

BLACK HILLS STATE UNIVERSITY

Financial Report
For the year ended June 30, 2012

BLACK HILLS STATE UNIVERSITY

Spearfish, South Dakota

FINANCIAL REPORT

For the Year Ended June 30, 2012

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BLACK HILLS STATE UNIVERSITY

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BLACK HILLS STATE UNIVERSITY
Financial Report
For the Year Ended June 30, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Black Hills State University annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2012. The discussion has been prepared by University management along with the financial statements and related note disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and notes. The financial statements, footnotes and this discussion are the responsibility of University management.

Overview of the University

Black Hills State University is one of six public universities of higher education under the control of the South Dakota Board of Regents. As a constitutionally established entity, the Board of Regents is responsible for the governance policy for each institution within the South Dakota public system. That system enrolled over 36,000 students in FY12.

Black Hills State University is a comprehensive, regional university located in Spearfish, S.D., a community of approximately 10,000, in the heart of the scenic northern Black Hills. The university offers academic programs at the associate's, bachelor's and master's degree levels. Headcount enrollment in the Fall of 2011 was 4,415 students. Approximately 1,200 students are located in Rapid City, 45 miles to the southeast, or in other off-campus programs. The university's location provides the ideal environment for combining outdoor recreational and collegiate educational opportunities in a small-town setting.

Mission Statement

Black Hills State University is a master's level university that strives to meet the needs of the State and region by providing innovative, high-quality undergraduate and graduate programs.

The Board of Regents implemented SDCL 13-59-1 by authorizing undergraduate and graduate programs in the liberal arts and sciences and in professional education, to promote excellence in teaching and learning, to support research, scholarly and creative activities, and to provide service to the State of South Dakota and the region. Black Hills State University is the only comprehensive university in western South Dakota.

Vision Statement

Black Hills State University will be recognized as an innovative, high-quality university in the Black Hills region, the state, the nation, and the world.

Positioning Statement

BHSU will transform lives through innovative, high-quality academic programs and a dynamic learning community.

Strategic Goals and Action Steps

Goal One – Black Hills State University will provide a learning environment characterized by innovative, high-quality academic experiences.

Action Steps

1. Academic programs will be recognized for high quality in the state, nation, and the world.
2. Innovative academic programming will increase student engagement in learning.

3. Academic programs will utilize high-impact practices.
4. Academic Affairs, Business & Finance, and Student Life will collaborate to manage enrollment for improved student learning.

Goal Two – Black Hills State University will engage in strategic partnerships to increase BHSU’s presence in the Black Hills region, the state, the nation and the world, that will lead to greater appreciation and support of the University.

Action Steps

1. Ensure faculty, staff, and students are recognized for their expertise and service.
2. Enhance community/regional relations.
3. Increase partnerships with local, state, and federal agencies.
4. Increase partnerships with businesses and industries.
5. Establish partnerships with institutions of higher education.
6. Continue to build and expand partnerships with Native American communities.
7. Maximize collaboration opportunities at SURF (Lab at Homestake) and related projects.

Goal Three – Black Hills State University will be an inclusive and socially responsible learning community.

Action Steps

1. Create, foster and support an inclusive environment.
2. Advance ecological and energy saving initiatives.
3. Promote student, faculty and staff learning and development beyond the classroom.

Goal Four – Black Hills State University will secure and allocate fiscal resources to be recognized as an innovative, high-quality university.

Action Steps

1. Increase funding to support priorities identified in the strategic plan.
2. Perform strategic budget analysis.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35 (GASB 35), *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*.

The financial operations of Black Hills State University are audited as part of the audit of the State of South Dakota. An audit opinion is not issued on the individual statements of BHSU, but rather on the audited Comprehensive Annual Financial Report of the State of South Dakota.

One of the most important questions asked is whether the University as a whole is better or worse off as a result of the year’s activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. The University's net assets (the difference between assets and liabilities) are one indicator of the University's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. All things being equal, a public University's dependency on state appropriations will result in operating deficits, because GASB 35 classifies state appropriations as non-operating revenues. In the past, appropriations were classified and included within the scope of normal revenues and contributed to revenues over expenditures, typically a net positive number. In this case, the state's subsidy of public higher education is critical to maintaining a positive financial position.

Another important factor to consider when evaluating financial viability is the University's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

Condensed Financial Information

A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2011 and June 30, 2012 are as follows:

Condensed Statement of Net Assets

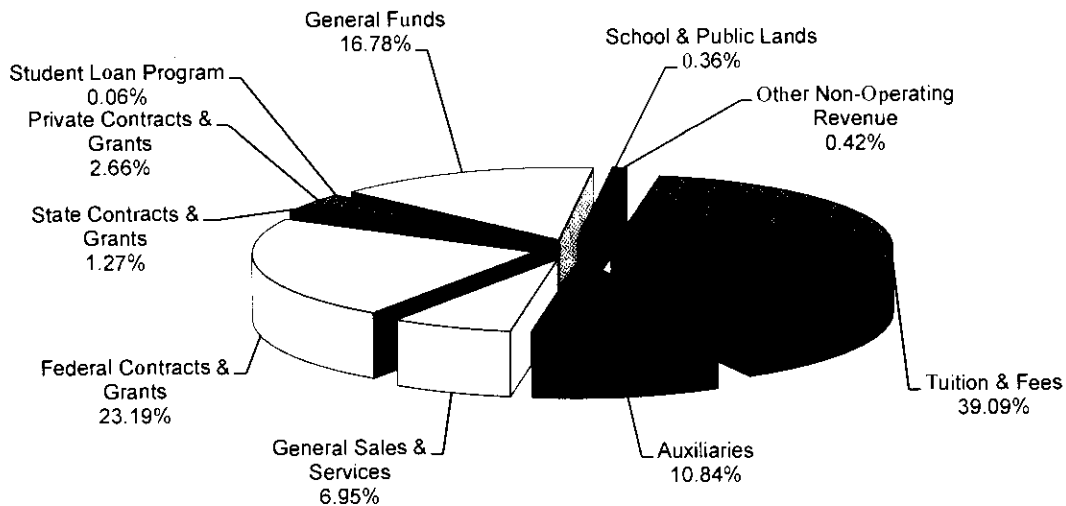
For the Years Ending June 30, 2011 and June 30, 2012

