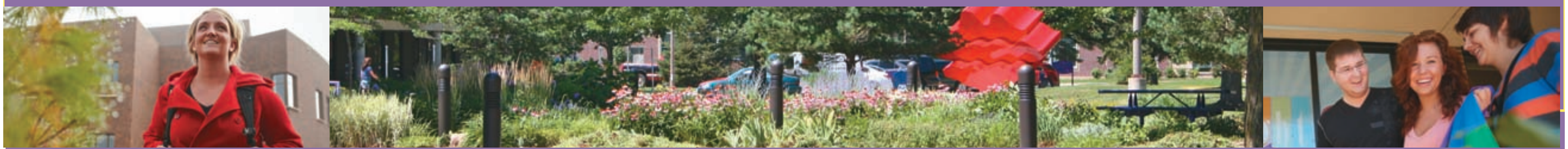
Minnesota State University Mankato



Annual Financial Report

For the Years Ended June 30, 2012 and 2011

A MEMBER OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

MINNESOTA STATE UNIVERSITY, MANKATO

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

Prepared by:

Minnesota State University, Mankato
236 Wigley Administration Center
Mankato, Minnesota 56001

MINNESOTA STATE UNIVERSITY, MANKATO

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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MINNESOTA STATE UNIVERSITY
MANKATO

December 21, 2012

Minnesota State Colleges and Universities Board of Trustees
Steven J. Rosenstone, Chancellor
Minnesota State Colleges and Universities
350 Wells Fargo Place
30 East 7th Street
St. Paul, MN 55101

Dear Members of the Board and Chancellor Rosenstone:

I am pleased to submit to you the audited annual financial statements for Minnesota State University, Mankato for the fiscal year ending June 30, 2012. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of operation for the year. The financial statements are presented in accordance with generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board.

Minnesota State University, Mankato is one of 31 colleges and universities in the Minnesota State Colleges and Universities System. It has been my privilege to serve as president since July 1, 2002. Our faculty, staff and administrators strive to meet the highest standards of excellence in the overall management of the University, including fiscal, academic and student services. The following narrative demonstrates our success in achieving our expectations.

Now in its 144th year, Minnesota State Mankato serves approximately 15,700 students, the highest number since the 1990's with the second-largest first-year class in school history and the highest number of full-time students in the Minnesota State Colleges & Universities System. Our student body includes over 650 international students from 84 countries. Our six academic colleges—Allied Health and Nursing; Arts and Humanities; Business; Education; Science, Engineering and Technology; and Social and Behavioral Sciences—feature more than 140 undergraduate programs of study and 69 graduate programs. The University employs close to 1550 faculty and staff (447 full-time instructional faculty, 85 percent with terminal degrees). Minnesota State Mankato is accredited by The Higher Learning Commission (North Central Association of Colleges and Schools) and additionally, twenty-three national accrediting agencies have accredited programs at Minnesota State Mankato. Our alumni number over 105,000 worldwide. And, during the 2011-2012 academic year, the University awarded 3,008 degrees.

OFFICE OF THE PRESIDENT
309 WIGLEY ADMINISTRATION CENTER · MANKATO, MN 56001
PHONE 507-389-1111 (V) · 800-627-3529 OR 711 (MRS/TTY) · FAX 507-389-6200

Minnesota State Mankato offers bachelors, masters, applied doctorate, associate, and specialist degrees, as well as undergraduate and graduate certificates. During 2011-2012, the University enrolled students in four applied doctoral programs.

The University houses several renowned centers for applied research, including the Center on Aging, Center for Applied Social Services, Center for School-University Partnerships, Minnesota Center for Automotive Research, Minnesota Center for Rapid Prototyping and Production, Kessel Institute for the Study of Peace and Change, Minnesota Center for Transportation Research and Implementation, International Renewable Energy Technology Institute, Center for Continuous Learning, Minnesota Center for Engineering and Manufacturing Excellence, Minnesota Modeling and Simulation Center, Space Image Processing Center, and Water Resources Center.

The University Theatre and Dance Department continued its long tradition of performing high-quality theatre. After successfully competing in regional competition, "Crash", choreographed by a Theatre & Dance faculty member, was performed at the Kennedy Center for the Performing Arts in Washington, D.C.

During the 2011-2012 academic year, Minnesota State Mankato fielded 18 intercollegiate athletic teams, including: NCAA Division I WCHA men's and women's hockey; NCAA Division II Northern Sun Intercollegiate Conference men's baseball, basketball, cross country, football, golf, track and wrestling; and NCAA Division II women's basketball, cross country, golf, soccer, softball, swimming, tennis, track and volleyball. Over 600 student athletes participated in athletic competitions. These teams are sources of great pride for students and community members. Maverick Athletics enjoyed a high level of success this year including:

- Intercollegiate athletics hosted the NCAA Division II indoor track & field national championships.
- The football team ended a successful season with a win at the Mineral Water Bowl.
- Soccer, volleyball, baseball, and softball teams all competed in NCAA regional postseason tournaments with our baseball team advancing to the semifinals—finishing in 3rd place nationally.
- Minnesota State Mankato athletes continue to shine in the classroom with 75 Maverick student athletes achieving a perfect 4.0 GPA for spring semester and 40.5% of our athletes earned Dean's List recognition.

Minnesota State Mankato is a vibrant campus with approximately 240 academic student groups, intramural and club sports, leadership and religious organizations, honorary, professional and social fraternities and sororities, and other special interest groups.

Our educational site in Edina at 7700 France saw continued growth. Students are able to finish an undergraduate degree, earn a graduate degree or obtain licensure or certification in selected fields. It provides a convenient location to serve primarily the nontraditional student. The number of credit hours generated at this location continues to grow during 2011-2012 reaching 5,600 total hours.

Construction was completed on the new 300-bed, semi-suite style residence hall, the Margaret R. Preska Residence Community, and former President Preska welcomed students to their new home in Fall 2012. The $4.5 million renovation of the Centennial Student Union Ballroom opened in October 2011 and features state of the art technology throughout the space. Funding to plan a new clinical sciences building was received from the 2012 Minnesota State Legislature.

Thanks to generous gifts from alumni and supporters of the University, as of June 30, 2012, total Foundation support for the year was an impressive $6.1 million from 10,436 individual donors. The parent drive total was $87,385 and the campus drive ended the year at $940,674 surpassing the $700,000 goal. Additionally, we received over $5.3 million in grants and contracts.

Minnesota State Mankato strives to be a good neighbor and community partner, serving as a regional economic and cultural hub in south central Minnesota. The Cities/Colleges/University Advisory Council consisting of the cities of Mankato/North Mankato, Minnesota State Mankato, Greater Mankato Growth, Mankato Public Schools, Bethany Lutheran College, Gustavus Adolphus College, South Central College and Rasmussen College continues to meet regularly to work together on community issues ranging from long-term planning to safety to diversity. Thousands of people from across southern Minnesota and northern Iowa travel to Minnesota State Mankato for our award-winning theatre and musical productions, readings by renowned poets and authors, presentations by business and industry leaders, art exhibitions, and nationally-known speakers. The University also hosts a wide variety of cultural and ethnic events which reflect the University's growing diversity.

We continued our strong relationship with the community – particularly Greater Mankato Growth, the business and economic development organization in Mankato. We see positive results from our Division of Strategic Business, Education and Regional Partnerships through expanding connections with education, business and industry. Strategic Partnerships secured over $414,800 in new training grants and contracts. Additionally, the Division manages $850,000 in workforce training grants for six industries in southern Minnesota impacting 383 current employees and 225 new hires for these companies. We are working closely with regional employers in developing partnerships that are beneficial to our students, faculty, and our regional employers.

The Small Business Development Center served 293 clients, conducted 68 seminars and workshops and helped small business create 250 jobs. The Turn-Around Assistant Program (TAP) saved or stabilized eight businesses. This SBDC program delivers high-level technical assistance to distressed but viable businesses adversely affected by the economy. The Entrepreneur Doorway Program Partnership se-up by the SBDC with la-Mano, Inc. Greater Mankato Diversity Council, Minnesota Department of Employment and Economic development (DEED) and Region Nine Development Commission to provide minority, immigrant and refugee clients and information and resources to develop and grow their business. The SBDC is also participating in the Veterans reintegration events, partnering with the WorkForce Center and providing scholarships to educational workshops for veterans.

We continue to make progress in enrolling ethnic minority students. In fiscal year 2012, 10.5% of our student population identified themselves as being a student of color.

The Minnesota State Mankato Iron Range Engineering program enrolled its first students in January, 2011. This is an innovative, collaborative program leading to a professional four year engineering degree and is hosted by Mesabi Range College in Virginia, MN. Its project-based curriculum makes it a first of its kind in the state of Minnesota. The first graduates completed the program during the 2011-2012 academic year.

The University continues to make progress on our strategic priorities. We are working to:

- Change the world by collaboratively addressing our planet's most challenging problems.
- Foster the thriving and robust academic culture of a university with applied doctoral programs.
- Greatly expand the reach of our extended learning programs.
- Reinvigorate our physical home and build the campus of the future.
- Measure and continuously improve our work to ensure excellence in all that we do.

