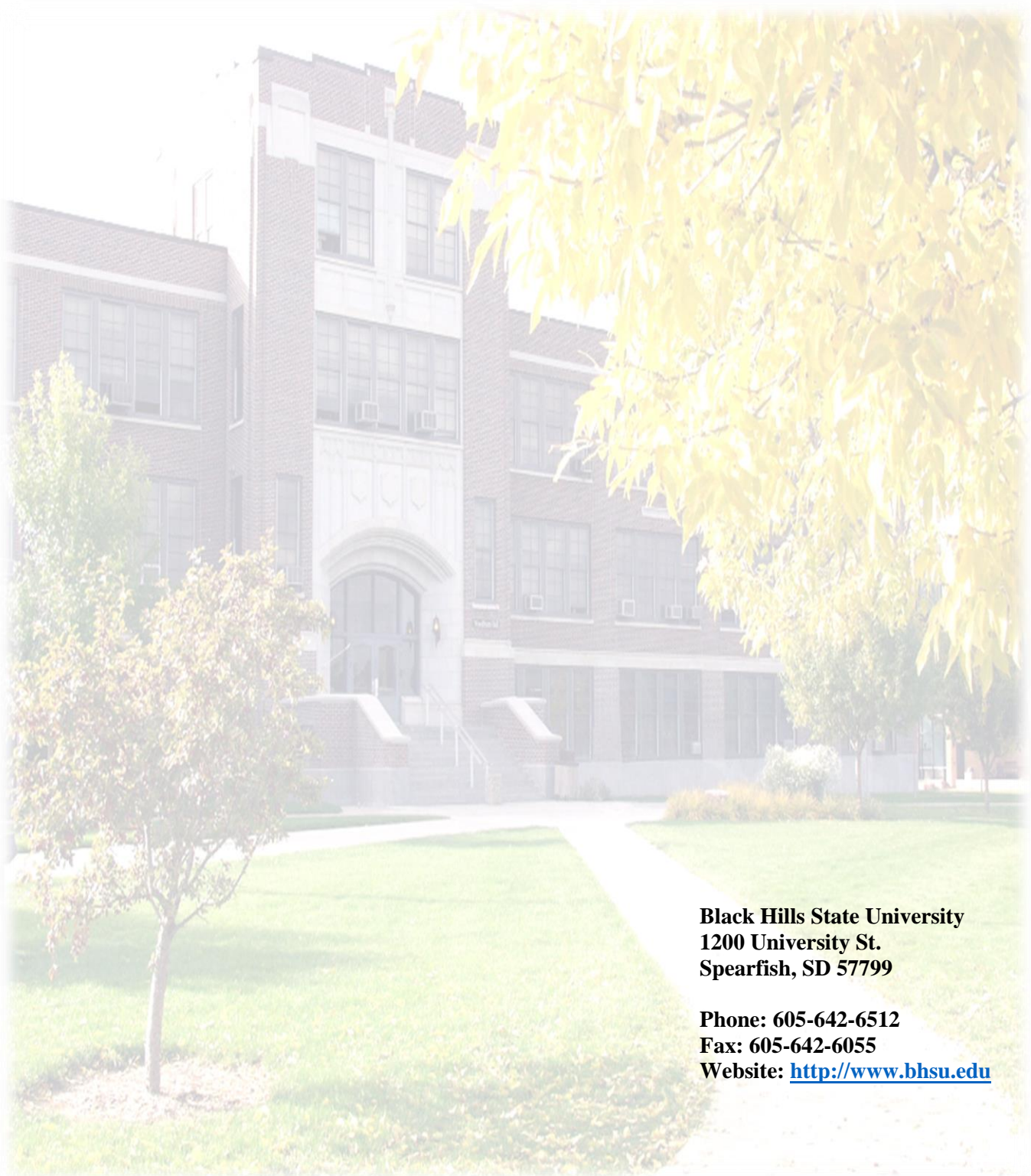




# Black Hills State University

## FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



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**BLACK HILLS STATE UNIVERSITY**

**Financial Report**

**For the Year Ended June 30, 2014**

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## **BLACK HILLS STATE UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Black Hills State University (BHSU) annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2014. 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 FY14.