Assets	Fiscal Year 2012	Fiscal Year 2011	Liabilities	Fiscal Year 2012	Fiscal Year 2011
Cash & Cash Equivalents	\$15,680,184	\$13,699,594	Current Liabilities	\$7,709,705	\$4,611,056
Other Assets	\$4,511,809	\$3,941,988	Long term Liabilities	\$7,886,235	\$18,759,592
Current Assets	<u>\$20,191,993</u>	<u>\$17,641,582</u>	Liabilities	<u>\$25,595,940</u>	<u>\$23,370,648</u>
Capital Assets	\$76,620,042	\$70,904,392	Net Assets		
Other	\$3,347,461	\$3,317,409	Invested in Capital net of related debt	\$62,295,042	\$55,844,732
Long term Assets	<u>\$79,967,503</u>	<u>\$74,221,802</u>	Restricted	\$1,001,682	\$1,883,892
			Unrestricted	<u>\$11,266,831</u>	<u>\$10,764,112</u>
			Total Net Assets	<u>\$74,563,556</u>	<u>\$68,402,736</u>

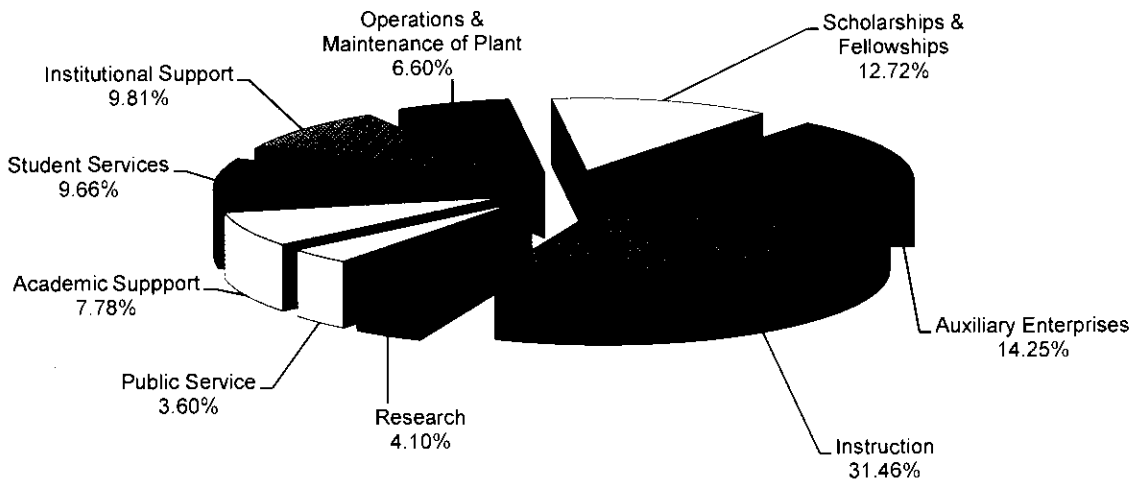
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ending June 30, 2011 and June 30, 2012

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>		<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
OPERATING REVENUES			NON-OPERATING REVENUES		
Total Tuition and Fees	\$18,966,738	\$18,745,293	General Fund Appropriations	\$7,356,191	\$7,498,507
Auxiliaries	\$5,261,920	\$5,258,441	School & Public Lands	\$173,360	\$173,360
General Sales & Services	\$3,372,497	\$2,220,084	HEFF	\$142,140	\$206,439
Contracts & Grants	\$13,185,725	\$14,604,342	Other Revenue & Additions	\$62,545	\$73,179
TOTAL OPERATING REVENUES	<u>\$40,786,880</u>	<u>\$40,828,160</u>	Other non-operating revenues & expenses	(\$596,752)	(\$683,680)
			ARRA Funding		\$816,748
OPERATING EXPENSES			Bond Proceeds-Building Authority	\$5,748,835	\$20,693,119
Personal Services (salaries & benefits)	(\$27,002,139)	(\$26,070,410)	Capital Grants & Contracts	\$781,895	\$414,952
Travel	(\$802,502)	(\$906,310)	TOTAL NON-OPERATING REVENUES	<u>\$13,668,214</u>	<u>\$29,192,624</u>
Contractual	(\$5,072,582)	(\$6,275,479)	NET INCREASE IN NET ASSETS	<u>\$6,070,820</u>	<u>\$24,315,430</u>
Supplies & Materials	(\$5,072,582)	(\$5,386,028)			
Grants	(\$6,591,098)	(\$5,007,596)	Net Assets-Beginning of the year-restated	\$68,492,437	\$44,177,307
Other Operating Expense	(35,565)	(71,281)	Net Assets - End of the year	\$74,563,556	\$68,492,737
Depreciation	(\$2,528,531)	(\$1,988,250)			
TOTAL OPERATING EXPENSES	<u>(\$48,384,274)</u>	<u>(\$45,705,354)</u>			
OPERATING INCOME/(LOSS)	<u>(\$7,597,394)</u>	<u>(\$4,877,194)</u>			

**Fiscal Year 2012
Operating & Non-Operating Revenues - \$48,521,116**



**Fiscal Year 2012
Disbursement by Program - \$48,384,274**



Fiscal Overview

As noted above, BHSU experienced a growth of \$6,070,820 in net assets from FY11 to FY12, primarily from the building transfers from the South Dakota Building Authority of \$5,748,835.