We point with pride at the following sample of notable accomplishments:

- The College of Education received the national 2012 Exemplary Professional School Achievement Award in March.
- Forbes Magazine's 2011 "America's Best Colleges" list ranked Minnesota State among the top quartile of four-year public and private colleges and universities
- Our Facilities Management unit was recognized for the 11th year by the system office with the Excellence in Facilities Management award.
- For the sixth consecutive year, our MBA program was listed among the best in the Princeton Review's 2012 business school's guidebook.
- We awarded our first 4 doctor of education—educational leadership degrees in May 2012.
- We created a process and successfully distributed $4M in the Big Ideas strategic priority funding. A few of the funded projects include:
    - Improving academic advising
    - Project Outreach and Recruitment Web Pages in Spanish, Somali, and Chinese
    - Redesign of Chemistry programs
    - Sophomore and Transfer Success Program
    - Armstrong Hall and Morris Hall renovations and innovations
    - Dental Simulation and Technology Lab
    - Halling Recital Hall Sound System Renovation
    - Library Connection to the Centennial Student Union
    - Moving Teaching Laboratories into the 21st Century
    - Composition Program Development for 100% online learners
- The Integrated Marketing team received the Gold Award from CASE for their publication pieces for the Global Solutions Comprehensive Campaign.

Minnesota State Mankato is an exceptional community with faculty, staff, administrators, and students who embody the qualities of creative thinking, excellence, consultation, high energy, innovation, and success. We are a university with successful alumni, good friends and eager partners to help move the University forward. Members of the University community work together in leading this University to new heights in affording superior experiences for our students and fostering an environment that welcomes collaborative partnerships – one that embraces change, recognizes accomplishments, and supports research and creative activity opportunities for faculty and for students while providing a sound, global education. Our faculty, staff, students and administrative leaders are striving to make a world of difference at Minnesota State University, Mankato and reflect positively on the Minnesota State Colleges and Universities system.

The University's financial statements were audited by Kern DeWenter Viere, Ltd. Included in these financial statements are statements of net assets, statements of revenues, expenses and changes in net assets, and statements of cash flows. The financial statements show that the University's financial position remained stable during fiscal year 2012. The University's net assets increased during fiscal year 2012 by \$10.3 million and now total \$210.4 million. Additionally, the University ended fiscal year 2012 with a general operating fund reserve of \$10.5 million. The general operating fund reserve is approximately 7.0% of the total general fund operating revenue from the prior fiscal year, and is at the high end of the required reserve range of five to seven percent per board policy. This reserve serves to protect the University in case of financial hardship from unanticipated changes in operating expenses, operating revenue, enrollment or state appropriation. For a summary review and explanation of the financial statements, please review the Management's Discussion and Analysis section of this report.

Responsibility for the accuracy, fairness, and completeness of the information in this report rests with Finance and Administration staff from Minnesota State University, Mankato and Finance Division staff from the System Office. The completion of this report truly represents a combined effort, and we rely on both units in providing this assurance. Accordingly, the many people who assisted in this effort are deserving of our appreciation.

Respectfully submitted,

Richard Davenport
President

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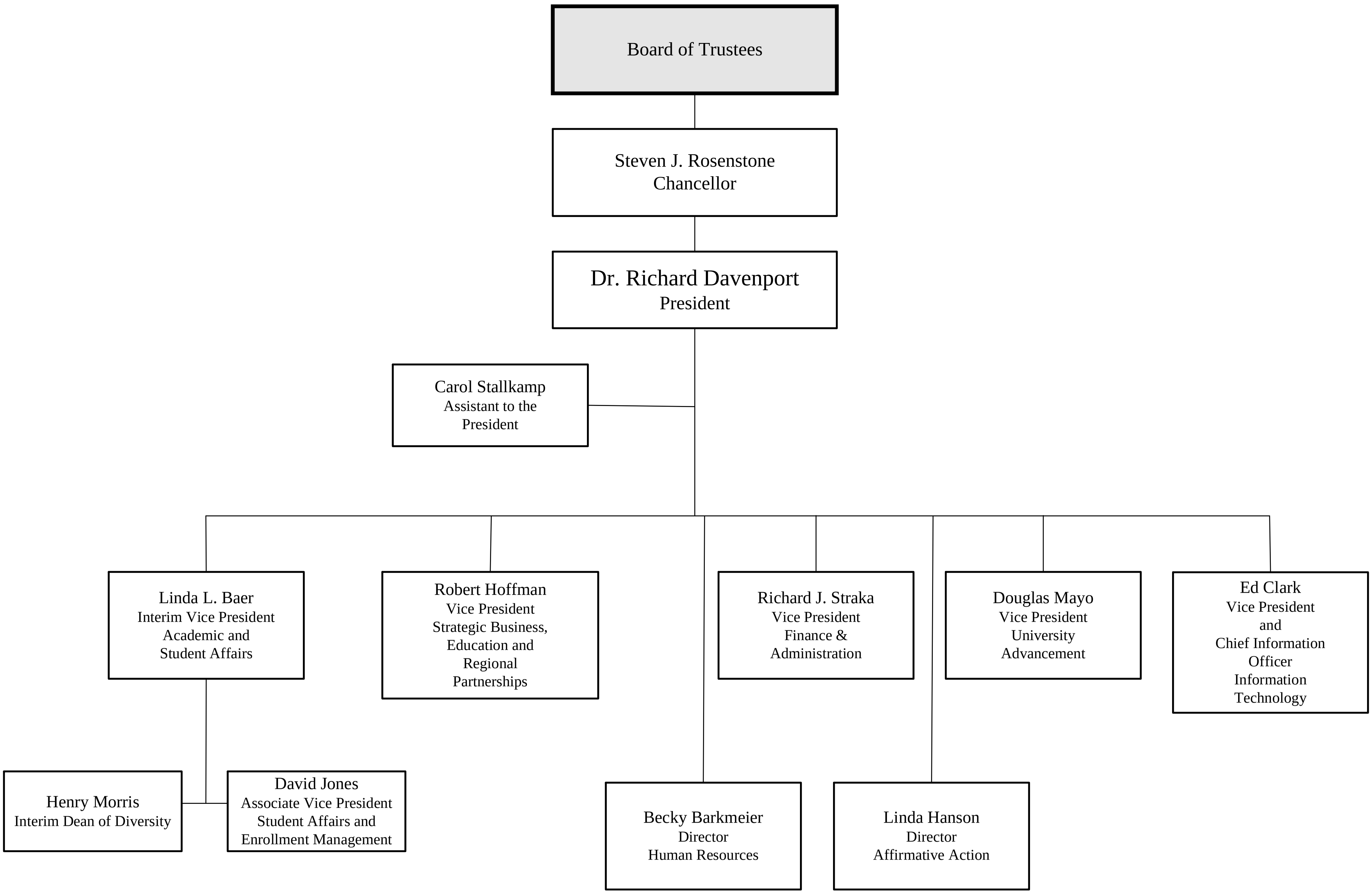
Minnesota State University, Mankato
Organizational Chart



The financial activity of the Minnesota State University, Mankato 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

KDV

Expert advice. When you need it.℠

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Minnesota State University, Mankato, a campus of Minnesota State Colleges and Universities, as of and for the years ended June 30, 2012 and 2011, as listed in the Table of Contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Minnesota State University, Mankato Foundation Inc., a component unit of the University, which statements reflect total assets of $ 44,734,000 and $ 46,353,000 at June 30, 2012 and 2011, respectively, and total revenues of $ 4,171,000 and $ 12,707,000, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the financial position of Minnesota State University, Mankato, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KDV

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope and our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress for Net Other Postemployment Benefits, 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the University. The accompanying introductory section identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us and, accordingly, we express no opinion on it.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
December 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Minnesota State University, Mankato, a member of the Minnesota State Colleges and Universities system at June 30, 2012 and 2011, and for the years then ended. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Minnesota State University, Mankato 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 institution of higher learning that serves more than 15,000 students including 1,700 graduate and professional students. Approximately 1,550 faculty and staff members are employed by the University. Additionally, the University has more than 105,000 alumni.

The eight colleges that comprise the University's academic programs are as follows.

- Allied Health & Nursing
- Arts and Humanities
- Business
- Education
- Extended Learning
- Graduate Studies and Research
- Science, Engineering and Technology
- Social and Behavioral Science

The University offers students opportunities for bachelor's, master's, applied doctorate, associate, and specialist degrees, as well as graduate certificates. Students can choose from over 140 undergraduate study programs, including 13 pre-professional programs, 69 graduate study programs, and 4 applied doctorate degree programs. The University is accredited by 25 national accrediting agencies including the North Central Association of Colleges and Schools and AACSB International (MBA program).

FINANCIAL HIGHLIGHTS

The University's financial position remained strong during fiscal year 2012. Although support from state appropriation revenue declined by $4.9 million and federal grant revenue declined by $5.4 million during fiscal year 2012, this loss of revenue was offset by a $5.1 million gross tuition revenue increase and a $4.8 million salary and benefit expense decrease. Over the past four fiscal years, the University has been engaged in an ongoing budget planning process that has resulted in significant operating cost reductions to help stabilize the University's financial position in light of declining state appropriation support.

For the fiscal year ended June 30, 2012, assets totaled $353.4 million compared to liabilities of $143.1 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, is comprised of capital assets, net of related debt, of $147.2 million; restricted assets of $23.3 million; and unrestricted assets of $39.8 million. The fiscal year 2012 net assets total of $210.3 million represents an increase of $10.3 million over fiscal year 2011 and $23.3 million over fiscal year 2010. The fiscal year 2012 unrestricted net assets total of $39.8 million represents a 20.6 percent increase from the fiscal year 2011 total of $33.0 million and a 67.5 percent increase compared to the fiscal year 2010 total of $23.8 million.

Fiscal year 2012 state appropriations revenue, excluding capital appropriations, totaled $47.3 million and represents a 9.3 percent decrease from fiscal year 2011 and a 12.7 percent decrease from fiscal year 2010. Net tuition revenue in fiscal year 2012 reached $71.1 million which is a 4.4 percent increase over fiscal year 2011 and a 14.1 percent increase over fiscal year 2010.