Black Hills State University is a comprehensive, regional university located in Spearfish, SD, a community of approximately 11,000, 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 2013 was 4,464 students.

Approximately 1,229 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 promotes excellence in teaching and learning; supports research, creative and scholarly activities and provides service to the state, region, nation, and global community. BHSU provides innovative, high quality undergraduate (associate and baccalaureate) programs in the arts, humanities, education, behavioral sciences, mathematics, social sciences, natural sciences, business and technology as well as selected disciplines of strength at the graduate level. Black Hills State University is the only comprehensive University in western South Dakota.

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.

### **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 transforms 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 developed and monitored for high quality using appropriate academic and disciplinary standards.
2. Academic programming will focus on increasing student engagement in learning through high impact practices and innovative programming.
3. Explore opportunities for new program development consistent with BHSU's strengths and emerging educational, societal and workforce needs.
4. Opportunities will be provided for professional development and engagement.
5. Academic Affairs, Business & Finance, and Student Life will collaborate to recruit and retain students to BHSU.

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

Action Steps

1. Maximize awareness of faculty, staff, and student 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. 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 Position, the Statement of Revenues, Expenses and Changes in Net Position 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 Position includes all assets and liabilities. The University’s net position (the difference between assets and liabilities) is one indicator of the University’s financial health. Over time, increases or decreases in net position 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 Position 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 position as of June 30, 2013 and June 30, 2014 are as follows:

**Black Hills State University**  
**Condensed Statement of Net Position**  
**For the Years Ending June 30, 2013 and June 30, 2014**

<b>Assets</b>	<b>FY 2014</b>	<b>FY 2013</b>
Current Assets	\$27,415,752	\$20,598,867
Non-Current Assets	\$82,048,837	\$79,559,216
Deferred Outflows	\$134,725	\$62,666
Total Assets	<u>\$109,599,313</u>	<u>\$100,220,750</u>
<b>Liabilities</b>		
Current Liabilities	\$6,047,683	\$4,520,994
Non-Current Liabilities	\$24,081,354	\$17,182,700
Deferred Inflows	\$0	\$0
Total Liabilities	<u>\$30,129,037</u>	<u>\$21,703,694</u>
<b>Net Position</b>		
Invested in Capital, Net of Related Debt	\$65,332,877	\$64,693,989
Restricted	\$0	\$1,095,708
Unrestricted	\$14,137,400	\$12,727,359
Total Net Position	<u>\$79,470,277</u>	<u>\$78,517,056</u>

**Black Hills State University**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ending June 30, 2013 and June 30, 2014**

	<b>FY 2014</b>	<b>FY 2013</b>
Total Operating Revenues	\$39,111,409	\$41,864,875
Total Operating Expenses	(\$49,239,196)	(\$49,772,461)
Operating Income/(Loss)	(\$10,127,787)	(\$7,907,586)
Non-Operating Revenues	\$8,949,524	\$8,040,072
Other Revenues	\$2,131,484	\$1,930,603
Total Increase/(Decrease) in Net Position	\$953,221	\$2,063,089
Net Position - Beginning of the year	\$78,517,056	\$74,563,556
Prior Period Adjustments	\$0	\$1,890,411
Net Position - End of the year	<u>\$79,470,277</u>	<u>\$78,517,056</u>

**Black Hills State University**  
**Condensed Statement of Cash Flows**  
**For the Years Ending June 30, 2013 and June 30, 2014**

	<b>FY 2014</b>	<b>FY 2013</b>
Cash Provided/(Used) by:		
Operating Activities	(\$5,839,791)	(\$5,108,422)
Non-Capital Financing Activities	\$9,526,881	\$8,723,068
Capital Related Financing Activities	\$3,306,402	(\$1,389,255)
Investing Activities	(\$73,549)	(\$1,044,479)
Net Increase/(Decrease) in Cash	\$6,919,944	\$1,180,912
Cash - Beginning of the year	\$18,578,587	\$17,397,675
Cash - End of the year	<u>\$25,498,531</u>	<u>\$18,578,587</u>

*This statement combines University and Foundation cash flows.*

## **Fiscal Overview**

As noted above, BHSU experienced a growth of \$953,221 in net position from FY13 to FY14. The university experienced an increase in total student headcount of 57 students, from the fall of 2012 (FY13) to the fall of 2013 (FY14) and an increase of 26 or 0.9% in student FTE in the midst of decreasing demographics in high school seniors and a nationwide economic downturn. Total operating revenues decreased by 6.58% or \$2,753,466 in FY14, including tuition and fees, auxiliary revenues, sales and services, and grants and contracts along with a slight decline in operating expenses. These indicators, an increase in net position, an increase in enrollment, and decreased operating expenses along with an increased level of investment in physical facilities are all indicators of a better financial condition than the previous year.

