,275	246,913
Equipment	14,525	643	492	—	14,676
Library collections	6,725	1,030	1,001	—	6,754
Total capital assets, depreciated	259,888	1,673	1,493	8,275	268,343
Less accumulated depreciation:					
Buildings and improvements	87,296	8,099	—	—	95,395
Equipment	12,251	649	439	—	12,461
Library collections	3,957	965	1,001	—	3,921
Total accumulated depreciation	103,504	9,713	1,440	—	111,777
Total capital assets, depreciated, net	156,384	(8,040)	53	8,275	156,566
Total capital assets, net	$ 168,355	$ 2,970	$ 880	$ —	$ 170,445

7. ACCOUNTS PAYABLE

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

Summary of Accounts Payable at June 30
(In Thousands)

	2015	2014
Purchased services	$ 1,271	$ 2,241
Repairs and maintenance	206	96
Supplies	550	284
Employee benefits	198	503
Capital expenditures	988	1,435
Capital projects	—	257
Other	920	524
Total	$ 4,133	$ 5,340

In addition, as of June 30, 2015 and 2014, the University had payable from restricted assets in the amounts of $475,483 and $10,091, which were related to capital projects financed by general obligation bonds and revenue bonds.

8. LONG TERM OBLIGATIONS

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

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

Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,579	$ 14	$ 216	$ 1,377	$ —
General obligation bonds	11,664	60	1,279	10,445	1,258
Revenue bonds	37,623	—	2,468	35,155	2,009
Note payable	1,500	—	67	1,433	75
Total long-term debt	$ 52,366	$ 74	$ 4,030	$ 48,410	$ 3,342

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,793	$ —	$ 214	$ 1,579	$ —
General obligation bonds	12,981	—	1,317	11,664	1,279
Revenue bonds	39,666	—	2,043	37,623	2,203
Note payable	1,560	—	60	1,500	68
Total long-term debt	$ 56,000	$ —	$ 3,634	$ 52,366	$ 3,550

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	$ 8,796	$ 1,358	$ 1,163	$ 8,991	$ 1,152
Early termination benefits	155	160	155	160	160
Net other postemployment benefits	1,238	607	300	1,545	—
Workers' compensation	193	68	147	114	56
Total other compensation benefits	$ 10,382	$ 2,193	$ 1,765	$ 10,810	$ 1,368

Year Ended June 30, 2014
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 8,906	$ 1,008	$ 1,118	$ 8,796	$ 1,163
Early termination benefits	28	155	28	155	155
Net other postemployment benefits	1,067	491	320	1,238	—
Workers' compensation	309	96	212	193	92
Total other compensation benefits	$ 10,310	$ 1,750	$ 1,678	$ 10,382	$ 1,410

Bond Premium — Bonds were issued in fiscal year 2015 resulting in net premiums of $14,116. No bonds were issued in fiscal year 2014. Amortization is calculated using the straight-line method and amortized over the average remaining life of the bonds.

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

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

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 16.69 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $47,343,746. Principal and interest paid for the current year and total customer net revenues were $3,783,898 and $20,946,941, respectively.

Note Payable — The note payable consists of an energy savings initiative loan with Bank of America at an interest rate of 4.92. The total principal and interest remaining to be paid on the loan is $1,900,654 and $2,040,413 at June 30, 2015 and 2014, respectively.

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

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

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 10 to the financial statements provides additional information.

Workers' Compensation — The state of Minnesota Management and Budget manages the self-insured workers compensation claims activities. The reported liabilities for workers' compensation of $113,741 and $192,584 at June 30, 2015 and 2014, respectively, are based on claims filed for injuries to state employees occurring prior to the fiscal year end. It is an undiscounted estimate of future payments.

Net Pension Liability — The net pension liability of $18,558,433 at June 30, 2015, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 14 to the financial statements provides additional information.