USING THE FINANCIAL STATEMENTS

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

STATEMENTS OF NET ASSETS

The statements of net assets present the financial position of Minnesota State University, Mankato at the end of the fiscal year and include all assets and liabilities of the University, as measured using the accrual basis of accounting. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the fiscal 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 assets. A summary of the University's assets, liabilities and net assets as of June 30, 2012, 2011, and 2010, respectively, is as follows:

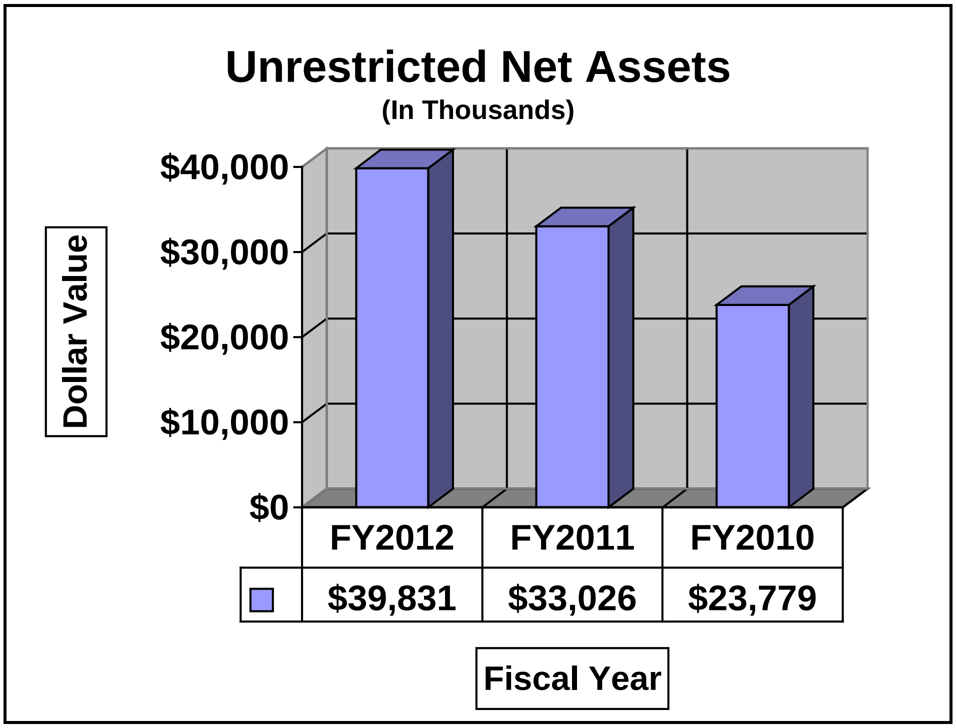
Summarized Statements of Net Assets
(In Thousands)

	2012	2011	2010
Assets			
Current assets	$ 92,225	$ 90,080	$ 77,624
Restricted assets	40,062	41,183	18,177
Noncurrent assets			
Student loan receivables/other	5,317	5,647	5,792
Capital assets, net	215,823	212,651	205,935
Total assets	353,427	349,561	307,528
Liabilities			
Current liabilities	28,490	30,572	29,171
Noncurrent liabilities	114,574	118,888	91,256
Total liabilities	143,064	149,460	120,427
Net Assets			
Invested in capital assets, net of related debt	147,174	145,165	142,463
Restricted	23,358	21,910	20,859
Unrestricted	39,831	33,026	23,779
Total net assets	$ 210,363	$ 200,101	$ 187,101

Current unrestricted assets primarily consist of cash, cash equivalents and investments totaling $83.6 million at June 30, 2012. This is an increase of $3.1 million over fiscal year 2011 and represents approximately 5.9 months of operating expenses (excluding depreciation). This is compared to 5.6 months and 4.8 months for the fiscal years ended June 30, 2011 and 2010, respectively.

Current liabilities primarily consist of accounts payable and salaries and benefits payable. Salaries and benefits payable totaled $9.4 million at June 30, 2012, which was $5.1 million lower than the previous fiscal year. The significant decrease in salaries and benefits payable was primarily due to having nine fewer accrual days in fiscal year 2012 as compared to fiscal year 2011. Included within the salaries and benefits payable accrual is $5.8 million representing approximately two months of earned salary for faculty who have elected to receive salaries over a twelve month period from August 15, 2011 – August 17, 2012. Accounts payable totaled $7.1 million, $5.9 million, and $5.9 million for fiscal years ended June 30, 2012, 2011, and 2010 respectively.

Net assets represent the residual interest in the University's assets after liabilities are deducted. Unrestricted net assets primarily consist of the University's general operating fund reserve. Board policy requires the University to maintain a general operating fund reserve. Accordingly, the University's general operating fund reserve balances, calculated on the budgetary basis of accounting, totaled $10.5 million, $10.9 million, and $11.4 million for fiscal years ended June 30, 2012, 2011, and 2010, respectively.

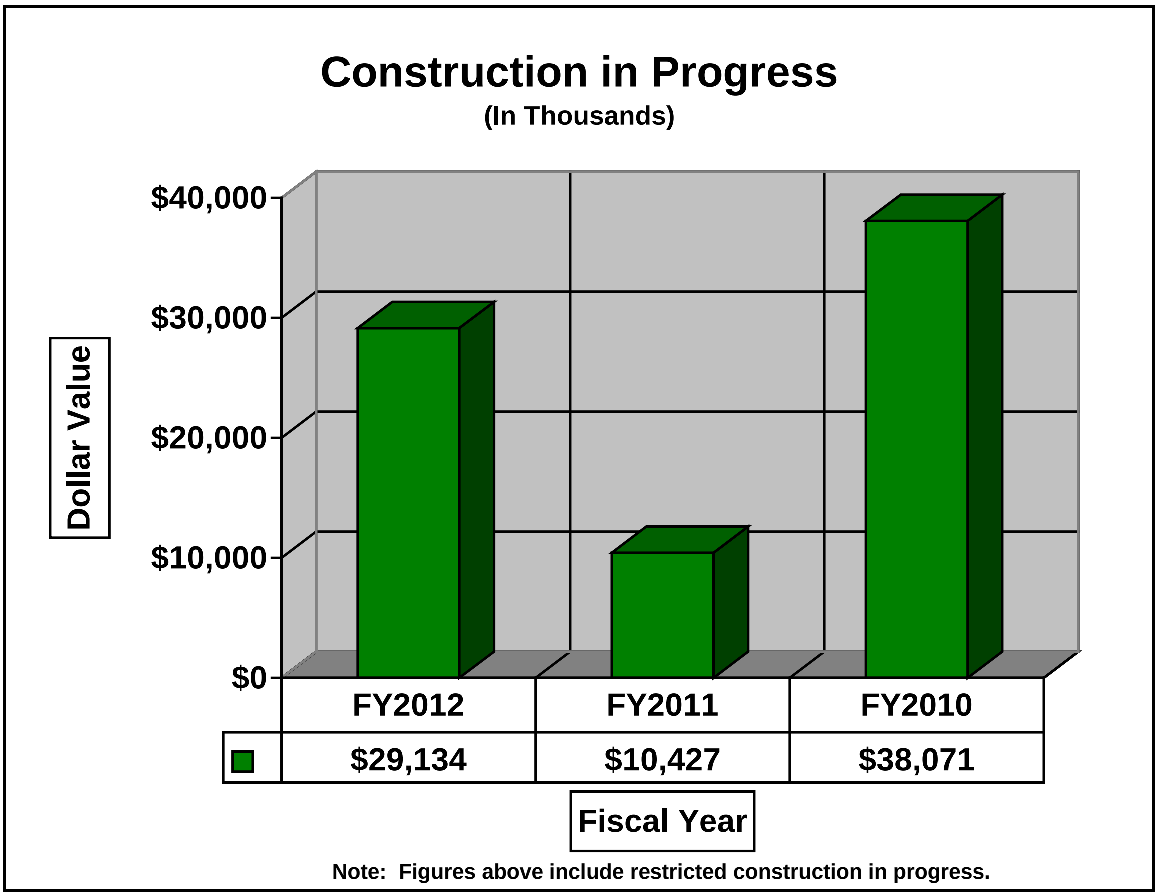


Invested in capital assets, net of related debt represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Restricted assets primarily include funding received for specific purposes, bond covenants and debt service.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the University's academic and student life programs is the development and renewal of its capital assets. The University continues to implement its long-range plan to modernize its older facilities while planning for new construction. Capital assets, net of accumulated depreciation of $146.5 million, totaled $240.3 million as of June 30, 2012. This represents increases of $21.2 million and $28.1 million from June 30, 2011, and 2010, respectively.

Capital outlays are primarily comprised of recently completed new buildings, replacement and renovation of existing facilities, as well as significant investments in equipment and library materials. Capital outlays totaled $34.1 million in fiscal year 2012, an increase of $15.2 million from fiscal year 2011. Significant capital outlays made in fiscal year 2012 included $19.4 million for the Preska Residence Community project, $4.6 million for various other residence hall renovations, $2.2 million for the Centennial Student Union Ballroom renovation project, and $1.4 million for the Memorial Library Roof renovation project. Significant capital outlays made in fiscal year 2011 included $4.4 million for the Preska Residence Community project, $2.8 million for the Trafton Science Center renovation project, $2.4 million for McElroy Hall renovation projects, and $1.9 million for the Centennial Student Union Ballroom renovation project. Significant capital outlays made in fiscal year 2010 included $13.4 million for the Trafton Science Center renovation project, $5.4 million for the outdoor recreation renovation project, and $4.7 million for the McElroy Hall renovation project. Proceeds from bond sales and capital appropriations provided to the University in prior years were the primary funding sources for these projects. Construction in progress totaled $29.1 million, $10.4 million, and $38.1 million for fiscal years ended June 30, 2012, 2011, and 2010, respectively. Capital appropriations totaled $2.3 million, $3.1 million, and $12.2 million for fiscal years ended June 30, 2012, 2011, and 2010, respectively.