Other factors besides increases in net position or other financial conditions indicate the health of the university. Several of those factors are included in the Board of Regents' Higher Education Goals below and are the focus of BHSU's future activities. 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 FY15 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. Black Hills State University is positioned well for FY15 and beyond under the leadership of our new president, Thomas Jackson, Jr. The academic programs are strong; undergraduate research opportunities for BHSU students continue to increase including at the Sanford Underground Research Facility; sustainability initiatives increase; and scholarship opportunities for our students continue to rise.

**Black Hills State University**  
**Statement of Net Position**  
**for Fiscal Year Ending June 30, 2014**

	Fiscal Year 2014	Fiscal Year 2013	BHSU Foundation Year Ended Dec. 31, 2013	BHSU Foundation Year Ended Dec. 31, 2012	Fiscal Year 2014 Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash on Deposit - State Treasurer	\$14,585,894.18	\$17,414,589.94			\$14,585,894.18
Other Cash & Temporary Investments	\$1,800,919.80	\$11,639.52	\$326,856.00	\$56,650.00	\$2,127,775.80
Cash Reserved for Capital Construction	\$7,915,974.20	\$0.00			\$7,915,974.20
Accounts Receivable - Students (Net of Allowance for Bad Debts of \$200,310.13)	\$723,358.58	\$765,438.99			\$723,358.58
Accounts Receivable - Department Sales	\$365,635.27	\$23,581.54	\$59,702.00	\$10,991.00	\$425,337.27
Notes Receivable	\$322,342.47	\$279,320.00			\$322,342.47
Interest Receivable	\$175,639.53	\$165,003.82			\$175,639.53
Contributions/Pledges Receivable	\$0.00	\$0.00	\$936,012.00	\$1,567,363.00	\$936,012.00
Prepaid Expenses & Deferred Charges	\$57,776.57	\$38,086.00	\$4,800.00	\$5,517.00	\$62,576.57
Inventory	\$677,722.55	\$844,596.09			\$677,722.55
Unamortized Cost of Issuance	\$0.00	\$0.00			\$0.00
Due From Federal Sources	\$506,440.69	\$1,005,554.42			\$506,440.69
Due From Primary Government	\$18,527.93	\$0.00			\$18,527.93
Due From Other Component Units (This will be eliminated at combining.)	\$265,520.04	\$51,056.61			\$265,520.04
<b>Total Current Assets</b>	<b>\$27,415,751.81</b>	<b>\$20,598,866.93</b>	<b>\$1,327,370.00</b>	<b>\$1,640,521.00</b>	<b>\$28,743,121.81</b>
<b>Non-Current Assets</b>					
Restricted Cash On Deposit - State Treasurer	\$868,886.97	\$1,095,707.85			\$868,886.97
Notes Receivable	\$1,862,467.96	\$1,769,411.67	\$2,042,991.00	\$2,762,559.00	\$3,905,458.96
Long-Term Investments	\$0.00	\$0.00	\$13,845,147.00	\$10,325,698.00	\$13,845,147.00
Construction in Progress	\$5,912,247.50	\$2,396,403.39	\$324,456.00	\$146,175.00	\$6,236,703.50
Building & Building Improvements (Net of Accumulated Depreciation \$24,657,901)	\$64,397,640.83	\$65,497,128.18	\$460,783.00	\$699,452.72	\$64,858,423.83
Land	\$189,350.00	\$189,350.00	\$174,436.00	\$309,436.00	\$363,786.00
Land Improvements (Net of Accumulated Depreciation \$1,469,925)	\$3,175,602.67	\$2,696,892.02			\$3,175,602.67
Infrastructure (Net of Accumulated Depreciation \$3,647,692)	\$2,768,211.13	\$3,105,628.97			\$2,768,211.13
Equipment & Other Property (Net of Accumulated Depreciation \$7,245,980)	\$2,874,430.02	\$2,808,694.27	\$44,943.00	\$114,073.28	\$2,919,373.02
<b>Total Non-Current Assets</b>	<b>\$82,048,837.08</b>	<b>\$79,559,216.35</b>	<b>\$16,892,756.00</b>	<b>\$14,357,394.00</b>	<b>\$98,941,593.08</b>
<b>Deferred Outflows</b>					
Loss on Debt Refinancing	\$134,724.51	\$62,666.40			\$134,724.51
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$109,599,313.40</b>	<b>\$100,220,749.68</b>	<b>\$18,220,126.00</b>	<b>\$15,997,915.00</b>	<b>\$127,819,439.40</b>