Capital Contributions — The liabilities of $2,594,538 and $2,616,409 at June 30, 2015 and 2014, respectively, represent the amount the University would owe the federal government if it were to discontinue the Perkins Loan program. The net change is $(21,871) and $(32,345) for the fiscal years 2015 and 2014, respectively.

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

Long–Term Debt Repayment Schedule
(In Thousands)

Fiscal Years	Note Payable		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 75	$ 69	$ 1,258	$ 489	$ 2,009	$ 1,488
2017	83	65	1,190	425	2,070	1,411
2018	92	61	1,190	366	2,139	1,331
2019	101	56	1,088	308	2,220	1,247
2020	111	51	983	257	2,301	1,159
2021-2025	719	157	3,892	610	12,446	4,263
2026-2030	252	10	830	59	11,445	1,259
2031-2035	—	—	14	2	525	31
Total	$ 1,433	$ 469	$ 10,445	$ 2,516	$ 35,155	$ 12,189

9. EARLY TERMINATION BENEFITS

Early termination benefits are defined as benefits received for discontinuing services earlier than planned.

Certain bargaining unit contracts, Inter Faculty Organization (IFO) and Minnesota State University Association of Administrative Service Faculty (MSUAASF), provide for this benefit. The following is a description of the benefit arrangements for each contract, including number of retired employees receiving the benefit, and the amount of future liability as of the end of fiscal years 2015 and 2014.

MnSCU Board Early Separation Incentive Program — Employees of the University accepted incentives in the form of contributions to a health care savings plan and cash payments in return for voluntarily separating from employment by the University.

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

Fiscal Year	Number of Employees	Future Liability (In Thousands)
2015	—	$ —
2014	1	90

Inter Faculty Organization (IFO) contract

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

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

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2015	3	$ 137
2014	3	52

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

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

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

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2015	1	$ 23
2014	1	13

10. NET OTHER POSTEMPLOYMENT BENEFITS

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

As of July 1, 2014 there were approximately 37 retirees receiving health benefits from the health plan.

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

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

Components of the Annual OPEB Cost
(In Thousands)

	2015	2014
Annual required contribution (ARC)	$ 601	$ 483
Interest on net OPEB obligation	51	51
Adjustment to ARC	(45)	(43)
Annual OPEB cost	607	491
Contributions during the year	(300)	(320)
Increase in net OPEB obligation	307	171
Net OPEB obligation, beginning of year	1,238	1,067
Net OPEB obligation, end of year	$ 1,545	$ 1,238

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:

Year Ended June 30
(In Thousands)

	2015	2014
Beginning of year net OPEB obligation	$ 1,238	$ 1,067
Annual OPEB cost	607	491
Employer contribution	(300)	(320)
End of year net OPEB obligation	$ 1,545	$ 1,238
Percentage contributed	49.42%	65.17%

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2014	$ —	$ 5,166	$ 5,166	0.00	$ 66,506	7.77

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 3.0 percent. The annual healthcare cost trend rate is 6.8 percent initially, reduced incrementally to an ultimate rate of 4.0 percent after sixty years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30 year period.

11. LEASE AGREEMENTS

Operating Leases — The University is committed under various leases primarily for building space and laptops. These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2015 and 2014, totaled approximately $6,798,000 and $6,517,000, respectively. Included is a lease with the Foundation for the East Lake Apartments.

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

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2016	$ 6,607
2017	4,089
2018	1,249
2019	775
2020	691
2021-2025	3,454
2026-2030	1,497
Total	$ 18,362

Income Leases — The University has entered into income lease agreements, primarily for building space. Lease income for the years ended June 30, 2015 and 2014, totaled $48,279 and $67,997, respectively, and is included in other income on the statements of revenues, expenses, and changes in net position. Future expected income receipts for existing lease agreements are $37,403 in fiscal year 2015. Future minimum lease payments for existing lease agreements are as follow:

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2016	$ 24
2017	13
Total	$ 37

12. TUITION, FEES, AND SALES, NET

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

Year Ended June 30
(In Thousands)