Revenue and general obligation bonds payable totaled $97.3 million at June 30, 2012. These bonds were issued to finance building construction, remodeling and repairs. The majority of the bonds payable stems from three general obligation fund projects and six revenue fund projects. General obligation bonds payable includes $8.7 million for Ford Hall which was completed in 2009, $7.5 million for the Trafton Science Center Renovation project which was completed in October 2010, and $3.0 million for athletic facility renovations completed between 2002 and 2007. Revenue bonds payable includes $0.8 million for various residence hall renovation projects completed in 2003, $6.6 million for the Centennial Student Union south entrance and food service renovation project which was completed in 2005, $31.4 million for Sears Residence Hall which was completed in 2009, and $6.3 million for the outdoor recreation renovation project which was completed in October 2010, $26.7 for the Preska Residence Community which is expected to be completed in August 2012, and $2.7 million for the Centennial Student Union Ballroom renovation which was completed in October 2011. Additional information on capital and debt activities can be found in Notes 6 and 8 to the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statements of revenues, expenses and changes in net assets present the University's results of operations for the year. When reviewing the full statement, users should note that GASB requires classification of state appropriations as nonoperating revenue. A summarized statement for the years ended June 30, 2012, 2011, and 2010, respectively, follows:

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

	2012	2011	2010
Operating revenues:			
Tuition, net	$ 71,093	$ 68,069	$ 62,326
Fees, net	7,994	7,751	7,347
Sales, net	10,616	10,529	10,478
Restricted student payments, net	27,428	26,401	24,305
Other income	1,009	448	1,296
Total operating revenues	118,140	113,198	105,752
Nonoperating revenues:			
State appropriations	47,290	52,149	54,144
Federal, state, and private grants	29,024	32,837	32,660
Capital appropriations and capital grants	2,722	3,561	13,408
Other	844	660	936
Total nonoperating revenues	79,880	89,207	101,148
Total revenues	198,020	202,405	206,900
Operating expenses:			
Salaries and benefits	120,746	125,539	125,916
Supplies, services and other	47,733	43,826	40,637
Depreciation	12,987	12,185	10,786
Financial aid, net	2,242	3,880	4,161
Total operating expenses	183,708	185,430	181,500
Nonoperating expenses:			
Loss on disposal of capital assets	113	162	205
Grants to other organizations	—	8	15
Interest expense	3,937	3,805	3,285
Total nonoperating expenses	4,050	3,975	3,505
Total expenses	187,758	189,405	185,005
Increase in net assets	10,262	13,000	21,895
Net assets, beginning of year	200,101	187,101	165,206
Net assets, end of year	$ 210,363	$ 200,101	$ 187,101

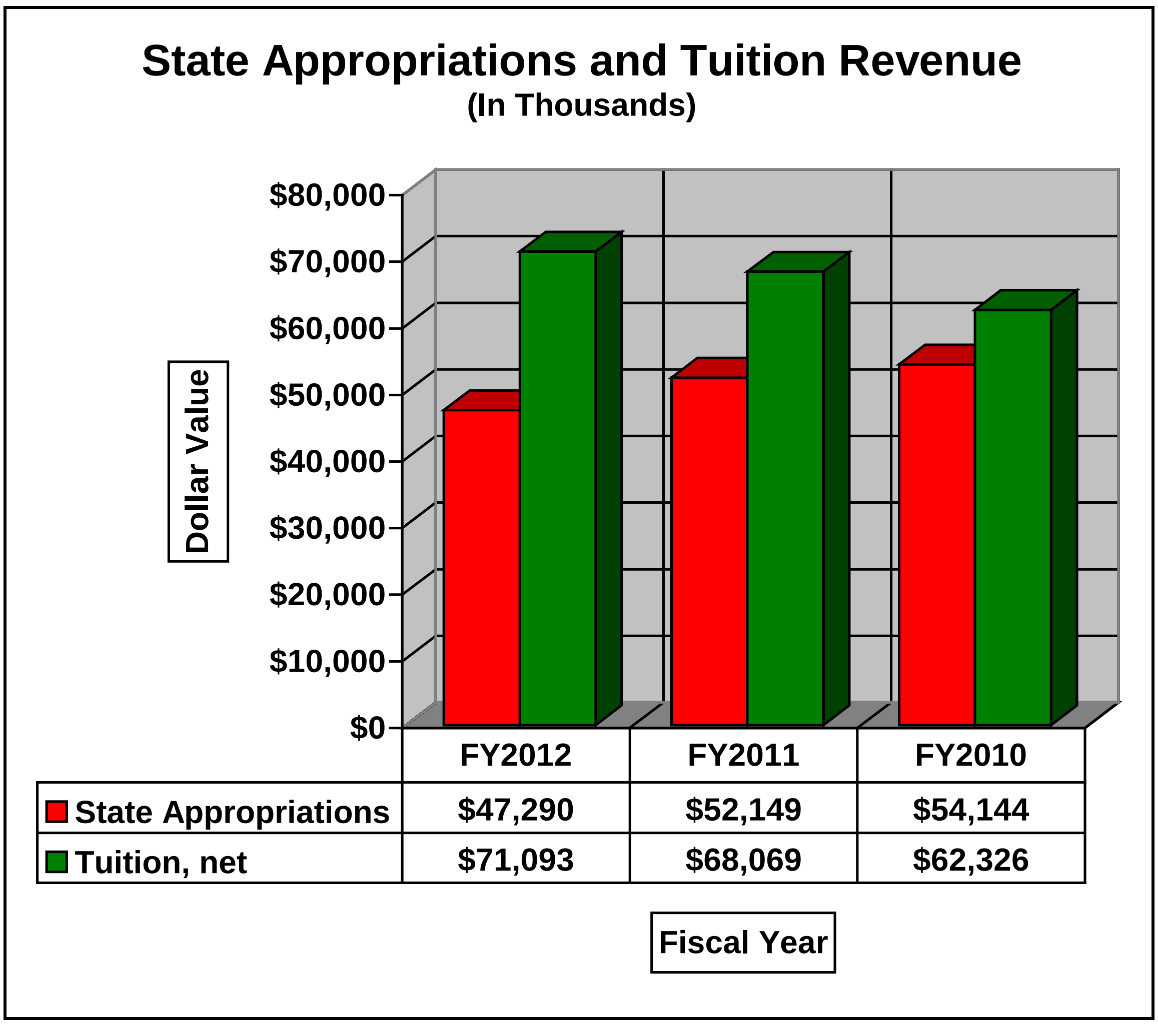
Tuition and state appropriations are the primary sources of funding for University operations. Enrollment grew by 55 full year equivalents (FYE) from fiscal year 2011 to fiscal year 2012 which represents a 0.4 percent increase.

Enrollment levels totaled 14,443, 14,388, and 13,933 FYE for fiscal years ended June 30, 2012, 2011, and 2010, respectively. In addition to the enrollment increase seen during fiscal year 2012, tuition revenue also increased in fiscal years 2012 and 2011 as a result of tuition rate increases in each of the last two fiscal years. Tuition rates increased 5.2 percent from fiscal year 2010 to fiscal year 2011 and 7.1 percent from fiscal year 2011 to fiscal year

2012. State appropriations decreased by $4.9 million during fiscal year 2012 to $47.3 million representing a 9.3 percent decrease and a 12.7 percent decrease from fiscal years ending June 30, 2011, and 2010 respectively.

Capital appropriations have fluctuated the past three fiscal years with the University receiving of $2.3 million, $3.1 million, and $12.2 million for the fiscal years ended June 30, 2012, 2011, and 2010, respectively.

Resources expended for employee compensation totaled $120.7 million for the fiscal year ended June 30, 2012, which represents a decrease of $4.8 million over the prior year. Minimal employee salary increases and the reduction of approximately 23 full time equivalent (FTE) employees all contributed to the decrease in employee compensation for the fiscal year ended June 30, 2012. However, the primary reason for the change in employee compensation stems from a $3.1 million decrease in employee separation pay during fiscal year 2012. In response to declining state appropriations, the University has been engaged in budget planning process over the past few years that resulted in significant operating cost reductions to help stabilize the University's financial position. This process included early retirement incentive offerings and caused significant fluctuations in employee turnover. Consequently, employee separation pay totaled $1.7 million, $4.8 million, and $2.9 million for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively.



FOUNDATION

The Minnesota State University, Mankato Foundation, Inc. is a component unit of Minnesota State University, Mankato. 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

Looking to the future, enrollment management looms as the primary fiscal challenge for the University. As tuition revenues continue to be a higher percentage of the University's total revenues, changes in student enrollments have a larger and more immediate impact on the University budget. Consequently, enrollment management is crucial to ensure stability in the University's budget.

Enrollment management is a challenge for a number of reasons. Demographics related to tracking first-year students project a significant decline in the number of high school graduates within the University's current primary service areas over the next five years. Additionally, while the national economic downturn may have lead to a short-term increase in demand for higher education from the incumbent work force and the increased numbers of unemployed workers, that demand may lessen over the next few years. Enrollment management remains the University's primary strategic initiative. The University continues to commit resources toward maintaining the goal of steady enrollment growth of approximately one to two percent per year. However, enrollment is projected to decline by slightly more than two percent for fiscal year 2013. The University hopes to reverse the fiscal year 2013 enrollment decline through the implementation of a university-wide, integrated enrollment management plan that encompasses graduate, transfer, international, and extending learning enrollment targets in addition to enrollment targets for traditional first-year students or high school graduates.

