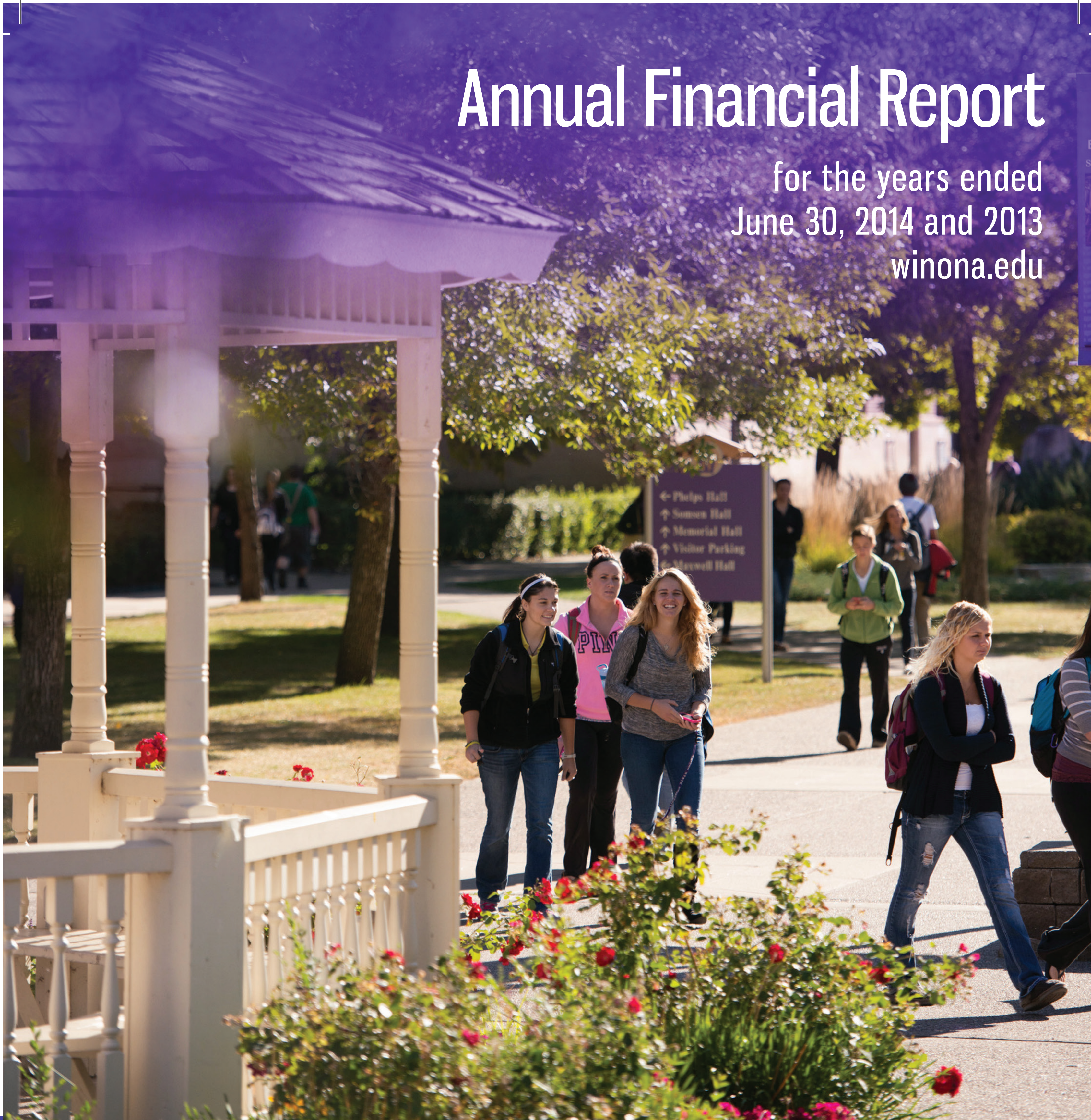
Annual Financial Report

for the years ended
June 30, 2014 and 2013
winona.edu



WINONA
STATE UNIVERSITY

A community of learners improving our world

A member of the Minnesota State Colleges and Universities system.

WINONA STATE UNIVERSITY

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2014 and 2013

Prepared by:

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

Upon request, this publication is available in alternate formats by calling one of the following:
General number (651) 201-1800
Toll free: 1-888-667-2848
For TTY communication, contact Minnesota Relay Service at 7-1-1 or 1-800-627-3529.

WINONA STATE UNIVERSITY

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

TABLE OF CONTENTS

INTRODUCTION

This page intentionally left blank

INTRODUCTION

This page intentionally left blank

WINONA
STATE UNIVERSITY

November 12, 2014

Board of Trustees
Steven J. Rosenstone, Chancellor
Minnesota State Colleges & Universities
500 World Trade Center
30 East Seventh Street
St. Paul, Minnesota 55101

Dear Trustees and Chancellor Rosenstone:

We are pleased to submit the financial report of Winona State University for the Fiscal Years 2014 and 2013. The accompanying statements show the university's financial position and results of operations ending on June 30, 2014 and 2013. For a summary review and explanation of the financial statements, please review the Management's Discussion and Analysis section of this report.

The terrain of higher education is ever-changing, and Winona State University is well poised to adapt and flourish. We're off to a solid start, thanks to our purposeful decision to enact the Board Early Separation Incentive program in fiscal year 2014. That decision, combined with the tuition freeze approved by the Minnesota Legislature, has provided us flexibility in our budgets and allowed us to respond fluidly to the changing times.

We are actively taking the next steps to ensure Winona State University has a bright future. We have identified six themes focused on shared values and core capabilities that will help guide our strategic planning process. We have convened a Long Range Planning Committee to develop a framework for campus engagement and implementation. We are busy launching our new enrollment plan, which identifies targeted goals for diversifying our student body and improving the success of all students. Our focus is not just on what's coming around the bend tomorrow or the next fiscal year, but on what's in store for the next one hundred and fifty years of this fine institution.

Every year Winona State University faculty, staff and students engage with the Winona community to focus on a yearlong theme for education and celebration, and this year's theme is worth calling to your attention. "Sustainable Futures" speaks to planning ahead for the costs of growth and the challenges our society is facing. Our theme events are addressing climate change, agriculture and food scarcity, diversity, entrepreneurship, healthcare, personal finance, and many others, all in the name of building a better world, not just for our generation but for generations to come.

We are equally committed to a sustainable future for Winona State University. We have a strong, balanced budget. Our enrollment is solid and stable. Our faculty, staff, students and more than 50,000 alumni are making a difference on our campus, in our community, and around the world. Winona State University is working to meet the needs of the present while planning ahead to support the needs of future generations.