The university experienced a decrease in total student headcount of 307 students, or 6.5% from the Fall of 2010 (FY11) to the Fall of 2011 (FY12) and a decrease of 107 or 3.3% in student FTE in the midst of decreasing demographics in high school seniors, and a nationwide economic downturn. Total operating revenues decreased by .1% or \$41,280 in FY12, including tuition and fees, auxiliary revenues, sales and services, and grants and contracts, showing financial stability in the midst of an enrollment decline.

Other factors besides increases in net assets or other financial conditions indicate the health of the university. Several of those factors, including growth in external funds, increased grant and contract activity, and an increased off campus offerings are included in the Board of Regents' Higher Education Goals below. The focus of making our students life-long learners, as identified in the University's strategic plan, is being realized.

Board of Regents System Strategic Goals

The Board of Regents has targeted four strategic public policy goals to meet the challenge of educating more South Dakotans and enhancing the state's research enterprise as identified in Board of Regents policy 1:21.

Educational Attainment

1. Continuously improve preparation and align high school standards with college-ready expectations.
2. Increase college participation rates.
3. Improve completions, i.e. increase retention rates, increase the number of graduates by at least 411 each year, and close achievement gaps.
4. Keep our graduates in state.

Academic Quality & Performance

1. Review academic degree programs for quality, responsiveness, and productivity.
2. Promote high standards for student learning, quality instruction, and research.
3. Encourage student engagement in research and service.
4. Create employer feedback mechanisms.
5. Expand use of technology to enhance learning.

Economic Development & Quality of Life

1. Promote growth of research initiatives.
2. Expand graduate education.
3. Contribute to economic development through technology transfer & incubation of new commercial ventures.
4. Contribute to workforce development & quality of life by expanding academic programs to meet our future workforce needs, offering off-campus and online programs, and creating corporate training partnerships.
5. Encourage entrepreneurship.

Effectiveness & Efficiency

1. Monitor and benchmark cost/price per graduate.
2. Monitor and benchmark financial indicators.
3. Review under-productive programs for improvements, consolidation, or elimination.
4. Streamline administrative and academic organizational structures.
5. Review facilities and space utilization.
6. Keep the system affordable.
 - a. Tuition and fees.
 - b. Required credits to degree
 - c. Need-based and merit aid
 - d. Average debt load

Outlook for FY13 and Beyond

Overall, the University administration budgets available resources according to our strategic plan in a manner that keeps the priority on the instructional programs to maintain and improve the high quality degrees offered at BHSU.

Black Hills State University is positioned well for FY13 and beyond. The academic programs are strong; the number of faculty with terminal degrees continues to grow; the grants and contracts program has grown from virtually nothing to over \$5.0 million in recent years; our new MBA program has begun in Rapid City; undergraduate research opportunities for BHSU students continue to increase; sustainability initiatives increase; and scholarship opportunities for our students continue to rise.

Under President Kay Schallenkamp's leadership, BHSU is striving to be recognized as an innovative, high-quality university, not only in the region, but in the world. BHSU continues to transform the lives of our students by its commitment to achieving our strategic plan goals.

Black Hills State University
Statement of Net Assets
for Fiscal Year Ending June 30, 2012