	2015			2014		
Description	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 59,227	$ (15,457)	$ 43,770	$ 59,548	$ (15,182)	$ 44,366
Fees	5,957	(721)	5,236	6,070	(626)	5,444
Sales	16,170	—	16,170	16,210	—	16,210
Restricted student payments	20,898	(424)	20,474	20,920	(330)	20,590
Total	$ 102,252	$ (16,602)	$ 85,650	$ 102,748	$ (16,138)	$ 86,610

13. 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	$ 8,675	$ 2,367	$ 4,822	$ 79	$ 15,943
Institutional support	6,499	2,216	6,022	62	14,799
Instruction	34,427	9,377	9,605	386	53,795
Public service	231	75	112	2	420
Research	56	6	225	—	287
Student services	7,497	1,984	4,268	67	13,816
Auxiliary enterprises	8,047	2,419	25,606	1,504	37,576
Scholarships & fellowships	—	—	502	—	502
Less interest expense	—	—	—	(2,100)	(2,100)
Total operating expenses	$ 65,432	$ 18,444	$ 51,162	$ —	$ 135,038

Year Ended June 30, 2014 (In Thousands)					
Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 8,484	$ 2,647	$ 5,497	$ 87	$ 16,715
Institutional support	9,291	2,508	6,530	93	18,422
Instruction	33,498	10,569	9,494	427	53,988
Public service	221	80	96	3	400
Research	65	39	531	1	636
Student services	6,986	2,122	4,512	71	13,691
Auxiliary enterprises	7,862	2,508	26,231	1,547	38,148
Scholarships & fellowships	—	—	995	—	995
Less interest expense	—	—	—	(2,229)	(2,229)
Total operating expenses	$ 66,407	$ 20,473	$ 53,886	$ —	$ 140,766

14. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund

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

Benefits Provided - MSRS provides retirement, disability, and death benefits through the State Employees Retirement Fund. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0 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 $840,273. 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 $9,655,962 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 0.60 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	$ 19,487	$ 9,656	$ 1,487

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 $1,486,541 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	$ —	$ 5,008
Changes in actuarial assumptions	—	7,038
Contributions paid to pension plans subsequent to the measurement date	840	—
Difference between expected and actual experience	—	210
Change in proportion	196	—
Total	$ 1,036	$ 12,256

Amounts reported as deferred outflows of resources related to pensions resulting from Winona'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	$ (4,020)
2017	(4,020)
2018	(4,020)
Total	$ (12,060)

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 or beneficiaries 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 $733,890. These contributions were equal to the required contributions for each year as set by state statute.

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

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

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

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

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

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

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

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

Net Pension Liability – At June 30, 2015, the University reported a liability of $8,865,653 for its proportionate share of TRA 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 0.19 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	$ 14,652	$ 8,865	$ 4,042

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 $381,816 related to pensions. At June 30, 2015, the University's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ —	$ 2,787
Contributions paid to pension plans subsequent to the measurement date	734	—
Difference between expected and actual experience	757	—
Change in proportion	—	441
Total	$ 1,491	$ 3,228

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	$ (824)
2017	(824)
2018	(823)
Total	$ (2,471)

General Employees Retirement Fund

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

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

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

Contributions - Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. GERF Contributions Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the employer was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The University contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $104. These contributions were equal to the required contributions for each year as set by state statute.

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

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Net Pension Liability - At June 30, 2015, the University reported a liability of $36,817 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 0.0008 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	$ 59	$ 36	$ 18

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 $2,733 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
Changes in actuarial assumptions	$ 5	$ —
Differences between projected and actual investment earnings	—	10
Total	$ 5	$ 10

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	$ (1)
2017	(1)
2018	(3)
Total	$ (5)

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 the University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2015	$ 2,014	$ 1,511
2014	1,871	1,391
2013	1,772	1,318

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 the University were:

(In Thousands)	
Fiscal Year	Amount
2015	$ 948
2014	935
2013	940

Voluntary Retirement Savings Plans

Minnesota State Colleges and Universities offers two voluntary programs to employees for retirement savings. Minnesota Deferred Compensation Plan is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2015, the plan had 220 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 266 participants.