President's Office
Winona State University
P.O. Box 5838
Winona, Minnesota 55987.5838

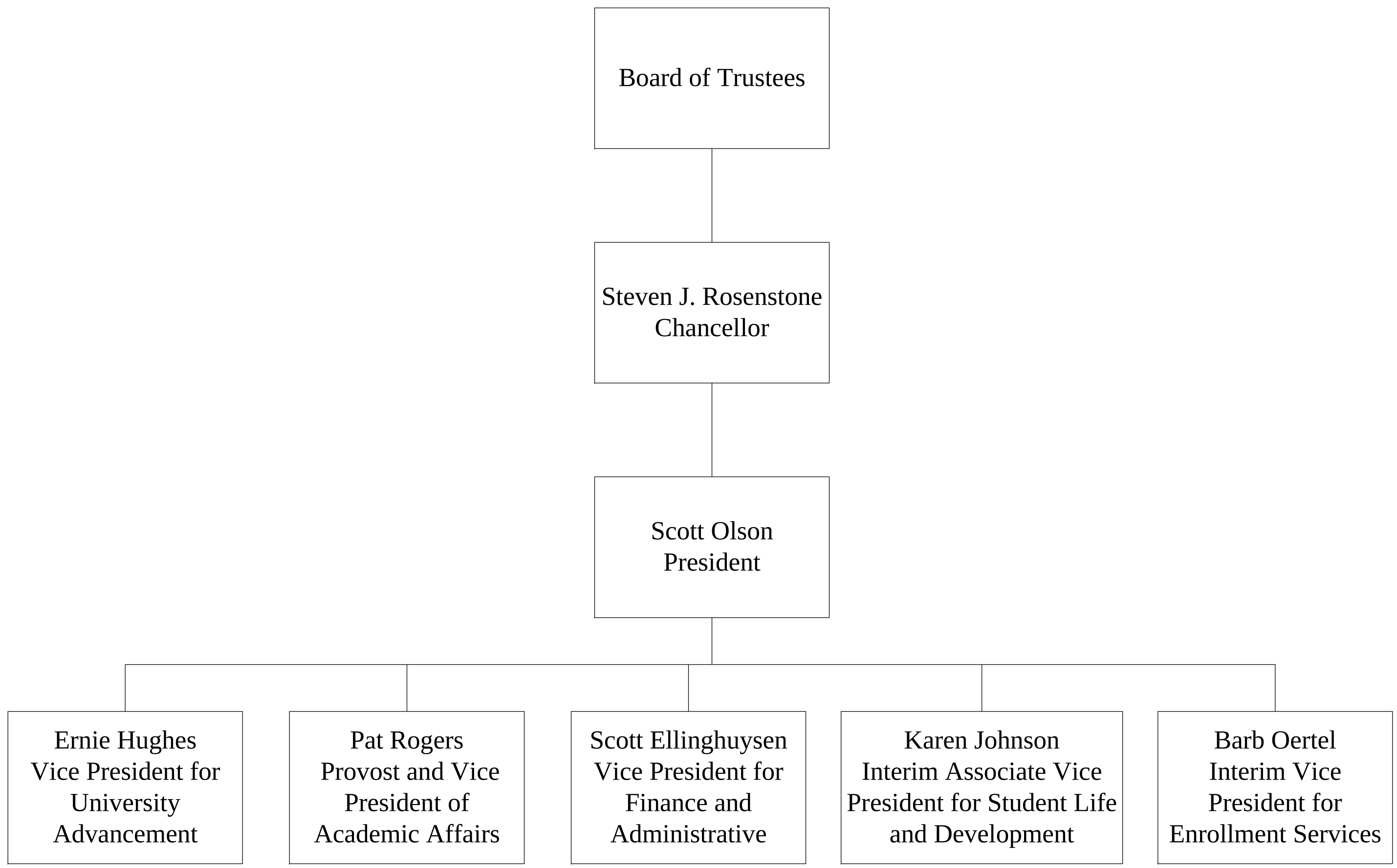
1.800.DIAL.WSU or 507.457.5003
Fax 507.457.2415
SOlson@winona.edu
www.winona.edu

Responsibility for the accuracy, fairness, and completeness of the information in this report rests with the Finance and Administration staff from Winona State University and the Finance Division staff from the System Office. Thank you for the trust you have placed in us as good stewards of the public's resources. Winona State University is a proud member of the Minnesota State Colleges and Universities, and we appreciate all that you do to support our mission of improving our world.

Sincerely,

Dr. Scott R. Olson
President, Winona State University

Winona State University
Organizational Chart



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

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

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

FINANCIAL SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Auditors' Responsibility (Continued)

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

Opinions

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

Other Information

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Winona State University, a member of the Minnesota State Colleges and Universities, for the fiscal years ended June 30, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Winona State University is one of 31 colleges and universities comprising Minnesota State Colleges and Universities. The Minnesota State Colleges and Universities system is governed by a 15 member Board of Trustees appointed by the Governor. Twelve trustees serve six year terms, eight representing each of Minnesota's congressional districts and four serving at large. Three student trustees, one from a state university, one from a community college and one from a technical college, serve two year terms. The Board of Trustees selects the Chancellor and has broad policy responsibility for system planning, academic programs, fiscal management, personnel, admissions requirements, tuition and fees, and policies and procedures.

The University is a comprehensive public higher education institution that serves more than 8,200 students including 384 graduate and professional students. Approximately 1,100 faculty and staff members are employed by the University. Founded in 1858, Winona State University is the oldest member of the Minnesota State Colleges and Universities System. The University is a premier regional university offering more than 75 academic and 10 pre-professional, certificate, and licensure, graduate, and doctorate programs between its two campuses: the Main campus, in Winona, MN, and Winona State University-Rochester in Rochester, MN. The University is accredited by 11 national accrediting agencies, including the Association to Advance Collegiate Schools of Business International (AACSB) and the Higher Learning Commission (HLC).

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

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

FINANCIAL HIGHLIGHTS

The University's financial position remained sound during fiscal year 2014. The University experienced an increase of $2.3 million in the state appropriation revenue. The University's sound financial position was strengthened by a slight increase in tuition revenue of $0.5 million; despite the increase in appropriation revenue and tuition payments the university did experience a decrease of $1.2 million in restricted student payments.

For the fiscal year ended June 30, 2014, assets totaled $258.4 million while liabilities totaled $85.9 million. Net position, which represent the residual interest in the University's assets after liabilities are deducted, is comprised of net investment in capital assets of $120.7 million, restricted assets of $19.1 million and unrestricted assets of $32.7 million. The fiscal year 2014 net position total of $172.5 million represents a decrease of $3.1 million over fiscal year 2013 and an increase of $2.9 million over fiscal year 2012. The fiscal year 2014 unrestricted net position total of $32.7 million constitutes a $4.2 million decrease over the fiscal year 2013 total of $36.9 and a $2.7 million increase over 2012.

Operating revenue decreased $0.7 million from fiscal year 2013 to fiscal year 2014. This follows a $0.3 million decrease from fiscal year 2012 to fiscal year 2013. The two year total decrease of $1.0 million is due primarily to enrollment decline of 1 percent during the period. Operating expenses increased $10.0 million from fiscal year 2013 to fiscal year 2014. This increase in expenses was primarily due to an $8.0 million increase in salaries and benefits along with a $1.4 million increase in other expenses which consisted of an increase in bonds and insurance, student travel and indirect costs.