The University faces other challenges in addition to enrollment management including:

1) Anticipated reductions in state appropriation revenue
2) Increasing pressure to limit tuition rate increases
3) Collective bargaining pressure to increase employee salaries as bargaining agreements are unsettled as of late fall 2012.
4) Increasing employer paid health insurance premiums for employees
5) Impact of the federal budget deficit on higher education and financial markets

The state of Minnesota still has a structural budget deficit of approximately $1.1 billion that needs to be corrected in the 2014-2015 biennium. Given this challenge, the University may see additional state appropriation reductions.

The University continues to face pressure to limit tuition increases after numerous years of tuition rate increases in excess of inflation.

Collective bargaining for the 2012-2013 biennium has not been settled. The competitiveness of faculty compensation will also be a factor as faculty compensation has declined in national competitiveness over the last decade despite a boost in the 2008-2009 biennium. Additionally, health insurance costs are anticipated to continue to increase significantly during the next two years.

Attempts to address the looming federal budget deficit could result in far-reaching federal and state budget implications that could negatively impact higher education and financial markets. The continued volatility in financial markets could create a challenging environment for the University's foundation to increase endowment earnings distributions.

In summary, these factors, along with anticipated cost increases for purchased services and supplies, may result in financial challenges for the University in fiscal years 2013, 2014 and beyond. However, the University has made significant structural changes to its base operating budget during the last four years. The changes that were implemented using the University's open budget planning process, which incorporates a shared governance philosophy into decision making, have positioned the University to respond effectively to current and future financial challenges.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Minnesota State University, Mankato's financial position. Questions concerning information provided in this report or requests for additional financial information should be addressed to:

Steve W. Smith
Assistant Vice President for Budget and Business Services
Minnesota State University, Mankato
236 Wigley Administration Center
Mankato, MN 56001
steven.smith@mnsu.edu

MINNESOTA STATE UNIVERSITY, MANKATO
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012 AND 2011
(IN THOUSANDS)

Assets	2012	2011
Current Assets		
Cash and cash equivalents	$ 82,842	$ 73,185
Investments	740	7,296
Grants receivable	758	1,589
Accounts receivable, net	4,410	4,479
Prepaid expense	2,207	2,268
Inventory	115	141
Student loans, net	888	840
Other assets	265	282
Total current assets	92,225	90,080
Current Restricted Assets		
Cash and cash equivalents	15,615	34,787
Total current restricted assets	15,615	34,787
Noncurrent Restricted Assets		
Other assets	19	21
Construction in progress	24,428	6,375
Total noncurrent restricted assets	24,447	6,396
Total restricted assets	40,062	41,183
Noncurrent Assets		
Student loans, net	5,317	5,647
Capital assets, net	215,823	212,651
Total noncurrent assets	221,140	218,298
Total Assets	353,427	349,561
Liabilities		
Current Liabilities		
Salaries and benefits payable	9,355	14,452
Accounts payable	4,783	3,573
Unearned revenue	4,522	3,771
Payable from restricted assets	2,315	2,342
Interest payable	859	939
Funds held for others	305	96
Current portion of long-term debt	4,269	3,172
Other compensation benefits	2,082	2,227
Total current liabilities	28,490	30,572
Noncurrent Liabilities		
Noncurrent portion of long-term debt	94,432	98,828
Other compensation benefits	13,869	13,682
Capital contributions payable	6,273	6,378
Total noncurrent liabilities	114,574	118,888
Total Liabilities	143,064	149,460
Net Assets		
Invested in capital assets, net of related debt	147,174	145,165
Restricted expendable, bond covenants	12,058	13,231
Restricted expendable, other	11,300	8,679
Unrestricted	39,831	33,026
Total Net Assets	$ 210,363	$ 200,101

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY, MANKATO FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011
(IN THOUSANDS)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 2,330	$ 2,478
Pledges and contributions receivable, net	965	1,489
Other receivables	72	38
Total current assets	3,367	4,005
Noncurrent Assets		
Long-term pledges receivable	1,041	1,158
Investments	39,322	40,186
Property and equipment, net	1,004	1,004
Total noncurrent assets	41,367	42,348
Total Assets	$ 44,734	$ 46,353
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 277	$ 142
Bonds payable	227	245
Total current liabilities	504	387
Noncurrent Liabilities		
Annuities payable	932	949
Bonds payable	-	226
Total noncurrent liabilities	932	1,175
Total Liabilities	1,436	1,562
Net Assets		
Unrestricted	8,833	10,806
Temporarily restricted	2,093	2,139
Permanently restricted	32,372	31,846
Total Net Assets	43,298	44,791
Total Liabilities and Net Assets	$ 44,734	$ 46,353

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY, MANKATO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(IN THOUSANDS)

	2012	2011
Operating Revenues		
Tuition, net	$ 71,093	$ 68,069
Fees, net	7,994	7,751
Sales, net	10,616	10,529
Restricted student payments, net	27,428	26,401
Other income	1,009	448
Total operating revenues	118,140	113,198
Operating Expenses		
Salaries and benefits	120,746	125,539
Purchased services	23,382	21,579
Supplies	12,479	11,593
Repairs and maintenance	2,842	2,373
Depreciation	12,987	12,185
Financial aid, net	2,242	3,880
Other expense	9,030	8,281
Total operating expenses	183,708	185,430
Operating loss	(65,568)	(72,232)
Nonoperating Revenues (Expenses)		
Appropriations	47,290	52,149
Federal grants	19,059	24,507
State grants	7,669	6,121
Private grants	2,296	2,209
Interest income	743	640
Interest expense	(3,937)	(3,805)
Grants to other organizations	-	(8)
Total nonoperating revenues (expenses)	73,120	81,813
Income Before Other Revenues, Expenses, Gains, or Losses	7,552	9,581
Capital appropriations	2,311	3,057
Capital grants	411	504
Donated assets and supplies	101	20
Loss on disposal of capital assets	(113)	(162)
Change in net assets	10,262	13,000
Total Net Assets, Beginning of Year	200,101	187,101
Total Net Assets, End of Year	$ 210,363	$ 200,101

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY, MANKATO FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Support and Revenue					
Contributions, net	$ 1,738	$ 213	$ 613	$ 2,564	$ 3,185
In-kind contributions	1,872	-	-	1,872	2,053
Investment income	1,073	96	-	1,169	1,197
Realized gains (losses)	(1,431)	-	-	(1,431)	5,926
Unrealized gains (losses)	3	(21)	(60)	(78)	166
Other income	64	11	-	75	180
Net assets released from restrictions	372	(345)	(27)	-	-
Total support and revenue	3,691	(46)	526	4,171	12,707
Expenses					
Program services					
Scholarships	3,307	-	-	3,307	3,036
Total program services	3,307	-	-	3,307	3,036
Supporting services					
Interest expense	17	-	-	17	29
Management and general	553	-	-	553	607
Fundraising	1,779	-	-	1,779	1,630
Depreciation and amortization	-	-	-	-	12
Property and equipment expenses	8	-	-	8	8
Total supporting services	2,357	-	-	2,357	2,286
Total expenses	5,664	-	-	5,664	5,322
Change in Net Assets	(1,973)	(46)	526	(1,493)	7,385
Net Assets, Beginning of Year	10,806	2,139	31,846	44,791	37,406
Net Assets, End of Year	$ 8,833	$ 2,093	$ 32,372	$ 43,298	$ 44,791

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY, MANKATO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(IN THOUSANDS)

	2012	2011
Cash Flows from Operating Activities		
Cash received from customers	$ 118,959	$ 112,321
Cash repayment of program loans	898	845
Cash paid to suppliers for goods or services	(47,668)	(43,614)
Cash payments for employees	(125,782)	(124,411)
Financial aid disbursements	(2,348)	(3,995)
Cash payments for program loans	(743)	(846)
Net cash flows used in operating activities	(56,684)	(59,700)
Cash Flows from Noncapital Financing Activities		
Appropriations	47,290	52,149
Federal grants	19,890	24,376
State grants	7,669	6,121
Private grants	2,296	2,209
Agency activity	215	(116)
Grants to other organizations	-	(8)
Net cash flows provided by noncapital financing activities	77,360	84,731
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(33,105)	(19,143)
Capital appropriation	2,311	3,057
Capital grants	411	504
Proceeds from sale of capital assets	71	21
Proceeds from issuance of debt	89	30,374
Proceeds from bond premium	1	830
Interest paid	(3,979)	(3,274)
Repayment of lease principal	(150)	(165)
Repayment of bond principal	(2,977)	(2,964)
Net cash flows provided by (used in) capital and related financing activities	(37,328)	9,240
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	6,633	6,967
Purchase of investments	-	(6,900)
Investment earnings	504	667
Net cash flows provided by investing activities	7,137	734
Net Increase (Decrease) in Cash and Cash Equivalents	(9,515)	35,005
Cash and Cash Equivalents, Beginning of Year	107,972	72,967
Cash and Cash Equivalents, End of Year	$ 98,457	$ 107,972

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY, MANKATO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(IN THOUSANDS)

	2012	2011
Operating Loss	$ (65,568)	$ (72,232)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	12,987	12,185
Provision for loan defaults	45	17
Loan principal repayments	898	845
Loans issued	(743)	(846)
Loans forgiven	81	111
Change in assets and liabilities		
Inventory	26	(58)
Accounts receivable	69	(770)
Accounts payable	261	405
Salaries and benefits payable	(5,097)	880
Other compensation benefits	42	208
Capital contributions payable	(105)	(112)
Unearned revenues	751	(109)
Other	(331)	(224)
Net reconciling items to be added to operating income	8,884	12,532
Net cash flows used in operating activities	$ (56,684)	$ (59,700)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 3,778	$ 2,827
Equipment purchased on account	85	70
Donated equipment	101	20
Loss on retirement of capital assets	(184)	(182)
Change in fair market value of investment	77	(126)
Investment earnings on account	57	110
Amortization of bond premium	216	216
Grants receivable	831	(131)

MINNESOTA STATE UNIVERSITY, MANKATO
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — The reporting policies of Minnesota State University, Mankato, 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 assets; statements of revenues, expenses, and changes in net assets; and statements of cash flows include financial activities of Minnesota State University, Mankato.