15. SEGMENT INFORMATION

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

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

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

	2015	2014
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 15,109	$ 14,828
Current restricted assets	7,014	7,603
Noncurrent assets	65,554	67,150
Total assets	87,677	89,581
Deferred outflows of resources	183	—
Total assets and deferred outflows of resources	87,860	89,581
Liabilities		
Current liabilities	4,605	5,471
Noncurrent liabilities	35,433	36,452
Total liabilities	40,038	41,923
Deferred inflows of resources	1,085	—
Total liabilities and deferred inflows or resources	41,123	41,923
Net Position		
Net investment in capital assets	32,935	31,568
Restricted	13,802	16,090
Total net position	$ 46,737	$ 47,658
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 20,947	$ 20,974
Operating expenses	(18,065)	(18,819)
Net operating income	2,882	2,155
Nonoperating revenues (expenses)	(1,409)	(1,448)
Change in net position	1,473	707
Total net position, beginning of year	47,658	46,951
Cumulative effect of change in accounting principle	(2,394)	—
Total net position, beginning of year, as restated	45,264	46,951
Total net position, end of Year	$ 46,737	$ 47,658
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ 5,658	$ 5,917
Investing activities	36	46
Capital and related financing activities	(6,283)	(9,076)
Net decrease	(589)	(3,113)
Cash, beginning of year	21,590	24,703
Cash, end of year	$ 21,001	$ 21,590

16. COMMITMENTS AND CONTINGENCIES

Future commitments consist of construction projects that are funded by revenue bond proceeds and operating revenues. The University has incurred costs of approximately $1.6 million towards the construction of an underground pedestrian tunnel, which has an estimated completion date of November 2016. This project is partially funded through the Minnesota Department of Transportation and Winona State University with an estimated cost of $10.0 million.

As of June 30, 2015, the University has incurred costs of approximately 1.9 million toward the Education Village. This project has an estimated cost of $5.9 million in the first phase and $25.3 million in the second phase. The total cost is estimated at $31.2 million.

17. RISK MANAGEMENT

Minnesota State Colleges and Universities is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; error or omissions; and employer obligations. Minnesota State Colleges and Universities 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 Risk Management Fund. The University also purchased optional physical damage coverage for their newest or most expensive vehicles.

Property and casualty coverage is required by Minnesota State Colleges and Universities policy. The University also purchased professional liability for employed physicians and student health services professional liability insurance. Property coverage offered by the Minnesota Risk Management Fund are as follows:

Coverage Type	Amount
Institution deductible	$500 to $50,000
Fund responsibility	$1,000,000
Primary re insurer coverage	$1,000,001 to $25,000,000
Catastrophic reinsurance	$25,000,001 to $1,000,000,000
Bodily injury and property damage per person	$500,000
Bodily injury and property damage per occurrence	$1,500,000
Annual maximum paid by fund, excess by reinsurer	$2,500,000
Maintenance deductible for additional claims	$25,000

The University retains the risk of loss. The University did not have any settlements in excess of coverage in the last three years. The Risk Management Fund purchased student intern professional liability insurance on the open market for the University.

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

Workers' compensation liability is covered through self-insurance in which Minnesota State Colleges and Universities pays the cost of claims through the State of Minnesota Workers' Compensation Revolving Fund. A Minnesota State Colleges and Universities workers' compensation premium pool helps our institutions budget for the volatility of claims. Annual premiums for the pool are assessed to our institutions based on salary dollars and claims history. The pool pays the claims. The State of Minnesota is reinsured by the Workers' Compensation Reinsurance Association for catastrophic workers' compensation claims.