USING THE FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

The statements of net position present the financial position of the University at the end of the fiscal year and include all assets and liabilities of the University as measured using the accrual basis of accounting. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Capital assets are stated at historical cost, less an allowance for depreciation, with current year depreciation reflected as a period expense on the statement of revenues, expenses and changes in net position. A summary of the University's assets, liabilities and net position as of June 30, 2014, 2013 and 2012, respectively, is as follows:

Summarized Statements of Net Position
(In Thousands)

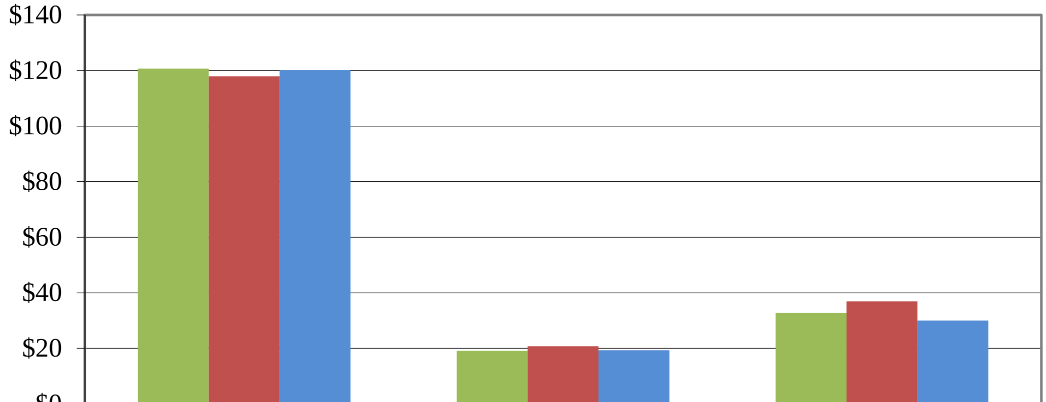
	2014	2013	2012
Assets			
Current assets	$ 78,236	$ 80,262	$ 69,695
Current restricted assets	7,603	9,471	9,519
Noncurrent restricted assets	-	74	1,421
Student loans, net	2,086	2,079	1,997
Capital assets, net	170,445	168,281	171,694
Total assets	258,370	260,167	254,326
Liabilities			
Current liabilities	25,469	20,325	19,931
Noncurrent liabilities	60,404	64,245	64,846
Total liabilities	85,873	84,570	84,777
Net Position			
Net investment in capital assets	120,696	117,904	120,213
Restricted	19,074	20,792	19,325
Unrestricted	32,727	36,901	30,011
Total net position	$ 172,497	$ 175,597	$ 169,549

Current unrestricted assets consist primarily of cash and cash equivalents and investments totaling $72.4 million at June 30, 2014. This is a decrease of $1.7 million over fiscal year 2013 and represents 6.6 months of operating expenses (excluding depreciation). This is compared to 7.3 months and 6.6 months for the fiscal years ended June 30, 2013 and 2012, respectively. Noncurrent assets of $172.5 million, represents the value of land, buildings, construction in progress, equipment, library collections, and federal Perkins loans receivable. The total value of noncurrent assets is reduced by accumulated depreciation.

Current liabilities consist primarily of accounts payable and salaries and benefits payable, compensated absences, workers' compensation, current portion of long-term debt, and unearned revenue. Salaries and benefits payable totaled $11.0 million at June 30, 2014, which was $3.8 million higher than the previous fiscal year. Early retirement incentives along with contract settlements account for a significant portion of the salaries payable increase. Unearned revenue consists of summer session tuition and grant receipts received, but not yet earned. At June 30, 2014, $3.2 million was held as unearned revenue. Summer session began in May and ended in August 2014, with tuition being allocated based on the number of session days in fiscal year 2014.

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

Comparison of Net Position
Fiscal Years 2014, 2013 and 2012
(In Millions)



	Net Investment in Capital Assets	Restricted	Unrestricted
2014	120.69	19.07	32.73
2013	117.90	20.79	36.90
2012	120.21	19.33	30.01

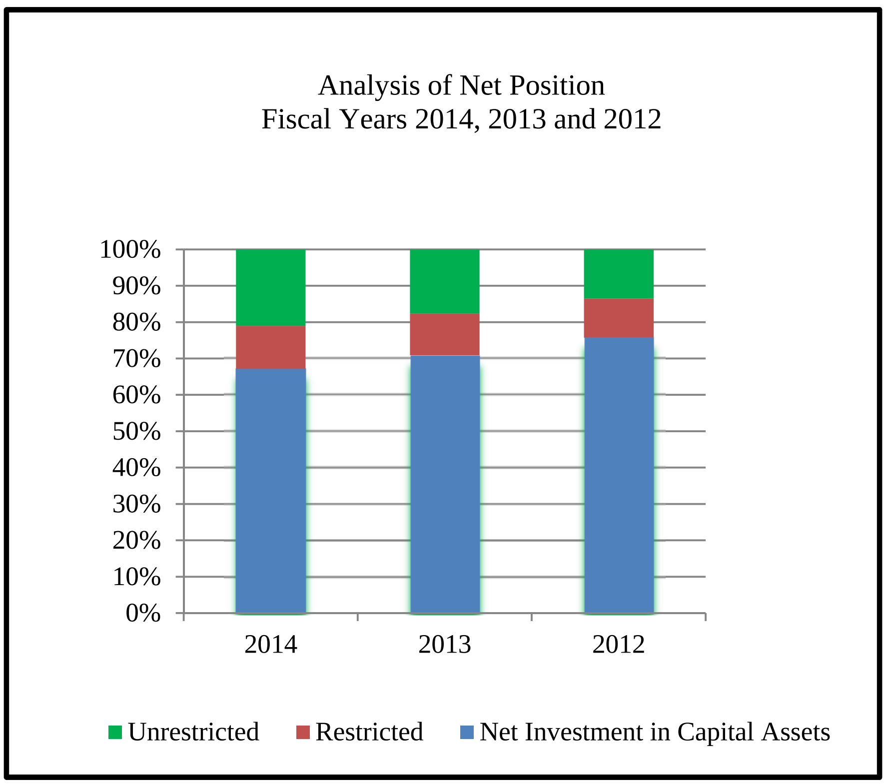
Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Restricted net position primarily includes donations received for specific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

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in maintaining the quality of the University's academic programs and student life programs is the development and renewal of its property, plant, and equipment. The University continues to implement its long-range plan to modernize its older facilities while planning for new additions and / or construction. Capital assets, net of accumulated depreciation, totaled $170.4 million as of June 30, 2014. This represents an increase of $2.1 million compared to June 30, 2103 and a decrease of $2.7 million from June 30, 2012. Capital outlays primarily consist of recently completed new buildings, replacement and renovation of existing facilities, as well as significant investments in equipment and library materials. Capital outlay totaled $12.7 million in 2014, an increase of $8.0 million from 2013. Significant capital outlays made in fiscal year 2014 include the renovation of academic facilities, student residence halls, bookstore, and student center.