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. Minnesota State University, Mankato 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 Minnesota State University, Mankato Foundation, Inc. is considered significant to the University and is included as a discretely presented component unit and separately identified in Note 18. Complete financial statements may be obtained from the Minnesota State University, Mankato Foundation, Inc., 224 Alumni Foundation Center, 1536 Warren Street, Mankato, Minnesota 56001.

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

Minnesota State Colleges and Universities applies all applicable Financial Accounting Standards Board statements issued prior to November 30, 1989, and GASB statements issued since that date.

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 the Minnesota State Colleges and Universities as capital appropriation revenue when the related expenses are incurred. Individual colleges and universities are allocated cash, capital appropriation revenue, and debt based on capital project expenses.

Cash and Cash Equivalents —The cash balance represents cash in the state treasury and demand deposits in local bank accounts as well as cash equivalents. Cash equivalents are short term, 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 assets of revenue producing facilities, which are supported through usage. It has the authority to sell revenue bonds for the construction and maintenance of revenue producing facilities.

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

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

Cash in the Revenue Fund is invested separately. The Fund contracts with the Minnesota State Board of Investment and 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 actual cost methods.

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

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

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

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

Funds Held for Others — Funds held for others are primarily assets held for student organizations.

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

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

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

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

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances. See Note 12 for additional information.

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

Federal Grants — The University participates in several federal grant programs. The largest programs include Pell, Supplemental Educational Opportunity Grant, Federal Work Study, and TRIO. 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.

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

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

Net Assets — The difference between assets and liabilities is net assets. Net assets are further classified for accounting and reporting purposes into the following three net asset categories:

- *Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted expendable net assets:* Net assets subject to externally imposed stipulations. Net asset 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.
  Loans — University capital contributed for Perkins loans.
  Capital projects — restricted for completion of capital projects.
  Debt service — legally restricted for bond debt repayments.
  Faculty contract obligations — faculty development and travel required by contracts.

Net Assets Restricted for Other
(In Thousands)

	2012	2011
Donations	$ 181	$ 178
Loans	726	738
Capital projects	552	48
Debt service	8,218	6,147
Faculty contract obligations	1,623	1,568
Total	$ 11,300	$ 8,679

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

New Accounting Pronouncements — In December 2010, the GASB issued Statement No. 60, *Accounting and Reporting for Service Concession Arrangements.* The objective of this statement is to improve financial reporting by establishing recognition, measurement, and disclosure requirements for Service Concession Arrangements (SCA's) for both transferors and governmental operators, and by requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. In addition, it is designed to alleviate the confusion that can arise when determining what guidance should be applied in complex circumstances not previously specifically addressed in GASB literature. The requirements of this statement are effective for Minnesota State Colleges and Universities for the year ended June 30, 2013. The effect GASB Statement No. 60 will have on the fiscal year 2013 basic financial statements has not been determined.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

At June 30, 2012 and 2011, the University's local bank balances were $10,932,191and $3,604,757, 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 following tables summarizes cash and cash equivalents:

Year Ended June 30
(In Thousands)

Carrying Amount	2012	2011
Cash, in bank	$ 10,131	$ 2,664
Money markets	36	32
Change fund	12	12
Cash, trustee account (US Bank)	6,244	20,178
Total local cash and cash equivalents	16,423	22,886
Total treasury cash accounts	82,034	85,086
Grand Total	$ 98,457	$ 107,972

The cash accounts are invested in short term, liquid, high quality debt securities.

Investments — The Minnesota State Board of Investment manages the majority of the state's investments. All investments managed by Minnesota State Board of Investment are governed by Minnesota Statute, 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.

At June 30, the University's debt securities were rated equivalent to *Standard and Poor's* AAA.

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)				
	2012		2011	
Investment Type	Fair Value	Weighted Maturities (In Years)	Fair Value	Weighted Maturities (In Years)
US agencies	$ 740	11.27	$ 7,296	13.17

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are primarily receivables from individuals and businesses. At June 30, 2012 and 2011, the total accounts receivable balances for the University were $6,449,217 and $5,657,829, respectively, less an allowance for uncollectible receivables of $2,039,425 and $1,178,990, respectively. The allowance for uncollectible accounts has been computed using historical collection rates.

Summary of Accounts Receivable at June 30 (In Thousands)	2012	2011
Tuition	$ 2,395	$ 2,098
Sales and services	1,725	1,603
Fees	582	521
Room and board	621	549
Other	1,126	887
Total accounts receivable	6,449	5,658
Allowance for uncollectible accounts	(2,039)	(1,179)
Net accounts receivable	$ 4,410	$ 4,479

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state's Debt Service Fund for future general obligations bond payments in the amounts of $2,025,215 and $2,113,052 for fiscal years 2012 and 2011, 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 2012 and 2011 respectively, is $182,170 and $155,242, stemming from prepaid software maintenance agreements and prepaid conference registrations.

5. LOANS RECEIVABLE

Loans receivable balances primarily consist of loans under the Federal Perkins Loan Program. The federal government provides most of the funding for the loans with amounts collected used for new loan advances. Minnesota State Colleges and Universities' loan collections unit is responsible for loan collections for the University. At June 30, 2012 and 2011, the total loans receivable were $6,503,001 and $6,739,037, respectively, less an allowance for uncollectible loans of $297,568 and $252,299, respectively.

6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2012 and 2011 follow:

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 911	$ —	$ —	$ —	$ 911
Construction in progress	10,427	31,059	—	(12,352)	29,134
Total capital assets, not depreciated	11,338	31,059	—	(12,352)	30,045
Capital assets, depreciated:					
Buildings and improvements	312,326	—	—	12,352	324,678
Equipment	23,593	1,811	2,158	—	23,246
Internally developed software	138	—	—	—	138
Library collections	8,725	1,259	1,336	—	8,648
Total capital assets, depreciated	344,782	3,070	3,494	12,352	356,710
Less accumulated depreciation:					
Buildings and improvements	115,525	10,178	—	—	125,703
Equipment	16,473	1,554	2,241	—	15,786
Internally developed software	60	19	—	—	79
Library collections	5,036	1,236	1,336	—	4,936
Total accumulated depreciation	137,094	12,987	3,577	—	146,504
Total capital assets, depreciated, net	207,688	(9,917)	(83)	12,352	210,206
Total capital assets, net	$ 219,026	$ 21,142	$ (83)	$ —	$ 240,251

Year Ended June 30, 2011
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 911	$ —	$ —	$ —	$ 911
Construction in progress	38,071	15,854	—	(43,498)	10,427
Total capital assets, not depreciated	38,982	15,854	—	(43,498)	11,338
Capital assets, depreciated:					
Buildings and improvements	268,828	—	—	43,498	312,326
Equipment	23,971	1,734	2,112	—	23,593
Internally developed software	138	—	—	—	138
Library collections	8,483	1,326	1,084	—	8,725
Total capital assets, depreciated	301,420	3,060	3,196	43,498	344,782
Less accumulated depreciation:					
Buildings and improvements	106,537	8,988	—	—	115,525
Equipment	16,758	1,931	2,216	—	16,473
Internally developed software	40	20	—	—	60
Library collections	4,874	1,246	1,084	—	5,036
Total accumulated depreciation	128,209	12,185	3,300	—	137,094
Total capital assets, depreciated, net	173,211	(9,125)	(104)	43,498	207,688
Total capital assets, net	$ 212,193	$ 6,729	$ (104)	$ —	$ 219,026

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)

	2012	2011
Purchased services	$ 1,055	$ 1,248
Supplies	1,178	1,048
Salaries	294	275
Repairs and maintenance	428	80
Capital projects	1,463	486
Equipment	86	70
Library materials	79	123
Inventory	10	10
Other	190	233
Total	$ 4,783	$ 3,573

In addition, as of June 30, 2012 and 2011, the university had payables from restricted assets in the amounts of $2,315,076 and $2,341,725, respectively, 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 assets.

The changes in long term debt for fiscal years 2012 and 2011 follow:

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 2,944	$ 1	$ 216	$ 2,729	$ —
Capital leases	1,546	—	150	1,396	157
General obligation bonds	21,259	89	1,394	19,954	1,348
Revenue bonds	76,251	—	1,629	74,622	2,764
Total long term debt	$ 102,000	$ 90	$ 3,389	$ 98,701	$ 4,269

Year Ended June 30, 2011
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 2,330	$ 830	$ 216	$ 2,944	$ —
Capital leases	1,711	—	165	1,546	149
General obligation bonds	21,685	964	1,390	21,259	1,394
Revenue bonds	48,410	29,410	1,569	76,251	1,629
Total long term debt	$ 74,136	$ 31,204	$ 3,340	$ 102,000	$ 3,172

The changes in other compensation benefits for fiscal years 2012 and 2011 follow:

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 12,407	$ 1,371	$ 1,365	$ 12,413	$ 1,484
Early termination benefits	299	46	299	46	46
Net other postemployment benefits	1,922	1,054	711	2,265	—
Workers' compensation	1,281	736	790	1,227	552
Total other compensation benefits	$ 15,909	$ 3,207	$ 3,165	$ 15,951	$ 2,082

Year Ended June 30, 2011
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 13,254	$ 585	$ 1,432	$ 12,407	$ 1,365
Early termination benefits	225	299	225	299	299
Net other postemployment benefits	1,428	998	504	1,922	—
Workers' compensation	793	948	460	1,281	563
Total other compensation benefits	$ 15,700	$ 2,830	$ 2,621	$ 15,909	$ 2,227

Bond Premium — In fiscal years 2012 and 2011, general obligation bonds were issued resulting in premiums of $649 and $450,023, respectively. In fiscal year 2011, revenue bonds were issued resulting in a premium of $379,717. Prior to that in fiscal years 2009 and 2006, revenue bonds were issued resulting in premiums of $16,536 and $1,640,942, respectively. Amortization of the bond premium is calculated using the straight line method and amortized over the remaining life of the bonds.