	Fiscal Year 2012	Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2010	Fiscal Year 2012 Total
ASSETS					
Current Assets					
Cash On Deposit-State Treasurer	15,680,183.88	13,699,594.11			15,680,183.88
Other Cash & Temporary Investments	867,767.60	66,595.57	2,188,123.00	1,899,732.00	3,055,890.60
Accounts Receivable - Students (net of Allowance for Bad Debt of \$420,128.82)	785,718.72	579,560.01			785,718.72
Accounts Receivable - Department Sales	13,240.55	30,120.43	819.00	108,015.00	14,059.55
Notes Receivable	285,120.00	404,454.18		1,137.00	285,120.00
Interest Receivable	139,533.21	161,399.26			139,533.21
Contributions/Pledges Receivable			1,042,297.00	1,377,858.00	1,042,297.00
Prepaid Expenses & Deferred Charges	86,719.50	86,719.50	4,809.00	4,714.00	91,528.50
Inventory	819,466.36	700,344.39			819,466.36
Unamortized Cost of Issuance	142,709.70	152,834.22			142,709.70
Due From Federal Sources	1,215,594.23	1,504,252.86			1,215,594.23
Due From Primary Government	(9,648.73)	12,040.07			(9,648.73)
Due From Other Component Unit (This Will Be Eliminated at Combining)	165,587.99	243,667.93			165,587.99
Total Current Assets	<u>20,191,993.01</u>	<u>17,641,582.53</u>	<u>3,236,048.00</u>	<u>3,391,256.00</u>	<u>23,428,041.01</u>
Non-Current Assets					
Restricted Cash On Deposit-State Treasurer	836,481.51	900,938.91			836,481.51
Notes Receivable	2,510,979.07	2,416,470.45	1,542,358.00		4,053,337.07
Long-Term Investments			8,701,124.00	8,892,714.00	8,701,124.00
Interest Receivable					0.00
Construction In Progress	6,968,035.07	0.00	17,323.00		6,985,358.07
Building & Building Improvements (Net of Accumulated Depreciation \$ 20,348,826.96)	62,267,629.92	63,646,725.43	646,535.17	686,084.00	62,914,165.09
Land	189,350.00	189,350.00	270,047.00	270,047.00	459,397.00
Land Improvements (Net of Accumulated Depreciation \$ 1,235,528.27)	2,783,180.02	2,869,468.02			2,783,180.02
Infrastructure (Net of Accumulated Depreciation \$ 2,958,680.50)	1,747,808.91	1,928,461.27			1,747,808.91
Equipment & Other Property (Net of Accumulated Depreciation \$ 7,078,093.10)	2,664,038.66	2,270,388.09	116,366.83	118,545.00	2,780,405.49
Total Non-Current Assets	<u>79,967,503.16</u>	<u>74,221,802.17</u>	<u>11,293,754.00</u>	<u>9,967,390.00</u>	<u>91,261,257.16</u>
TOTAL ASSETS	<u>100,159,496.17</u>	<u>91,863,384.70</u>	<u>14,529,802.00</u>	<u>13,358,646.00</u>	<u>114,689,298.17</u>
LIABILITIES					
Current Liabilities					
Accounts Payable - Current	3,761,291.31	548,605.76	7,824.00	14,349.00	3,769,115.31
Accrued Wages & Benefits	562,074.55	624,272.61			562,074.55
Accrued Interest Payable	145,022.44	154,959.69	678.00	813.00	145,700.44
Other Accrued Liabilities			10,339.00		10,339.00
Compensated Absences Payable - Current	732,902.69	557,708.79			732,902.69
Notes Payable - Current Portion					0.00
Bonds Payable - Current	760,339.45	735,339.45			760,339.45
Obligations Under Capital Leases - Current					0.00
Deferred Revenue	45,721.46	219,232.75			45,721.46
Due To Federal Sources					0.00
Due To Primary Government	82,136.00	199,407.21			82,136.00
Due to Other Component Units	1,546,031.77	1,520,977.89			1,546,031.77
Student Deposits	53,083.99	18,007.50			53,083.99
Agency Funds-Funds held for Others	21,101.30	32,544.12	1,251,041.00	1,183,724.00	1,272,142.30
Total Current Liabilities	<u>7,709,704.96</u>	<u>4,611,055.77</u>	<u>1,269,882.00</u>	<u>1,198,686.00</u>	<u>8,979,586.96</u>
Non-Current Liabilities					
Compensated Absences Payable - Non-Current	1,523,881.72	1,636,899.72			1,523,881.72
Notes Payable - Non-Current			69,743.00	94,946.00	69,743.00
Bonds Payable - Non-Current	13,571,774.29	14,332,113.77			13,571,774.29
Obligations Under Capital Leases - Non-Current					0.00
Federal Capital Contribution Advance	2,790,579.00	2,790,579.00			2,790,579.00
Total Non-Current Liabilities	<u>17,886,235.01</u>	<u>18,759,592.49</u>	<u>69,743.00</u>	<u>94,946.00</u>	<u>17,955,978.01</u>
TOTAL LIABILITIES	<u>25,595,939.97</u>	<u>23,370,648.26</u>	<u>1,339,625.00</u>	<u>1,293,632.00</u>	<u>26,935,564.97</u>
NET ASSETS					
Invested in Capital, net of related debt	62,295,042.58	55,844,732.26			62,295,042.58
Restricted					
Nonexpendable					

**Black Hills State University
Statement of Net Assets
for Fiscal Year Ending June 30, 2012**

	Fiscal Year 2012	Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2010	Fiscal Year 2012 Total
Scholarships and fellowships			6,166,797.00	6,979,134.00	8,166,797.00
Research					0.00
Loans					0.00
Expendable					
Scholarships and fellowships			4,643,100.00	4,683,288.00	4,643,100.00
Research					0.00
Instructional department uses					0.00
Debt service	0.00	781,670.56			0.00
Other	1,001,682.38	1,102,222.00			1,001,682.38
Unrestricted	11,266,831.24	10,764,111.62	380,280.00	402,592.00	11,647,111.24
TOTAL NET ASSETS	<u>74,563,556.20</u>	<u>68,492,736.44</u>	<u>13,190,177.00</u>	<u>12,065,014.00</u>	<u>87,753,733.20</u>

Black Hills State University
Statement of Revenues, Expenses and Change in Net Assets
for Fiscal Year Ending June 30, 2012