Long-term debt payable on June 30, 2014 consisted of $11.7 million of general obligation bonds, $37.6 of revenue bonds, bond premiums of $1.6 million and $1.5 million of notes payable. The general obligation bonds are primarily used to finance construction of buildings and repairs. Additional information on capital debt and debt activities can be found in notes 6 and 8 in the financial statements.

As the graph illustrates, 70.0 percent of the University's net position is related to the investment in capital assets.



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

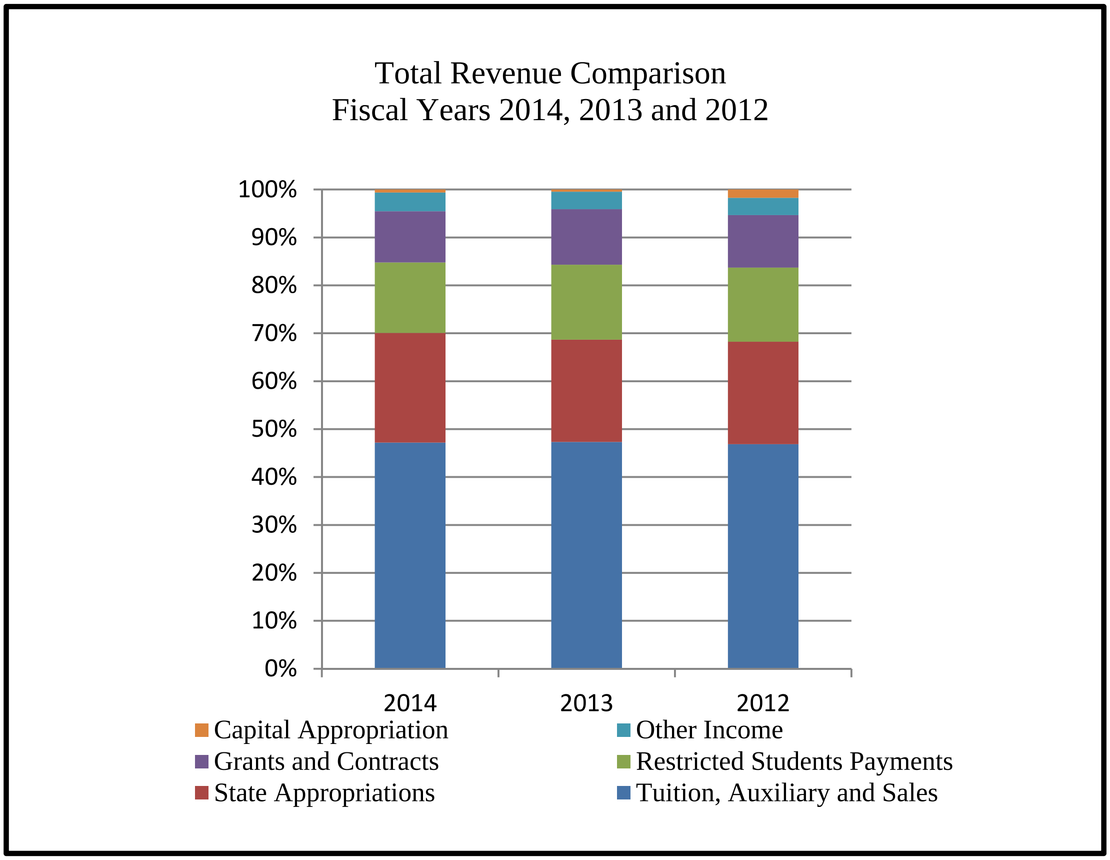
The statements of revenues, expenses and changes in net position present the University's results of operations for the year. When reviewing the full statement, please note that GASB requires classification of state appropriations as non-operating revenue. A summarized statement for the years ended June 30, 2014, 2013 and 2012, respectively, follows:

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

(In Thousands)

	2014	2013	2012
Operating revenues:			
Tuition, net	$ 44,366	$ 43,826	$ 43,483
Fees, net	5,444	5,381	5,535
Sales, net	16,210	16,704	16,638
Restricted student payments, net	20,590	21,756	21,678
Other income	1,437	1,085	1,732
Total operating revenues	88,047	88,752	89,066
Non-operating revenues:			
State appropriations	32,033	29,752	29,957
Federal, state, and private grants	17,669	18,857	18,186
Capital appropriations	894	639	2,439
Other	1,324	1,285	485
Total non-operating revenues	51,920	50,533	51,067
Total revenues	139,967	139,285	140,133
Operating expenses:			
Salaries and benefits	86,880	78,909	74,798
Supplies and other services	43,178	40,783	40,118
Depreciation	9,713	9,564	9,456
Financial aid, net	995	1,482	1,113
Total operating expenses	140,766	130,738	125,485
Non-operating expenses:			
Loss on disposal of assets	39	-	169
Grants to other organizations	33	127	374
Interest Expense	2,229	2,372	2,535
Total nonoperating expenses	2,301	2,499	3,078
Total expenses	143,067	133,237	128,563
Change in net position	(3,100)	6,048	11,570
Net position, beginning of year	175,597	169,549	157,979
Net position, end of year	$ 172,497	$ 175,597	$ 169,549

Tuition and state appropriations are the primary sources of funding for the University's operations. Enrollment fell by 192 full year equivalents (FYE) from fiscal year 2013 to fiscal year 2014 which represents a 2.3 percent decrease. Enrollment levels totaled 8,267, 8,460, and 8,544 FYE for fiscal years ended June 30, 2014, 2013 and 2012, respectively. Tuition rates were frozen from 2013 to 2014 and increased 3 percent from 2012 to 2013.



Operating expenses as of June 30, 2014 increased by $10.0 million over fiscal year 2013. The resources expended for employee compensation and benefits totaled $86.9 million for the fiscal year ended June 30, 2014, which represents an increase of $8.0 million over 2013. Early retirement incentives and contract settlements both contributed to the increase in employee compensation for the fiscal year ended June 30. 2014.

FOUNDATION

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The undergraduate tuition was frozen by the Minnesota Legislature for the 2014-2015 fiscal years. The Minnesota Legislature did fund the tuition freeze with state appropriated dollars, thereby relieving pressure on the University's budget. Enrollment and the market demand for traditional aged students will continue to be a challenge for the University. As demographics continue to shift within our target service area, special attention must be paid to recruitment and retention efforts and the future needs students will require that attend the University.

Collective bargaining agreements will require negotiation for the 2015-2017 biennium. As pressure increases to keep tuition low and affordable and with the ever shifting state economic picture impacting how much funding can be expected from the Legislature, it will be challenging to award salary increases that allow the University to recruit and retain talented employees.

The University embraces its challenge to be a great regional state university serving the State of Minnesota and the surrounding areas. Consistently ranked as a best buy and excellent value University, Winona State must continue to diligently monitor its costs and ensure value across all of its programs.