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

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

Revenue Bonds— The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $300,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for residence hall, student union, food service, wellness facility, and other revenue-producing facilities at institutions within the Minnesota State Colleges and Universities system. Revenue bonds currently outstanding have interest rates between 2.5 percent and 6.5 percent.

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through fiscal year 2033. Annual principal and interest payments on the bonds are expected to require less than 21.97 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $113,804,329. Principal and interest paid for the current year and total customer net revenues were $5,223,835 and $27,979,725, respectively.

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

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

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

Workers' Compensation — The state of Minnesota Department of Management and Budget manages the self insured workers' compensation claims activities. The reported liability for workers' compensation of $1,226,778 and $1,280,359, at June 30, 2012 and 2011, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end, and is an undiscounted estimate of future payments.

Capital Contributions — The liabilities of $6,272,586 and $6,378,106, at June 30, 2012 and 2011, respectively, represent the amounts the University would owe the federal government if it were to discontinue the Perkins loan program. The net change is a $105,520 decrease and a $112,294 decrease for the fiscal years 2012 and 2011, respectively.

Principal and interest payment schedules are provided in the following table for capital leases, 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, or capital contributions.

Long Term Debt Repayment Schedule
(In Thousands)

Fiscal Years	Capital Leases		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 157	$ 62	$ 1,348	$ 936	$ 2,764	$ 3,384
2014	164	55	1,348	871	2,853	3,280
2015	172	47	1,299	805	2,977	3,166
2016	181	38	1,285	741	3,073	3,041
2017	189	29	1,271	678	3,220	2,910
2018-2022	533	32	6,345	2,447	18,140	12,225
2023-2027	—	—	5,478	976	18,340	7,909
2028-2032	—	—	1,580	83	20,970	3,211
2033-2037	—	—	—	—	2,285	57
Total	$ 1,396	$ 263	$ 19,954	$ 7,537	$ 74,622	$ 39,183

9. EARLY TERMINATION BENEFITS

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

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.

A 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, are 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 2012 and 2011 follow.

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2012	4	$ 46
2011	14	267

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 2012 and 2011 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2012	—	$ —
2011	2	32

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, 2010, there were approximately 51 retirees receiving health benefits from the health plan.

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

The following table shows the components of the annual OPEB cost (expense) for 2012 and 2011, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Components of the Annual OPEB Cost
(In Thousands)

	2012	2011
Annual required contribution (ARC)	$ 1,037	$ 985
Interest on net OPEB obligation	91	68
Adjustment to ARC	(74)	(55)
Annual OPEB cost	1,054	998
Contributions during the year	(711)	(504)
Increase in net OPEB obligation	343	494
Net OPEB cost, beginning of year	1,922	1,428
Net OPEB cost, end of year	$ 2,265	$ 1,922

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012 and 2011, were as follows:

Year Ended June 30
(In Thousands)

	2012	2011
Beginning of year net OPEB obligation	$ 1,922	$ 1,428
Annual OPEB cost	1,054	998
Employer contribution	(711)	(504)
End of year net OPEB obligation	$ 2,265	$ 1,922
Percentage contributed	67.46%	50.50%

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2010	$ —	$9,869	$9,869	0.00%	$101,968	9.68%

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, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent discount rate, which is based on the estimated long term investment yield on the general assets, using an underlying long term inflation assumption of 3 percent The annual healthcare cost trend rate is 6.25 percent initially, reduced incrementally to an ultimate rate of 5 percent after twenty years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30 year period.

11. LEASE AGREEMENTS

Operating Leases — The University is committed under various leases primarily for building space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2012 and 2011, totaled approximately $1,199,998 and $880,194, respectively. Future minimum lease payments for existing lease agreements are as follows.

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2013	$ 2,552
2014	1,024
2015	839
2016	651
2017	649
2018	54
Total	$ 5,769

Capital Leases — In fiscal year 2005, the University entered into a 15 year, $3,281,428 (principal and interest) capital lease for an emergency generator. This lease meets the criteria of a capital lease as defined by the FASB ASC 840, *Leases*, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. See Note 8 for principal and interest payment schedules.

Income Leases — The University has entered into several income lease agreements, primarily for building space. Lease income for the years ended June 30, 2012 and 2011, totaled $186,994 and $235,571, respectively, and are included in other income in the statements of revenues, expenses, and changes in net assets. Future expected income receipts for existing lease agreements are as follows:

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2013	$ 186
2014	169
2015	83
2016	32
2017	25
2018-2022	51
Total	$ 546

12. TUITION, FEES, AND SALES, NET

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

Year Ended June 30
(In Thousands)

	2012			2011		
Description	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 95,156	$ (24,063)	$ 71,093	$ 90,083	$ (22,014)	$ 68,069
Fees	9,159	(1,165)	7,994	9,007	(1,256)	7,751
Sales	10,616	—	10,616	10,529	—	10,529
Restricted student payments	27,844	(416)	27,428	27,020	(619)	26,401
Total	$ 142,775	$ (25,644)	$ 117,131	$ 136,639	$ (23,889)	$ 112,750

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2012
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 13,813	$ 3,859	$ 10,386	$ 166	$ 28,224
Institutional support	7,934	3,184	7,202	95	18,415
Instruction	48,175	13,761	12,335	582	74,853
Public service	1,475	247	1,092	18	2,832
Research	1,222	283	1,398	15	2,918
Student services	12,729	4,005	9,485	154	26,373
Auxiliary enterprises	8,134	1,925	18,822	2,907	31,788
Scholarships & fellowships	—	—	2,242	—	2,242
Less interest expense	—	—	—	(3,937)	(3,937)
Total operating expenses	$ 93,482	$ 27,264	$ 62,962	$ —	$ 183,708

Year Ended June 30, 2011
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 13,492	$ 3,815	$ 8,790	$ 188	$ 26,285
Institutional support	9,203	3,393	6,878	128	19,602
Instruction	51,463	14,477	12,020	717	78,677
Public service	1,516	299	943	21	2,779
Research	1,494	335	1,451	21	3,301
Student services	12,237	3,786	8,622	170	24,815
Auxiliary enterprises	7,960	2,069	17,307	2,560	29,896
Scholarships & fellowships	—	—	3,880	—	3,880
Less interest expense	—	—	—	(3,805)	(3,805)
Total operating expenses	$ 97,365	$ 28,174	$ 59,891	$ —	$ 185,430

14. EMPLOYEE PENSION PLANS

Minnesota State University, Mankato participates in three retirement plans: the State Employees Retirement Fund administered by the Minnesota State Retirement System; the Teachers Retirement Fund administered by the Minnesota Teachers Retirement Association, and the Minnesota State Colleges and Universities Defined Contribution Retirement Plan.

State Employees Retirement Fund (SERF)

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

The SERF is a cost sharing, multiple employer defined benefit plan. All classified employees are covered by this plan. A classified employee is one who serves in a civil service position. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates are 1.2 percent and 1.7 percent of the members' average salary, which is defined as the highest salary paid in five successive years of service. Minnesota State Colleges and Universities, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.
The statutory authority for SERF is Minnesota Statutes, Chapter 352. For fiscal year 2010, the funding requirement for both employer and employee was 4.75 percent. For fiscal year 2011 and 2012, the funding requirement was 5 percent for both employer and employee. Actual contributions were 100 percent of required contributions.

Required contributions for Minnesota State University, Mankato were:

(In Thousands)	
Fiscal Year	Amount
2012	$ 1,127
2011	1,173
2010	1,083

Teachers Retirement Fund (*TRF*)

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

The TRF is a cost sharing, multiple employer defined benefit plan. Teachers and other related professionals may participate in TRF. Normal retirement age is 65. Coordinated membership includes participants who are covered by the Social Security Act. The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for coordinated members range from 1.2 percent and 1.7 percent for service rendered before July 1, 2006, and 1.4 percent and 1.9 percent for service rendered on or after July 1, 2006. Minnesota State Colleges and Universities, an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for TRF is Minnesota Statutes, Chapter 354. For fiscal years 2010 and 2011, the funding requirement was 5.5 percent for both employer and employee coordinated members. For fiscal year 2012, the funding requirement was 6 percent for both employer and employee coordinated members. Beginning July 1, 2011, both employee and employer contribution rate increases were and will continue to be phased in with a 0.5 percent increase occurring every July 1 over three years until it reaches a contribution rate of 7.5 percent on July 1, 2014. Actual contributions were 100 percent of required contributions.

Required contributions for Minnesota State University, Mankato were:

(In Thousands)	
Fiscal Year	Amount
2012	$ 514
2011	547
2010	624

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, Minnesota 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 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 Minnesota State University, Mankato were:

(In Thousands)		
Fiscal Year	Employer	Employee
2012	$ 2,919	$ 2,180
2011	2,964	2,195
2010	2,958	2,196

Supplemental Retirement Plan (*SRP*)

Participation — Each 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 the eligible compensation up to a defined maximum annual contribution as specified in the following table:

Member Group	Eligible Compensation	Maximum Annual Contribution
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

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

Required contributions for Minnesota State University, Mankato were as follows:

Required Contributions (In Thousands)	
Fiscal Year	Amount
2012	$ 1,318
2011	1,386
2010	1,474

General Employees Retirement Fund (GERF)

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

The GERF is a cost sharing, multiple employer defined benefit plan. Former employees of various governmental subdivisions including counties, cities, school districts and related organizations participate in the plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for members are 1.2 percent and 1.7 percent. Minnesota State Colleges and Universities, an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for GERF is Minnesota Statutes, Chapter 353. GERF establishes the employer and employee contribution rates on a calendar year basis rather than on a fiscal year basis. For the period January 1, 2009 through December 31, 2009, employee and employer contribution rates were 6 percent and 6.75 percent, respectively. For the period January 1, 2010 through December 31, 2010, employee and employer contribution rates were 6 percent and 7 percent, respectively. Effective January 1, 2011 and thereafter, employee and employer contribution rates were 6.25 percent and 7.25 percent, respectively. Actual contributions were 100 percent of required contributions.