	Fiscal Year 2012	Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2010	Fiscal Year 2012 Total
OPERATING REVENUES					
Tuition					
State support	6,050,357.18	5,257,750.29			6,050,357.18
Self support	9,171,559.67	8,082,968.24			9,171,559.67
HEFF		682,333.70			0.00
Total Tuition	<u>15,221,916.85</u>	<u>14,023,052.23</u>			<u>15,221,916.85</u>
Fees					
University support fee	2,516,664.17	2,683,662.77			2,516,664.17
Salary Competitiveness Fee	1,919,798.51	2,160,772.18			1,919,798.51
General Activity Fee	1,616,602.83	1,700,287.44			1,616,602.83
Salary Enhancement Fees (engineering, business, law, etc.)		34,191.98			0.00
Special Discipline Fees (pharmacy, nursing, law, med, etc.)	236,419.58	214,149.09			236,419.58
Lab Fees	219,092.42	207,103.44			219,092.42
Vehicle Registration	123,663.00	94,325.16			123,663.00
Delivery Fees	0.00				0.00
Technology Fee	667,955.85	708,005.73			667,955.85
Other Fees (application, transcript, exam for credit & international student fees)	7,232.46	192,887.34			7,232.46
Charges (incidental, course, and field trip)	97,410.67	104,552.35			97,410.67
Total Fees	<u>7,404,839.49</u>	<u>8,099,937.48</u>			<u>7,404,839.49</u>
Total Tuition and Fees	<u>22,626,756.34</u>	<u>22,122,989.71</u>			<u>22,626,756.34</u>
Student Financial Assistance	(3,660,018.74)	(3,377,696.30)			(3,660,018.74)
Tuition and Fees net of student financial assistance (net of scholarship allowance of \$3,660,018.74)	18,966,737.60	18,745,293.41			18,966,737.60
Auxiliaries (net of scholarship allowances of \$)	5,261,920.28	5,258,440.77			5,261,920.28
General Sales & Services	3,372,496.62	2,220,083.94			3,372,496.62
Contracts & Grants					0.00
Federal	11,250,501.24	12,173,042.91			11,250,501.24
State	616,285.74	363,717.91			616,285.74
Private	1,288,422.55	2,039,958.20			1,288,422.55
Student Loan Interest	30,515.76	27,622.89			30,515.76
Student Loan Cancellation Reimbursement					0.00
Other Revenue & Additions	0.00		2,298,237.00	2,545,932.00	2,298,237.00
TOTAL OPERATING REVENUES	<u>40,786,879.79</u>	<u>40,828,160.03</u>	<u>2,298,237.00</u>	<u>2,545,932.00</u>	<u>43,085,116.79</u>
OPERATING EXPENSES					
Personal Services (salaries & benefits)	(27,002,138.82)	(26,070,409.83)	(47,365.00)	(92,196.00)	(27,049,503.82)
Travel	(802,501.75)	(906,310.46)	(125,062.00)	(66,549.00)	(927,563.75)
Contractual	(6,351,857.29)	(6,275,479.04)	(150,623.00)	(148,022.00)	(6,502,480.29)
Supplies & Materials	(5,072,582.07)	(5,386,028.19)	(81,053.00)	(86,190.00)	(5,153,635.07)
Capital Outlay					0.00
Other					0.00
Grants	(6,591,097.91)	(5,007,506.14)	(673,880.00)	(578,182.00)	(7,264,977.91)
Interest	(10,150.96)	(10,204.56)	(5,362.00)	(8,415.00)	(15,512.96)
Loan Cancellation					0.00
Bad Debt	(25,414.38)	(61,076.28)	(48,001.00)	(59,445.00)	(73,415.38)
Depreciation	(2,528,531.26)	(1,988,249.90)	(41,728.00)	(46,264.00)	(2,570,259.26)
TOTAL OPERATING EXPENSES	<u>(48,384,274.44)</u>	<u>(45,705,354.40)</u>	<u>(1,173,074.00)</u>	<u>(1,085,263.00)</u>	<u>(49,557,348.44)</u>
OPERATING INCOME/(LOSS)	<u>(7,597,394.65)</u>	<u>(4,877,194.37)</u>	<u>1,125,163.00</u>	<u>1,460,669.00</u>	<u>(6,472,231.65)</u>
NON-OPERATING REVENUES					
General Fund Appropriations	7,356,191.00	7,498,507.00			7,356,191.00
School & Public Lands	173,360.00	173,360.00			173,360.00
Federal Fund Appropriations					0.00
HEFF	142,140.30	206,439.07			142,140.30
ARRA Stabilization Appropriations		816,748.00			0.00
Investment Income	62,544.99	73,178.91			62,544.99
Other Revenue & Additions					0.00
NON-OPERATING EXPENSES					
Personal Services (salaries & benefits)					
Other	(596,752.27)	(683,680.00)			(596,752.27)
Depreciation (Excludes directly allocated depreciation reported above)					
Unrealized Gain/Loss on investment					0.00
Gain/Loss on Sale of investment					0.00
Gain/Loss on Disposal of Asset					0.00
TOTAL NON-OPERATING REVENUES/(EXPENSES)	<u>7,137,484.02</u>	<u>8,084,552.98</u>	<u>0.00</u>	<u>0.00</u>	<u>7,137,484.02</u>

Black Hills State University
Statement of Revenues, Expenses and Change in Net Assets
for Fiscal Year Ending June 30, 2012

	Fiscal Year 2012	Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2011	Black Hills State University Foundation Fiscal Year 2010	Fiscal Year 2012 Total
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(459,910.63)	3,207,358.61	1,125,163.00	1,460,669.00	665,252.37
CAPITAL					
Capital Appropriations (state)					0.00
HEFF	781,895.16	414,951.91			781,895.16
Bond Proceeds					0.00
Capital Grants & Contracts					0.00
Total Capital Contributions	781,895.16	414,951.91	0.00	0.00	781,895.16
ADDITIONS TO ENDOWMENTS					
SPECIAL ITEMS - Transfer of Asset from Building Authority	5,748,835.23	20,693,119.36			5,748,835.23
EXTRA-ORDINARY ITEMS	5,748,835.23	20,693,119.36			5,748,835.23
CHANGE IN NET ASSETS	6,070,819.76	24,315,429.68	1,125,163.00	1,460,669.00	7,195,982.76
Net Assets-Prior Year End	68,492,736.44	45,193,165.19	12,065,014.00	10,572,751.00	80,557,750.44
Prior Year Adjustment		(1,015,858.63)		31,594.00	0.00
Net Assets - End of the year	74,563,556.20	68,492,736.44	13,190,177.00	12,065,014.00	87,753,733.20