REQUESTS FOR INFORMATION

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

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

This page intentionally left blank

WINONA STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2014 AND 2013
(IN THOUSANDS)

Assets	2014	2013
Current Assets		
Cash and cash equivalents	$ 66,407	$ 68,508
Investments	6,016	5,628
Grants receivable	253	296
Accounts receivable, net	2,189	2,315
Prepaid expense	1,701	1,847
Inventory	1,223	1,175
Student loans, net	345	306
Other assets	102	187
Total current assets	78,236	80,262
Current Restricted Assets		
Cash and cash equivalents	7,603	9,471
Total current restricted assets	7,603	9,471
Noncurrent Restricted Assets		
Construction in progress	-	74
Total noncurrent restricted assets	-	74
Total restricted assets	7,603	9,545
Noncurrent Assets		
Student loans, net	2,086	2,079
Capital assets, net	170,445	168,281
Total noncurrent assets	172,531	170,360
Total Assets	258,370	260,167
Liabilities		
Current Liabilities		
Salaries and benefits payable	11,049	7,238
Accounts payable	5,340	4,024
Unearned revenue	3,170	2,839
Payable from restricted assets	10	522
Interest payable	406	427
Funds held for others	534	561
Current portion of long-term debt	3,550	3,420
Other compensation benefits	1,410	1,294
Total current liabilities	25,469	20,325
Noncurrent Liabilities		
Noncurrent portion of long-term debt	48,816	52,580
Other compensation benefits	8,972	9,016
Capital contributions payable	2,616	2,649
Total noncurrent liabilities	60,404	64,245
Total Liabilities	85,873	84,570
Net Position		
Net investment in capital assets	120,696	117,904
Restricted expendable, bond covenants	12,297	14,173
Restricted expendable, other	6,777	6,619
Unrestricted	32,727	36,901
Total Net Position	$ 172,497	$ 175,597

The notes are an integral part of the financial statements.

WINONA STATE UNIVERSITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 2,310	$ 2,205
Pledges and contributions receivable, net	281	339
Other receivables	224	135
Prepaid expenses	8	8
Accrued investment/Interest income	15	18
Annuities/Remainder interests/Trusts	156	140
Total current assets	2,994	2,845
Noncurrent Assets		
Investments	27,931	23,066
Long-term pledges receivable	1,028	1,201
Buildings, property, and equipment, net	9,388	8,731
Other assets	1,006	645
Total noncurrent assets	39,353	33,643
Total Assets	$ 42,347	$ 36,488
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 83	$ 65
Interest payable	13	29
Annuities payable	382	275
Mortgage payable	541	356
Total current liabilities	1,019	725
Noncurrent Liabilities		
Notes payable	102	-
Mortgage payable	6,089	6,758
Total noncurrent liabilities	6,191	6,758
Total Liabilities	7,210	7,483
Net Assets		
Unrestricted	1,486	1,075
Temporarily restricted	14,135	10,230
Permanently restricted	19,516	17,700
Total Net Assets	35,137	29,005
Total Liabilities and Net Assets	$ 42,347	$ 36,488

The notes are an integral part of the financial statements.

WINONA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
Operating Revenues		
Tuition, net	$ 44,366	$ 43,826
Fees, net	5,444	5,381
Sales, net	16,210	16,704
Restricted student payments, net	20,590	21,756
Other income	1,437	1,085
Total operating revenues	88,047	88,752
Operating Expenses		
Salaries and benefits	86,880	78,909
Purchased services	25,285	24,671
Supplies	8,012	8,065
Repairs and maintenance	3,245	2,834
Depreciation	9,713	9,564
Financial aid, net	995	1,482
Other expense	6,636	5,213
Total operating expenses	140,766	130,738
Operating loss	(52,719)	(41,986)
Nonoperating Revenues (Expenses)		
Appropriations	32,033	29,752
Federal grants	9,663	10,150
State grants	5,267	6,002
Private grants	2,739	2,705
Interest income	1,286	1,271
Interest expense	(2,229)	(2,372)
Grants to other organizations	(33)	(127)
Total nonoperating revenues (expenses)	48,726	47,381
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,993)	5,395
Capital appropriations	894	639
Donated assets and supplies	38	2
Gain from insurance proceeds	-	12
Loss on disposal of capital assets	(39)	-
Change in net position	(3,100)	6,048
Total Net Position, Beginning of Year	175,597	169,549
Total Net Position, End of Year	$ 172,497	$ 175,597

The notes are an integral part of the financial statements.

WINONA STATE UNIVERSITY FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Support and Revenue					
Contributions	$ 276	$ 1,370	$ 1,824	$ 3,470	$ 3,670
Investment income	49	679	-	728	444
Realized gains	14	198	-	212	92
Unrealized gains	213	2,979	15	3,207	1,969
Program income	712	57	-	769	867
Fundraising income	-	163	-	163	174
Net assets released from restrictions	1,553	(1,553)	-	-	-
Reclassifications	11	12	(23)	-	-
Total support and revenue	2,828	3,905	1,816	8,549	7,216
Expenses					
Program services					
Program services	512	-	-	512	674
Scholarships	1,186	-	-	1,186	1,023
University activities	524	-	-	524	442
Special projects	48	-	-	48	45
Total program services	2,270	-	-	2,270	2,184
Supporting services					
Management and general	68	-	-	68	73
Fundraising	79	-	-	79	79
Total supporting services	147	-	-	147	152
Total expenses	2,417	-	-	2,417	2,336
Change in Net Assets	411	3,905	1,816	6,132	4,880
Net Assets, Beginning of Year	1,075	10,230	17,700	29,005	24,125
Net Assets, End of Year	$ 1,486	$ 14,135	$ 19,516	$ 35,137	$ 29,005

The notes are an integral part of the financial statements.

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

	2014	2013
Cash Flows from Operating Activities		
Cash received from customers	$ 88,257	$ 88,849
Cash repayment of program loans	384	339
Cash paid to suppliers for goods or services	(41,706)	(41,452)
Cash payments for employees	(82,997)	(77,061)
Financial aid disbursements	(1,028)	(1,376)
Cash payments for program loans	(477)	(248)
Net cash flows used in operating activities	(37,567)	(30,949)
Cash Flows from Noncapital Financing Activities		
Appropriations	32,033	29,752
Federal grants	9,954	9,839
State grants	5,267	6,002
Private grants	2,739	2,705
Agency activity	(28)	(370)
Grants to other organizations	(33)	(127)
Net cash flows provided by noncapital financing activities	49,932	47,801
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(12,372)	(5,010)
Capital appropriation	894	639
Proceeds from sale of capital assets	17	44
Proceeds from borrowing	-	4,791
Proceeds from bond premium	-	698
Interest paid	(2,179)	(2,392)
Repayment of note principal	(60)	(54)
Repayment of bond principal	(3,322)	(6,371)
Net cash flows used in capital and related financing activities	(17,022)	(7,655)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	491	-
Purchase of investments	(127)	(133)
Investment earnings	324	672
Net cash flows provided by investment activities	688	539
Net Increase (Decrease) in Cash and Cash Equivalents	(3,969)	9,736
Cash and Cash Equivalents, Beginning of Year	77,979	68,243
Cash and Cash Equivalents, End of Year	$ 74,010	$ 77,979

The notes are an integral part of the financial statements.