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

(In Thousands)

	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/15	$ 193	$ 68	$ 147	$ 114
Fiscal Year Ended 6/30/14	309	96	212	193

18. COMPONENT UNITS

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

The Winona 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 Foundations' financial statements would cause the University financial statements to be misleading or incomplete. The Foundation is considered a component unit of the University, and their statements are discretely presented in the University's financial statements.

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

Unrestricted Net Assets: net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets: net assets subject to donor imposed restrictions as to how the assets are to be used.

Permanently Restricted Net Assets: net assets subject to donor imposed stipulations that they be maintained permanently by each foundation. Generally, the donors of these assets permit the foundation to use all or part of the income earned on any related investments for general or specific purposes.

The University received $2,580,479 and $2,270,239 from its Foundation for scholarships and other University support in fiscal years 2015 and 2014, respectively. Also, the University operates the East Lake Apartments which are owned by the Foundation and leased by the University. The University collects the revenue and pays the expenses for the apartments. The residual goes to the Foundation as operating lease payments.

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

Schedule of Investments at June 30
(In Thousands)

	2015	2014
Fixed income/Bonds/US treasuries	$ 14,421	$ 6,902
Equity based mutual funds	11,895	19,884
Equity securities	4,954	890
Real estate	607	255
Total investments	$ 31,877	$ 27,931

Property and Equipment — The Foundation has developed student housing to be used by the students of the University.

Schedule of Property and Equipment at June 30
(In Thousands)

	2015	2014
Property and equipment, not depreciated:		
Land	$ 552	$ 552
Total property and equipment, not depreciated	552	552
Property and equipment, depreciated:		
Buildings and improvements	10,745	10,745
Equipment	1,319	1,319
Total property and equipment, depreciated	12,064	12,064
Total accumulated depreciation	(3,568)	(3,228)
Total property and equipment depreciated, net	8,496	8,836
Total property and equipment, net	$ 9,048	$ 9,388

Long Term Obligations — The Foundation has entered into a loan agreement with a local bank that allows the foundation to borrow up to $3,000,000. The foundation has borrowed $36,939 under this agreement. Borrowings under this agreement carry an interest rate of 2.39 percent and are secured by investments with a fair value of $11,818,146.

The Foundation has a mortgage payable to finance the construction and startup operations of the student housing project of $6.1 million.

Future scheduled debt payments table follows:

Year Ended June 30
(In Thousands)

2016	$ 555
2017	568
2018	582
2019	595
2020	609
Thereafter	3,179
Total	$ 6,088

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)

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 9,999	$ 19,360	$ 29,359
Contributions	194	2,299	2,493
Investment income	733	—	733
Amounts appropriated for expenditures	(807)	—	(807)
Other transfers	(186)	34	(152)
Net assets, end of year	$ 9,933	$ 21,693	$ 31,626

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)

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 6,776	$ 17,559	$ 24,335
Contributions	64	1,824	1,888
Investment income	3,669	—	3,669
Amounts appropriated for expenditures	(670)	—	(670)
Other transfers	160	(23)	137
Net assets, end of year	$ 9,999	$ 19,360	$ 29,359

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2006	$ —	$ 4,936	$ 4,936	0.00	$ 52,706	9.37
July 1, 2008	—	5,155	5,155	0.00	54,009	9.54
July 1, 2010	—	6,120	6,120	0.00	60,436	10.13
July 1, 2012	—	4,278	4,278	0.00	58,082	7.37
July 1, 2014	—	5,166	5,166	0.00	66,506	7.77

WINONA 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	0.60	$ 9,656	$15,249	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	$ 762	$ 762	$ —	$ 15,249	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.

WINONA 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	0.19	$ 8,865	$ 8,780	100.97	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	$ 615	$ 615	$ —	$ 8,780	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.

WINONA 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	0.0008	$ 36	$ 48	77.14	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	$ 3	$ 3	$ —	$ 48	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 Winona 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 Winona 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 Winona State University Foundation. The financial statements of the Winona 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 Winona 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.

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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