Balance Sheet Check totals



Black Hills State University

NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2012



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying statements have been prepared to incorporate all fund groups utilized internally by Black Hills State University. They have been prepared in accordance with the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The University follows the "business-type" activities requirements of GASB Statement No. 34. This statement requires presentation of the following components:

- Management's Discussion and Analysis
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets and Statement of Cash Flows
- Notes to the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS
FISCAL YEAR ENDING
JUNE 30, 2012

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REPORTING ENTITY

Black Hills State University is a public institution of higher education under the governance of South Dakota Board of Regents. The financial statements of all of the six universities governed by the Board of Regents are combined at the Regents level to be presented as a component unit in the State of South Dakota Combined Annual Financial Report.

BASIS FOR ACCOUNTING

Monthly transactions of the fund accounts are maintained on a cash basis, that is revenues are recorded as received and expenditures as payment is made. However, the fiscal year-end financial reports are presented on the accrual basis to give consideration to revenues earned but not received during the period and obligations incurred for the period, but not paid.

FUND ACCOUNTING

In order to insure observance of the limitations and restrictions placed on the use of resources available to the Institution, the accounts of the Institution are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources are maintained in accordance with activities or objectives specified by donors, governmental appropriations, granting agencies and other outside sources or regulations.

ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of student receivables and summer conferencing activities receivables. In accordance with State of South Dakota policy, past due accounts of 90 days are referred to the State of South Dakota for collection. The State collections office determines when the receivable becomes uncollectible. Uncollectible receivables are written off directly against accounts receivable.

NOTES RECEIVABLE

Notes receivable consist of those receivables in conjunction with the Carl D. Perkins Student Loan program. Only those student loans assigned to the Office of Education for further collection activity are deemed uncollectible.

INVESTMENTS

Universities under the governance of the South Dakota Board of Regents may not hold investments independent of the State of South Dakota. The State Investment Council, for investment purposes, pools state funds, distributing investment earnings to participating funds annually.

INVENTORIES

Inventories of supplies and materials are priced at cost. Cost is determined for inventory purposes on the basis of actual unit cost at the time of purchase (FIFO). All reported inventories are resalable.

DUE TO/DUE FROM

- Due to Primary Government Entities consists of centralized government services that are charged back to the University. Due from Primary Government is chiefly comprised of expenditure driven grants from the state to the University, awarded for specific activities.
- Due to/Due from Component Units is primarily for sub-grant activities between Universities. Two exceptions to this is the South Dakota School of Mines & Technology Western Area Power Authority charges, which are metered and invoiced through Black Hills State University, and amounts held for the South Dakota Library Network which is due the Board of Regent's central office.
- Due to/Due from Federal Sources result from Federal Student Aid programs and a variety of Federally funded grants for instructional, research, student support, and public service activities.

CAPITAL ASSETS

- Twenty percent of the tuition and selected fees deposited with the State Treasurer from all state-supported colleges and universities in South Dakota is allocated to the Higher Education Facilities Fund. This money is then used to make capital improvements and lease payments as will be later described.
- Building improvements valued at \$100,000, and infrastructure and land improvements valued at \$50,000 that extends useful life of the property are capitalized.
- Primary criteria for capitalization of equipment include a useful life of one year or more and a unit cost in excess of \$5,000.
- Capital assets are depreciated using the straight-line method and the estimated useful life tables established by the State of South Dakota Bureau of Finance and Management.

NET ASSETS

- Invested in capital assets net of related debt, includes total assets net of accumulated depreciation, less outstanding debt applicable to those assets.
- Restricted net assets expendable include assets that must be used in accordance with externally imposed stipulations. When an expense is incurred that may be met with either restricted or unrestricted funds, the University will first use the restricted funds.
- Restricted net assets non-expendable, include assets which must be maintained in accordance with external stipulations.
- Unrestricted net assets are the resources used by the University for ongoing educational and general operations. These include but are not limited to tuition and fees, state appropriations, sales and service, and auxiliary enterprise generated assets.

SCHOLARSHIP ALLOWANCES

Tuition and Fee revenue as well as applicable auxiliary enterprise revenues are reported net of scholarship allowances on the Statement of Revenues, Expenses and Changes in Net Assets. The scholarship allowance represents the portion of grant and scholarship revenue that is awarded to the students, who then use those funds to purchase University services.

REVENUE RECOGNITION

Revenues earned but not received during the reporting period are recognized for reporting purposes using the accrual method.

OPERATING AND NON-OPERATING REVENUES

- Operating revenues are those revenues generated by University operations directly related to our mission and purpose.
- Non-operating revenues are those revenues that accrued to the University from activities not directly related to our mission or that are the result of a non-exchange transaction. Examples: State Appropriation, Investment Income, Capital and Non-capital financing activities, and School and Public Lands funding.