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

	2014	2013
Operating Loss	$ (52,719)	$ (41,986)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	9,713	9,564
Provision for loan defaults	-	(119)
Loan principal repayments	384	339
Loans issued	(477)	(248)
Forgiven loans	46	40
Donated and lease equipment	38	2
Change in assets and liabilities		
Inventory	(48)	(342)
Accounts receivable	127	(5)
Accounts payable	1,315	(65)
Salaries and benefits payable	3,811	1,380
Other compensation benefits	72	467
Capital contributions payable	(32)	106
Unearned revenues	83	103
Other	120	(185)
Net reconciling items to be added to operating loss	15,152	11,037
Net cash flows used in operating activities	$ (37,567)	$ (30,949)
Non-Cash Transactions Investing, Capital, and Financing Activities		
Capital projects on account	$ 267	$ 530
Change in fair market value of investments	752	414
Investment earnings on account	40	43
Amortization of bond premium	214	193

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances. 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 — Winona State University participates in several federal grant programs. The largest include Pell, Supplemental Educational Opportunity Grant, Carl D. Perkins, and Federal Work Study. Federal Grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transaction.* Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

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

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

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

- *Restricted expendable*: net position that is subject to externally imposed stipulations. Net position restrictions for Winona State University are as follows:

  Restricted for bond covenants — revenue bond restrictions.

  Restricted for other — includes restrictions for the following:

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

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

  Loans — University contributed capital for Perkins loans.

Net Position Restricted for Other
(In Thousands)

	2014	2013
Capital projects/Debt service	$ 5,445	$ 5,321
Faculty contract obligations	1,016	978
Loans	316	320
Total	$ 6,777	$ 6,619

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

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents — All balances related to the appropriation, tuition, and most fees are in the state treasury. In addition, the University has 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 ten percent greater than the amount on deposit.

The following table summarizes cash and cash equivalents:

Year Ended June 30 (In Thousands)		
Carrying Amount	2014	2013
Cash, in bank	$ (61)	$ (156)
Change fund	13	13
Money markets	3,887	4,542
Cash, trustee account (US Bank)	3,787	5,605
Total local cash and cash equivalents	7,626	10,004
Total treasury cash accounts	66,384	67,975
Grand Total	$ 74,010	$ 77,979

At June 30, 2014 and 2013, the University's bank balances were $4,340,684 and $5,142,008, respectively. These balances were adjusted by items in transit to arrive at the University's cash in bank balance.

The University's balance in the treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment as part of the state investment pool. This asset is reported as a cash equivalent.

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

Investments — The Minnesota State Board of Investment manages the majority of the state's investments. All investments managed by the State Board of Investment are governed by Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24 broadly restricts investments to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and the restricted participation in registered mutual funds. Generally, when applicable, the statutes limit investments to those rated within the top four quality rating categories of a nationally recognized rating agency. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

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

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

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

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

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

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

	Year Ended June 30 (in Thousands)			
	2014 Fair Value	Weighted Maturity (In Years)	2013 Fair Value	Weighted Maturity (In Years)
State investment pool cash equivalents	$ 874	—	$ 743	—
Corporate/municipal bonds	876	6.85	905	7.09
US agencies	391	7.58	547	4.05
Stocks	15	5.87	17	6.87
Asset backed	2	2.32	4	2.53
Total	2,158		2,216	
Portfolio weighted average maturity		4.20		3.95
Corporate stock	3,858		3,412	
Total	$ 6,016		$ 5,628	

3. ACCOUNTS RECEIVABLE

Accounts receivable balances are primarily receivables from students, a few businesses and federal and state grant receivables. At June 30, 2014 and 2013, total accounts receivable balances for the University were $3,134,163 and $3,193,832, respectively, less an allowance for uncollectible receivables of $945,643 and $878,606, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2014	2013
Sales and services	$ 920	$ 880
Tuition	736	675
Fees	379	365
Room and board	531	387
Third party obligations	350	13
Capital projects	—	496
Other	218	378
Total accounts receivable	3,134	3,194
Allowance for uncollectible accounts	(945)	(879)
Net accounts receivable	$ 2,189	$ 2,315

The capital project related receivables of $496,496 at June 30, 2013, are for bond proceeds spent on capital projects, but not yet collected from the state of Minnesota.

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

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

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state's Debt Service Fund for future general obligation bond payments in the amounts of $1,650,601 and $1,758,492 for fiscal years 2014 and 2013, respectively. Minnesota Statutes, Section 16A.641 requires all state agencies to have on hand on December 1st of each year an amount sufficient to pay all general obligation bond principal and interest due, and to become due, through July 1st of the second fiscal year. Also, included in prepaid expense for fiscal years 2014 and 2013 was $50,678 and $89,007, respectively, stemming from prepaid software maintenance agreements and prepaid contractual support.

5. LOANS RECEIVABLE

Loans receivable balances consist of loans under the Federal Perkins Loan program. The federal government provides most of the funding for the loans with amounts collected used for new loan advances. The University is responsible for loan collections. As of June 30, 2014 and 2013, the total loans receivable for this program were $2,785,709 and $2,738,872, respectively, less an allowance for uncollectible loans of $354,806 and $354,378, respectively.

6. CAPITAL ASSETS

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

Year Ended June 30, 2014
(In Thousands)

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

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 9,739	$ —	$ —	$ —	$ 9,739
Construction in progress	3,963	3,533	—	(5,264)	2,232
Total capital assets, not depreciated	13,702	3,533	—	(5,264)	11,971
Capital assets, depreciated:					
Buildings and improvements	233,374	—	—	5,264	238,638
Equipment	14,690	307	472	—	14,525
Library collections	6,897	858	1,030	—	6,725
Total capital assets, depreciated	254,961	1,165	1,502	5,264	259,888
Less accumulated depreciation:					
Buildings and improvements	79,535	7,761	—	—	87,296
Equipment	11,996	842	587	—	12,251
Library collections	4,026	961	1,030	—	3,957
Total accumulated depreciation	95,557	9,564	1,617	—	103,504
Total capital assets, depreciated, net	159,404	(8,399)	(115)	5,264	156,384
Total capital assets, net	$ 173,106	$ (4,866)	$ (115)	$ —	$ 168,355

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)

	2014	2013
Purchased services	$ 2,241	$ 2,168
Repairs and maintenance	96	109
Supplies	284	322
Employee benefits	503	9
Capital expenditures	1,435	642
Capital projects	257	8
Other	524	766
Total	$ 5,340	$ 4,024

In addition, as of June 30, 2014 and 2013, the University had payable from restricted assets in the amounts of $10,091 and $521,872, which were related to capital projects financed by general obligation bonds and revenue bonds.