**Black Hills State University**  
**Statement of Net Position**  
**for Fiscal Year Ending June 30, 2014**

	Fiscal Year 2014	Fiscal Year 2013	BHSU Foundation Year Ended Dec. 31, 2013	BHSU Foundation Year Ended Dec. 31, 2012	Fiscal Year 2014 Total
<b>LIABILITIES</b>					
<b><u>Current Liabilities</u></b>					
Accounts Payable - Current	\$1,548,975.11	\$411,126.71	\$43,525.00	\$23,944.00	\$1,592,500.11
Accrued Wages & Benefits	\$639,050.29	\$551,722.26			\$639,050.29
Accrued Interest Payable	\$217,483.19	\$145,022.44			\$217,483.19
Other Accrued Liabilities	\$0.00	\$0.00	\$9,149.00	\$9,614.00	\$9,149.00
Compensated Absences Payable - Current	\$815,450.24	\$801,370.59			\$815,450.24
Bonds Payable - Current Portion	\$964,739.96	\$793,687.09			\$964,739.96
Deferred Revenue	\$0.00	\$50,343.23			\$0.00
Due To Primary Government	\$82,809.67	\$72,697.93			\$82,809.67
Due to Other Component Units	\$1,705,593.43	\$1,612,177.27			\$1,705,593.43
Student Deposits	\$54,660.18	\$63,547.44	\$0.00	\$1,000.00	\$54,660.18
Agency Funds - Funds Held For Others	\$18,920.44	\$19,299.21	\$1,722,008.00	\$1,407,349.00	\$1,740,928.44
<b>Total Current Liabilities</b>	<b>\$6,047,682.51</b>	<b>\$4,520,994.17</b>	<b>\$1,774,682.00</b>	<b>\$1,441,907.00</b>	<b>\$7,822,364.51</b>
<b><u>Non-Current Liabilities</u></b>					
Compensated Absences Payable - Non-Current	\$1,630,029.53	\$1,571,928.33			\$1,630,029.53
Notes Payable - Non-Current	\$0.00	\$0.00	\$60,527.00	\$38,451.00	\$60,527.00
Bonds Payable - Non Current	\$19,660,745.85	\$12,820,192.33			\$19,660,745.85
Federal Capital Contribution Refundable Advance	\$2,790,579.00	\$2,790,579.00			\$2,790,579.00
<b>Total Non-Current Liabilities</b>	<b>\$24,081,354.38</b>	<b>\$17,182,699.66</b>	<b>\$60,527.00</b>	<b>\$38,451.00</b>	<b>\$24,141,881.38</b>
<b><u>Deferred Inflows</u></b>					
Gain on Debt Refinancing	\$0.00	\$0.00			\$0.00
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$30,129,036.89</b>	<b>\$21,703,693.83</b>	<b>\$1,835,209.00</b>	<b>\$1,480,358.00</b>	<b>\$31,964,245.89</b>
<b>NET POSITION</b>					
Invested in Capital, Net of Related Debt	\$65,332,876.71	\$64,693,988.74			\$65,332,876.71
Restricted					\$0.00
Nonexpendable					\$0.00
Scholarships and Fellowships			\$9,320,757.00	\$9,173,568.00	\$9,320,757.00
Expendable					\$0.00
Scholarships and Fellowships			\$6,276,234.00	\$4,771,995.00	\$6,276,234.00
Debt Service	\$0.00	\$0.00			\$0.00
Other	\$0.00	\$1,095,707.85			\$0.00
Unrestricted	\$14,137,399.80	\$12,727,359.26	\$787,926.00	\$571,994.00	\$14,925,325.80
<b>TOTAL NET POSITION</b>	<b>\$79,470,276.51</b>	<b>\$78,517,055.85</b>	<b>\$16,384,917.00</b>	<b>\$14,517,557.00</b>	<b>\$95,855,193.51</b>

The accompanying notes to the Black Hills State University financial statements are an integral part to this statement.