CASH AND CASH EQUIVALENTS

- Cash includes deposits in local bank accounts as well as petty cash and change funds held on campus for daily operations.
Cash equivalents include short-term investments with maturities of three months or less. Also, university operating funds, restricted and unrestricted, held by the South Dakota State Treasurers office are classified as cash equivalents.

EMPLOYEE RETIREMENT SYSTEM

All University employees (except adjunct faculty, student employees, temporary status employees and emergency appointments) participate in the South Dakota Retirement System (SDRS).

It is a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service.

Participating employees are required by state statute to contribute 6%, effective July 1, 2002, of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from the South Dakota Retirement System, PO Box 1098 Pierre South Dakota 57501-1098 Phone: 605-773-3731.

STATE APPROPRIATIONS

The State General Fund appropriation for fiscal year 2012 was \$7,356,191.

TUITION AND FEES

The University collected and remitted \$10,625,213 of tuition and selected fees to the Board of Regents Office, of which Self Support Higher Education Facilities Funds of \$836,025 and 20% of State Support Tuition and Fees of \$1,770,868 was deposited in the Higher Education Facilities Fund. Effective with fiscal year 2011, the University no longer receives an allocation of tuition and fees from the Tuition and Fee Pool. Funds continue to be remitted to the pool just as they were in the past. However, the University will now withdraw funds throughout the year up the amount that is has remitted. All tuition generated by any of the regental institutions will now be available to fund only the campus that generated the revenue.

ENDOWMENT & SIMILAR FUNDS

The assets of the Endowment and similar funds administered by the Department of School and Public Lands have not been included in the financial statements of the Institution. For the fiscal year ended June 30, 2007, the assets within this fund, based upon information provided by the Department of School and Public Lands consist of (1) securities with a cost of \$2,028,905 and (2) 17,933 acres of undeveloped land. Interest in the undeveloped land is shared equally between Black Hills State University and Dakota State University.

Capital Asset Activity

	BHSU Beginning Balance June 30, 2011	Foundation Beginning Balance	Foundation Changes	Foundation Ending Balance December 31, 2011	BHSU Additions	BHSU Reductions	BHSU Ending Balance June 30, 2012
Land	189,350	314,942		314,942			189,350
Building	82,123,098	1,036,393		1,036,393	493,358		82,616,456
Land Improvements	4,018,708						4,018,708
Infrastructure	4,706,489						4,706,489
Equipment:							
Equipment	5,058,335	92,958			737,782	10,728	5,785,389
Library Books **	3,929,532				39,516	12,304	3,956,744
Construction in Progress	-		17,323	17,323	6,968,035		6,968,035
Total Assets	100,025,512	1,444,293	17,323	1,461,616	8,238,691	23,032	108,241,171
Less accumulate depreciation:							
Building	18,476,373	350,309	39,548	389,857	1,872,454		20,348,827
Land Improvements	1,149,240				86,288		1,235,528
Infrastructure	2,778,028				180,652		2,958,680
Equipment:							
Equipment	3,275,032	19,307	2,178	21,486	397,528	(28,560)	3,364,000
Library Books **	3,442,446				3,951	(12,304)	3,434,093
Total Depreciation	29,121,119	369,617	41,727	411,344	2,540,873	(40,864)	31,621,128
Capital Assets Net	70,904,394	1,074,676	(24,404)	1,050,272	5,697,818	(17,831)	76,620,043

** Library books and films are added to the inventory listing at cost during the year of their purchase. When books and films are deleted from the inventory listing, they are valued and deleted at an average cost per book or film together with the accumulated depreciation for the item deleted.

SPECIAL COLLECTIONS AND HISTORICAL TREASURES

The State of South Dakota Bureau of Finance and Management policy concerning Special Collections and Historical Treasures states, "Works of art, historical treasures, and similar assets must be capitalized and reported at their historical cost or fair value at date of donation if they are held as individual items, but not if they are in a collection. Collections (and all additions to that collection) are not to be capitalized and reported, whether donated or purchased, that meets all of the following conditions. The collection is:

- a. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- b. Protected, kept unencumbered, cared for, and preserved.
- c. Subject to an organizational policy that requires the proceeds from sale of collection items to be used to acquire other items for collections. This does not have to be a formal policy; however, there should be some evidence to support the existence of the policy.

For non-capitalized collections, a disclosure in the notes to the financial statements must be made for the description of the collection and the reasons these assets are not capitalized.”

The followings collections qualify under the Bureau of Finance policy as non-capitalized collections and are not included in our capital assets above. They are held for public exhibition and education and any proceeds from the sale of the items within these collections are to be returned to the collection. A Collection of Historical treasures and works of art located in the E.Y. Berry Library Learning Center includes the Termisphere “Portrait of a College” by Dick Termes, the Collection of Lyndle Dunn Paintings, the A.D. Humbert Collection of Clay Tablets and the Rachetts Doll Collection.

LONG TERM LIABILITIES

BONDS PAYABLE AND OBLIGATIONS UNDER CAPITAL AND NON-CAPITAL LEASE

Revenue bonds payable, as authorized by the Board of Regents, are payable both as to principal and interest, solely out of the net income and revenue arising from the operation of dormitories and student union.