8. LONG TERM OBLIGATIONS

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

The changes in long term debt for fiscal years 2014 and 2013 follow:

Year Ended June 30, 2014
(In Thousands)

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

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,288	$ 698	$ 193	$ 1,793	$ —
General obligation bonds	14,348	—	1,367	12,981	1,317
Revenue bonds	39,982	4,791	5,107	39,666	2,043
Note payable	1,614	—	54	1,560	60
Total long term debt	$ 57,232	$ 5,489	$ 6,721	$ 56,000	$ 3,420

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

Year Ended June 30, 2014
(In Thousands)

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

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 8,402	$ 1,585	$ 1,081	$ 8,906	$ 1,118
Early termination benefits	96	28	96	28	28
Net other postemployment benefits	890	466	289	1,067	—
Workers' compensation	455	207	353	309	148
Total other compensation benefits	$ 9,843	$ 2,286	$ 1,819	$ 10,310	$ 1,294

Bond Premium — Bonds were issued in fiscal year 2013 resulting in net premiums of $698,424. No bonds were issued in fiscal year 2014. Amortization is calculated using the straight-line method and amortized over the average remaining life of the bonds.

Capital Leases — Liabilities for capital leases include those leases that are generally defined as one that transfers benefits and risk of ownership to the lessee. See Note 11 for additional information.

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

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

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 17.04 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $51,399,269. Principal and interest paid for the current year and total customer net revenues were $3,708,449 and $21,071,659, respectively.

Note Payable — The note payable consists of an energy savings initiative loan with Bank of America at an interest rate of 4.92. The total principal and interest remaining to be paid on the loan is $2,040,412 and $2,176,098 at June 30, 2014 and 2013, respectively.

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

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

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

Workers' Compensation — The state of Minnesota Management and Budget manages the self-insured workers compensation claims activities. The reported liabilities for workers' compensation of $192,584 and $309,209 at June 30, 2014 and 2013, respectively, are based on claims filed for injuries to state employees occurring prior to the fiscal year end. It is an undiscounted estimate of future payments.

Capital Contributions — The liabilities of $2,616,412 and $2,648,757 at June 30, 2014 and 2013, respectively, represent the amount the University would owe the federal government if it were to discontinue the Perkins loan program. The net change is $(32,345) and $105,852 for the fiscal years 2014 and 2013, respectively.

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

Fiscal Years	Note Payable		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 68	$ 72	$ 1,279	$ 547	$ 2,203	$ 1,581
2016	75	69	1,255	491	2,274	1,494
2017	83	65	1,187	429	2,069	1,411
2018	92	61	1,187	370	2,139	1,331
2019	101	56	1,085	312	2,220	1,247
2020-2024	669	191	4,428	840	12,238	4,784
2025-2029	412	26	1,243	111	13,835	1,878
2030-2034	—	—	—	—	645	50
Total	$ 1,500	$ 540	$ 11,664	$ 3,100	$ 37,623	$ 13,776

9. EARLY TERMINATION BENEFITS

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. Certain bargaining unit contracts, Inter Faculty Organization (IFO), provide for this benefit. The following is a description of the benefit arrangements, including number of retired employees receiving the benefit, and the amount of future liability as of the end of fiscal years 2014 and 2013.

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

The number of employees who received this benefit and the amount of future liability for those employees as of the end of fiscal years 2014 and 2013 follow:

Fiscal Year	Number of Employees	Future Liability (In Thousands)
2014	1	$ 90
2013	—	—

Inter Faculty Organization (IFO) contract

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

The number of retired faculty who received this benefit and the amount of future liability for those faculty as of the end of fiscal years 2014 and 2013 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2014	3	$ 52
2013	2	28

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 2014 and 2013 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2014	1	$ 13
2013	—	—

10. NET OTHER POSTEMPLOYMENT BENEFITS

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

As of July 1, 2012 there were approximately 39 retirees receiving health benefits from the health plan.

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

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

Components of the Annual OPEB Cost
(In Thousands)

	2014	2013
Annual required contribution (ARC)	$ 483	$ 460
Interest on net OPEB obligation	51	42
Adjustment to ARC	(43)	(36)
Annual OPEB cost	491	466
Contributions during the year	(320)	(289)
Increase in net OPEB obligation	171	177
Net OPEB obligation, beginning of year	1,067	890
Net OPEB obligation, end of year	$ 1,238	$ 1,067

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

Year Ended June 30
(In Thousands)

	2014	2013
Beginning of year net OPEB obligation	$ 1,067	$ 890
Annual OPEB cost	491	466
Employer contribution	(320)	(289)
End of year net OPEB obligation	$ 1,238	$ 1,067
Percentage contributed	65.17%	62.02%

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)	Actuaria l Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2012	$ —	$ 4,278	$ 4,278	0.00%	$ 58,082	7.37%

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

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

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent discount rate, which is based on the estimated long term investment yield on the general assets, using an underlying long term inflation assumption of 3 percent. The annual healthcare cost trend rate is 8.10 percent initially, reduced incrementally to an ultimate rate of 5 percent after seventeen years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30 year period.

11. LEASE AGREEMENTS

Operating Leases — The University is committed under various leases primarily for building space and laptops. These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2014 and 2013, totaled approximately $6,517,000 and $6,293,000, respectively. Included is a lease with the Foundation for the East Lake Apartments.

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

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2015	$ 6,867
2016	4,097
2017	1,173
2018	691
2019	691
2020-2024	3,453
2025-2029	2,269
Total	$ 19,241

Income Leases — The University has entered into income lease agreements, primarily for building space. Lease income for the years ended June 30, 2014 and 2013, totaled $67,997 and $98,925, respectively, and is included in other income on the statements of revenues, expenses, and changes in net position. Future expected income receipts for existing lease agreements are $119,555 in fiscal year 2014. Future minimum lease payments for existing lease agreements are as follow:

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2015	$ 56
2016	47
2017	17
Total	$ 120

12. TUITION, FEES, AND SALES, NET

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

Year Ended June 30
(In Thousands)

	2014			2013		
Description	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 59,548	$ (15,182)	$ 44,366	$ 59,867	$ (16,041)	$ 43,826
Fees	6,070	(626)	5,444	6,093	(712)	5,381
Sales	16,210	—	16,210	16,704	—	16,704
Restricted student payments	20,920	(330)	20,590	22,141	(385)	21,756
Total	$ 102,748	$ (16,138)	$ 86,610	$ 104,805	$ (17,138)	$ 87,667

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2014
(In Thousands)

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

Year Ended June 30, 2013
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 7,500	$ 2,304	$ 5,047	$ 93	$ 14,944
Institutional support	6,362	2,241	5,528	82	14,213
Instruction	31,925	9,766	9,559	485	51,735
Public service	195	65	84	2	346
Research	123	45	323	2	493
Student services	6,895	1,990	4,191	84	13,160
Auxiliary enterprises	7,164	2,334	25,615	1,624	36,737
Scholarships & fellowships	—	—	1,482	—	1,482
Less interest expense	—	—	—	(2,372)	(2,372)
Total operating expenses	$ 60,164	$ 18,745	$ 51,829	$ —	$ 130,738

14. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund (SERF)

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

The SERF is a cost sharing, multiple employer defined benefit plan. All classified employees are covered by this plan. A classified employee is one who serves in a civil service position. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of the members’ average salary which is defined as the highest salary paid in five successive years of service. The University, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for SERF is Minnesota Statutes, Chapter 352. For fiscal years 2012, 2013, and 2014 the funding requirement was 5 percent for both employer and employee. The contribution rate for both employer and employee will increase to 5.5 percent for fiscal year 2015. Actual contributions were 100 percent of required contributions.