Required contributions for Minnesota State University, Mankato were as follows:

(In Thousands)		
Fiscal Year	Employer	Employee
2012	$ —	$ —
2011	3	2
2010	4	3

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, and liabilities that are required by an external party to be accounted for separately.

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

Minnesota State University, Mankato Portion of the Revenue Fund
(In Thousands)

	2012	2011
CONDENSED STATEMENTS OF NET ASSETS		
Assets:		
Current assets	$ 14,494	$ 16,092
Current restricted assets	15,367	34,494
Noncurrent restricted assets	24,447	6,397
Noncurrent capital assets, net	77,729	73,040
Total assets	132,037	130,023
Liabilities:		
Current liabilities	7,753	6,365
Noncurrent liabilities	73,914	76,712
Total liabilities	81,667	83,077
Net Assets:		
Invested in capital assets, net of related debt	31,567	29,632
Restricted	18,803	17,314
Total net assets	$ 50,370	$ 46,946
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	$ 27,980	$ 27,073
Operating expenses	21,730	21,071
Net operating income	6,250	6,002
Nonoperating revenues (expenses)	(2,770)	(2,402)
Loss on disposal of capital assets	(56)	(5)
Change in net assets	3,424	3,595
Net assets, beginning of year	46,946	43,351
Net assets, end of year	$ 50,370	$ 46,946
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ 10,088	$ 9,946
Investing activities	57	78
Capital and related financing activities	(30,802)	16,419
Net increase (decrease)	(20,657)	26,443
Cash, beginning of year	49,444	23,001
Cash, end of year	$ 28,787	$ 49,444

16. COMMITMENTS AND CONTINGENCIES

Minnesota State Colleges and Universities is in negotiations with faculty bargaining units for the 2011-2013 contract period. Furthermore, the state of Minnesota legislative sub-committee on employee relations rejected settlements reached by the State with the MAPE and AFSCME employee bargaining units for the same period. As a result, these contracts have not been implemented. It is possible that the full legislature will consider and approve the settlements, during the regular legislative session. Whether there will be retroactive compensation owed to state employees as a result of negotiated settlements, and the impact that such settlements may have on the fiscal year 2012 financial statements, remains unknown. Therefore, no provision for related expense or liability, if any, has been reflected in these financial statements.

New commitments made by the University during fiscal year 2012 include multiple building improvement projects. New commitments for building projects, worth approximately $8.7 million, are for projects such as a new building design, residence hall renovations, and other miscellaneous building improvements.

Most of the smaller building improvement projects are expected to be completed during fiscal year 2013. The four largest building construction and improvement commitments made during fiscal year 2012 were for the clinical science building design, the Morris Hall HVAC renovation project, the library connection to the student union tunnel project, and the Crawford/McElroy Residence Hall renovation project.

The design phase of the clinical science building, funded by general obligation bonds, is expected to be completed in December 2013 at a cost of $2.1 million. The Morris Hall HVAC renovation project, funded by general obligation bonds, is expected to be completed in August 2013 at a cost of $1.7 million. The library connection to the student union tunnel project, primarily funded by general fund operating funds, is expected to be completed in September 2013 at a cost of $1.3 million. The Crawford/McElroy Residence Hall renovation project, funded by revenue fund operating funds, is expected to be completed in August 2012 at a cost of $2.4 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 manage these risks through state of Minnesota insurance plans including the state of Minnesota Risk Management Fund and through purchased insurance coverage.

Automobile liability coverage is required by the state and is provided by the Minnesota Risk Management Fund. The University purchased optional physical damage coverage for all vehicles.

Property and casualty coverage is required by Minnesota State Colleges and Universities policy. The University also selected professional liability insurance for employed physicians and student health services professional liability insurance. The Minnesota Risk Management Fund provides the following coverage levels.

Coverage	Amount
Institution deductible (Academic & Residential Life)	$100,000
Institution deductible (Centennial Student Union)	$25,000
Fund responsibility	Deductible to $1,000,000
Primary reinsurer coverage	$1,000,001 to $25,000,000
Catastrophic Insurance	$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	$2,000,000
Maintenance deductible for additional claims	$25,000

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

The Minnesota Risk Management Fund purchased student intern professional liability and dental clinics 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 is covered through state participation in the Workers' Compensation Reinsurance Association, which pays for catastrophic workers' compensation claims. Other workers' compensation risks are covered through self insurance for which Minnesota State Colleges and Universities pays the cost of claims through the state Workers' Compensation Fund.

A Minnesota State Colleges and Universities' workers' compensation payment pool helps institutions manage the volatility of such claims. Annual premiums are assessed by the pool based on salary dollars and claims history. From this pool, all workers' compensation claims are paid to the state Workers' Compensation Fund.

The following table presents changes in the balances of workers' compensation claims liability during the fiscal years ended June 30, 2012 and 2011.

(In Thousands)

	Beginning Liability	Net Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/12	$ 1,281	$ 736	$ 790	$ 1,227
Fiscal Year Ended 6/30/11	793	948	460	1,281

18. COMPONENT UNITS

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

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

The Foundation is considered a component unit of the University and their statements are discretely presented in the University's financial statements.

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB ASC 958-205, *Presentation of Financial Statements*.

Net assets, which are classified on the existence or absence of donor imposed restrictions, are classified and reported according to the following classes:

- *Unrestricted*: Net assets that are not subject to donor imposed stipulations.
- *Temporarily Restricted*: Net assets subject to donor imposed restrictions as to how the assets are to be used.

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

The University has an agreement with the Minnesota State University, Mankato Foundation, Inc. whereby the University has agreed to furnish services for the operation of the Foundation. The values of such services are estimated at $1,397,595 and $1,404,418, for fiscal years 2012 and 2011, respectively, and are included in the university's expenses.

During fiscal years 2012 and 2011, the foundation expended $3,306,565 and $3,036,683, respectively, for University educational program purposes. Approximately $1,017,186 and $956,416 of the total went to support student scholarships, talent grants, and other awards in fiscal years 2012 and 2011, respectively.

In addition to providing the University with supplemental funds for current operations, the Foundation's net assets decreased by $1,492,891 and increased by $7,384,885, for fiscal years 2012 and 2011, respectively.

An estimated $750,885 and $754,567, of revenues and expenditures in fiscal years 2012 and 2011, respectively, are included in both the Foundation's and the University's revenues and expenditures. This situation results from planned transfers of Foundation funds to the University, whereby actual subsequent purchases are made from University accounts.

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)

	2012	2011
Equity mutual funds	$ 24,269	$ 23,765
Fixed income mutual funds	10,752	11,764
Exchange traded funds	3,633	3,951
Common stock	227	265
Other investments	219	228
Life insurance contracts	135	125
Government obligations	84	85
Fixed income securities	3	3
Total investments	$ 39,322	$ 40,186

Capital Assets—Summaries of the Foundation's capital assets for fiscal years 2012 and 2011 are:

Schedule of Capital Assets at June 30
(In Thousands)

	2012	2011
Capital assets, not depreciated:		
Land	$ 1,004	$ 1,004
Total capital assets, not depreciated	1,004	1,004
Capital assets, depreciated:		
Equipment	246	246
Total capital assets, depreciated	246	246
Total accumulated depreciation	(246)	(246)
Total capital assets depreciated, net	—	—
Total capital assets, net	$ 1,004	$ 1,004

Long Term Obligations — Minnesota State University, Mankato Foundation, Inc. has bonds payable for the Taylor Center of $226,666. The final payment on the bonds will be paid in 2013.

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, 2012 are as follows:

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

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 409	$ 31,846	$ 32,255
Change in value of trusts	—	(60)	(60)
Contributions	8	612	620
Amounts appropriated for expenditures	(20)	(26)	(46)
Net assets, end of year	$ 397	$ 32,372	$ 32,769

Changes in endowment net assets as of June 30, 2011 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2011
(In Thousands)

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 415	$ 30,773	$ 31,188
Change in value of trusts	—	45	45
Contributions	20	764	784
Amounts appropriated for expenditures	(27)	264	237
Other transfers	1	—	1
Net assets, end of year	$ 409	$ 31,846	$ 32,255

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

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MINNESOTA STATE UNIVERSITY, MANKATO
SCHEDULE OF FUNDING PROGRESS FOR NET OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2006	$ —	$ 8,008	$ 8,008	0.00%	$ 91,738	8.73%
July 1, 2008	—	9,405	9,405	0.00	91,822	10.24
July 1, 2010	—	9,869	9,869	0.00	101,968	9.68

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SUPPLEMENTARY SECTION

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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 University, Mankato
Minnesota State Colleges and Universities
St. Paul, Minnesota

We have audited the financial statements of Minnesota State University, Mankato, a campus of Minnesota State Colleges and Universities, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We did not audit the financial statements of Minnesota State University, Mankato Foundation Inc., a component unit of the University. These statements were audited by other auditors for the year ended June 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Minnesota State University, Mankato Foundation Inc. were not audited in accordance with *Government Auditing Standards.*

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, the Board of Trustees and state regulatory agencies and is not intended to be and should not be used by anyone other than those specified parties.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
December 21, 2012

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