The annual requirements to amortize all revenue bonds and special assessments outstanding as of June 30, 2012 are as follows:

SELF LIQUIDATING PROJECTS

Statement of Changes in Long Term Debt
For the Year Ended June 30, 2012

	Series	Date of Issue	Interest Rate	Amount of Issue	Bonds Matured to 6-30-11	Bonds Retired 7-1-11 to 6-30-12	Total Bonds Retired	Bonds Outstanding 6-30-12
Bond Issue:								
<i>Apartment Complex-Heidepriem-Thomas:</i>								
	2004	2004	4.18%					
Apartment Complex				3,986,000	1,130,969	192,004	1,322,973	2,663,027
Heidepriem Hall				602,000	186,749	28,998	215,747	386,253
Thomas Hall				602,000	187,282	28,998	216,280	385,720
<i>Student Union</i>								
	2004A	2004	3.0 - 5.0%					
Student Union				3,446,000	746,970	129,474	876,444	2,569,556
Thomas Hall				14,000	3,030	579	3,556	10,444
<i>Parking Lot Improvement</i>								
	2006	2006	3.92%	1,270,000	195,000	55,000	250,000	1,020,000
Student Union Expansion	2007	2007	3.88%	8,150,000	560,000	300,000	860,000	7,290,000
Bond Issue Total				18,070,000	3,010,000	735,000	3,745,000	14,325,000

BONDS PAYABLE AND REPAIR AND REPLACEMENT RESERVES

Revenue Bonds are payable from and secured by a pledge and lien on the net revenue of self-liquidating projects. Transfers of funds to Bond and Interest Sinking Fund in the amount of the Principal and Interest due within the next succeeding twelve months and transfers of funds to Repair and Replacement Reserve in the amount of 10% of the Bond and Interest Sinking Fund transfer for the given year up to 5% of the cost of construction plus furniture and movable equipment are deducted from the pledged Project Revenue annually.

Amount Amortize Long Term Debt

	Revenue Bonds	Interest on Revenue Bonds	Total Revenue Bond & Interest
2013	\$760,000	\$569,916	\$1,329,916
2014	\$790,000	\$541,388	\$1,331,388
2015	\$815,000	\$511,326	\$1,326,326
2016	\$845,000	\$478,554	\$1,323,554
2017	\$885,000	\$444,039	\$1,329,039
2018 - 2022	\$5,000,000	\$1,637,518	\$6,637,518
2023 - 2027	\$4,100,000	\$622,455	\$4,722,455
2028 - 2031	\$1,130,000	\$44,232	\$1,174,232
	\$14,325,000	\$4,849,427	\$19,174,427

**THE CONSOLIDATED FINANCIAL STATEMENT REFLECTS THE GROSS
OPERATING REVENUE, FEE REVENUE AND RESERVES FOR SELF
LIQUIDATING PROJECTS**

	<u>Project Revenue</u>	<u>Project Fee Revenue</u>	<u>B & I Sinking Funds</u>	<u>M & E Reserve Funds</u>	<u>Totals</u>
Heidepriem Series - 2004	357,134				357,134
Thomas Series - 2004 & 2004A	360,215				360,215
Refinance Apartment Complex - Series 2004	584,562				584,562
Refinance Student Un- ion - Series 2004A	348,413	300,000			648,413
Parking Lot Improve- ments - Series 2006	132,904				132,904
Student Union Expan- sion—2007 Bonds	367,500	359,800			637,300
System CH67-S			676,942	1,102,222	1,779,164

COMPENSATED ABSENCES

Employee compensated absences are accrued when they are earned. The liability and corresponding expense are reflected in these financial statements as current and non-current liability on the Statement of Net Assets and as Salary and Benefit Expense on the Statement of Revenues, Expenses and Changes in Net Assets.

Upon termination, employees are eligible to receive compensation for their accrued annual leave balance. Employees who have been continuously employed by the state of South Dakota for as least seven years prior to the

Compensated Absences (includes benefits) Activity for Fiscal Year 2012

	<u>Dollar Value of Leave Balances June 30, 2011</u>	<u>Dollar Value of Leave Taken</u>	<u>Dollar Value of Leave Accrued</u>	<u>Dollar Value of Leave Balances June 30, 2012</u>
Sick Leave	1,401,050.73	74,944.41	136,638.78	1,462,745.10
Annual Leave	<u>793,557.75</u>	<u>600,385.68</u>	<u>601,381.89</u>	<u>794,553.96</u>
Total Compensated Absences Payable	<u>2,194,608.48</u>	<u>675,330.09</u>	<u>738,020.67</u>	<u>2,257,299.06</u>

Black Hills State University

Functional Class Matrix of Fiscal Year 2012 Expenses

	Personal Services	Travel	Contractual		Supplies	Grants and Contracts	Other / Bad Debt Expense	Depreciation	Grand Total
			Services						
Instruction	12,504,793	143,963	1,099,389	510,806	45,918	918,678	15,223,547		
Research	1,148,387	47,075	150,194	363,855	206,071	69,836	1,985,418		
Public Service	1,091,778	95,393	298,793	173,258	79,245	2,568	1,741,035		
Academic Support	2,438,764	51,235	443,381	688,674	2,168	142,180	3,766,402		
Student Services	2,821,695	355,558	479,431	479,969	96,908	441,783	4,675,344		
Institutional Support	3,462,286	58,305	1,075,601	-173,912	35,565	289,903	4,747,748		
O & M of Plant	1,412,691	31,739	676,325	692,723	378,404	3,191,882			
Grants and Contracts	779		558		6,154,705	6,156,042			
Auxiliary Enterprises	2,120,966	19,233	2,128,185	2,337,209	285,179	6,896,854			
Total	27,002,139	802,501	6,351,857	5,072,582	6,591,097	35,565	2,528,531	48,384,274	