Required contributions for Winona State University were:

(In Thousands)	
Fiscal Year	Amount
2014	$ 761
2013	719
2012	687

Teachers Retirement Fund (TRF)

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

The Teachers Retirement Fund is a cost sharing, multiple employers, defined benefit plan. Teachers and other related professionals may participate in TRF. Coordinated membership includes participants who are covered by the Social Security Act. The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement.

The applicable rates for coordinated members range from 1.2 percent and 1.7 percent for service rendered before July 1, 2006, and 1.4 percent and 1.9 percent for service rendered on or after July 1, 2006. The University, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for TRF is Minnesota Statutes, Chapter 354. For fiscal years 2012 and 2013, the funding requirement was 6.0 percent and 6.5 percent, respectively, for both employer and employee coordinated members. For fiscal year 2014, the funding requirement was 7.0 percent for both employer and employee coordinated members and will increase to 7.5 percent for fiscal year 2015. Actual contributions were 100 percent of required contributions.

Required contributions for Winona State University were:

(In Thousands)	
Fiscal Year	Amount
2014	$ 657
2013	615
2012	536

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

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

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

Individual Retirement Account Plan (IRAP)

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

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

Required contributions for Winona State University were:

(In Thousands)		
Fiscal Year	Employer	Employee
2014	$ 1,871	$ 1,391
2013	1,772	1,318
2012	1,635	1,217

Supplemental Retirement Plan (SRP)

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

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

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

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

Required contributions for Winona State University were:

(In Thousands)	
Fiscal Year	Amount
2014	$ 935
2013	940
2012	935

Voluntary Retirement Savings Plans

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

Minnesota Deferred Compensation Plan is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2014, the plan had 201 participants.

In addition, to the state's Deferred Compensation program, Minnesota State Colleges and Universities also participates in a 403(b) Tax Sheltered Annuity (TSA) program. The plan consists of both pre-tax and after-tax contributions and accumulated investment gains or losses. As of June 30, 2014, the plan had 203 participants.

15. SEGMENT INFORMATION

A segment is an identifiable activity reported as a standalone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, 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 buildings.

A summary table of the University's portion of the Revenue Fund follows:

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

	2014	2013
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 14,828	$ 16,047
Current restricted assets	7,603	9,449
Noncurrent restricted assets	—	74
Noncurrent assets	67,150	63,892
Total assets	89,581	89,462
Liabilities		
Current liabilities	5,471	3,847
Noncurrent liabilities	36,452	38,664
Total liabilities	41,923	42,511
Net Position		
Net investment in capital assets	31,568	29,216
Restricted	16,090	17,735
Total net position	$ 47,658	$ 46,951
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 20,974	$ 22,199
Operating expenses	(18,819)	(18,393)
Net operating income	2,155	3,806
Nonoperating revenues (expenses)	(1,448)	(1,522)
Loss on disposal of capital assets	—	(9)
Change in net position	707	2,275
Net position, beginning of year	46,951	44,676
Net position, end of year	$ 47,658	$ 46,951
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	$ 5,917	$ 5,817
Investing activities	46	75
Capital and related financing activities	(9,076)	(5,195)
Net increase (decrease)	(3,113)	697
Cash, beginning of year	24,703	24,006
Cash, end of year	$ 21,590	$ 24,703

16. COMMITMENTS AND CONTINGENCIES

Future commitments consist of construction projects that are funded by revenue bond proceeds and operating revenues. The University has incurred costs of approximately $0.8 million towards the construction of an underground pedestrian tunnel, which has an estimated completion date of November 2015. This project is partially funded through the Minnesota Department of Transportation and Winona State University with an estimated cost of $3.0 million.

New commitments made by the University during fiscal year 2013 include the first phase an Education Village. This project has an estimated cost of $5.9 million in the first phase and $18.7 million in the second phase. The total cost is estimated at $24.6 million. As of June 30, 2014 the University has expended approximately $0.9 million for this project.

17. RISK MANAGEMENT

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

Automobile liability coverage is required by the state and is provided by the Risk Management Fund. The University also purchased optional physical damage coverage for their newest or most expensive vehicles.

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

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

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

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

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

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

(In Thousands)

	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/14	$ 309	$ 96	$ 212	$ 193
Fiscal Year Ended 6/30/13	455	207	353	309

18. COMPONENT UNITS

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

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

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

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

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

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

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

The University received $2,270,239 and $2,184,173 from its Foundation for scholarships and other University support in fiscal years 2014 and 2013, respectively. Also, the University operates the East Lake Apartments which are owned by the Foundation and leased by the University. The University collects the revenue and pays the expenses for the apartments. The residual goes to the Foundation as operating lease payments.

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

Schedule of Investments at June 30
(In Thousands)

	2014	2013
Money market & certificate of deposit	$ —	$ 25
Fixed income/Bonds/US treasuries	6,902	6,187
Equity based mutual funds	19,884	15,992
Equity securities	890	862
Real Estate	255	—
Total investments	$ 27,931	$ 23,066

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

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

	2014	2013
Property and equipment, not depreciated:		
Land	$ 552	$ 552
Total property and equipment, not depreciated	552	552
Property and equipment, depreciated:		
Buildings and improvements	10,745	10,745
Equipment	1,319	357
Total property and equipment, depreciated	12,064	11,102
Total accumulated depreciation	(3,228)	(2,923)
Total property and equipment depreciated, net	8,836	8,179
Total property and equipment, net	$ 9,388	$ 8,731

Long Term Obligations — The Foundation has entered into a loan agreement with a local bank that allows the foundation to borrow up to $3,000,000. The foundation has borrowed $102,468 under this agreement. Borrowings under this agreement carry an interest rate of 2.39% and are secured by investments with a fair value of $8,760,693.

The Foundation has a mortgage payable to finance the construction and startup operations of the student housing project of $6.6 million.

Future scheduled debt payments table follows:

Year Ended June 30
(In Thousands)

2015	$ 541
2016	553
2017	566
2018	580
2019	594
Thereafter	3,796
Total	$ 6,630

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

Changes in endowment net assets as of June 30, 2014 are as follows:

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

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

Changes in endowment net assets as of June 30, 2013 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2013
(In Thousands)

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 4,815	$ 15,277	$ 20,092
Contributions	103	1,946	2,049
Investment income	2,263	—	2,263
Amounts appropriated for expenditures	(544)	—	(544)
Other transfers	139	336	475
Net assets, end of year	$ 6,776	$ 17,559	$ 24,335

REQUIRED SUPPLEMENTARY INFORMATION SECTION

This page intentionally left blank

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

Schedule of Funding Progress
(In Thousands)

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

This page intentionally left blank.

SUPPLEMENTARY SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 12, 2014

This page intentionally left blank