**Black Hills State University**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**for Fiscal Year Ending June 30, 2014**

	Fiscal Year 2014	Fiscal Year 2013	BHSU Foundation Year Ended Dec. 31, 2013	BHSU Foundation Year Ended Dec. 31, 2012	Fiscal Year 2014 Total
<b>OPERATING REVENUES</b>					
Tuition					
State support	\$6,247,318.59	\$6,306,581.70			\$6,247,318.59
Self-support	\$10,346,183.00	\$9,616,420.23			\$10,346,183.00
Total Tuition	<u>\$16,593,501.59</u>	<u>\$15,923,001.93</u>	\$0.00	\$0.00	<u>\$16,593,501.59</u>
Fees					
University Support Fee	\$2,086,923.59	\$2,162,596.43			\$2,086,923.59
Salary Competitiveness Fee	\$1,717,815.25	\$1,779,689.92			\$1,717,815.25
General Activity Fee	\$1,621,834.17	\$1,628,582.42			\$1,621,834.17
Special Discipline Fees (pharm, nursing, law, med, etc.)	\$261,090.39	\$275,843.91			\$261,090.39
Lab Fees	\$208,482.57	\$209,991.51			\$208,482.57
Vehicle Registration	\$155,451.20	\$126,073.00			\$155,451.20
Technology Fee	\$696,553.31	\$721,218.19			\$696,553.31
Other Fees (application, transcript, exam for credit & international student fees)	\$14,109.97	\$11,110.23			\$14,109.97
Charges (incidental, course, and field trip)	\$71,129.43	\$88,541.66			\$71,129.43
Total Fees	<u>\$6,833,389.88</u>	<u>\$7,003,647.27</u>	\$0.00	\$0.00	<u>\$6,833,389.88</u>
Total Tuition and Fees	<u>\$23,426,891.47</u>	<u>\$22,926,649.20</u>	\$0.00	\$0.00	<u>\$23,426,891.47</u>
Student Financial Assistance	(\$3,949,158.85)	(\$3,557,730.95)			(\$3,949,158.85)
Total Tuition and Fees Net of Student Financial Assistance	\$19,477,732.62	\$19,368,918.25			\$19,477,732.62
Auxiliaries (Net of Scholarship Allowance of \$1,424,286.58 and \$811,456.60)	\$4,829,031.12	\$5,137,673.71			\$4,829,031.12
General Sales & Services	\$3,028,704.53	\$3,669,102.63			\$3,028,704.53
Contracts & Grants					\$0.00
Federal	\$9,050,679.41	\$11,603,204.26			\$9,050,679.41
State	\$614,794.94	\$479,534.39			\$614,794.94
Private	\$2,087,249.82	\$1,567,245.40			\$2,087,249.82
Student Loan Interest	\$23,216.34	\$25,593.93			\$23,216.34
Other Revenue & Additions	\$0.00	\$13,602.48	\$3,308,067.00	\$2,485,716.00	\$3,308,067.00
<b>TOTAL OPERATING REVENUES</b>	<b><u>\$39,111,408.78</u></b>	<b><u>\$41,864,875.05</u></b>	<b><u>\$3,308,067.00</u></b>	<b><u>\$2,485,716.00</u></b>	<b><u>\$42,419,475.78</u></b>

**Black Hills State University**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**for Fiscal Year Ending June 30, 2014**

	Fiscal Year 2014	Fiscal Year 2013	BHSU Foundation Year Ended Dec. 31, 2013	BHSU Foundation Year Ended Dec. 31, 2012	Fiscal Year 2014 Total
<b>OPERATING EXPENSES</b>					
Personal Services (Salaries & Benefits)	(\$29,841,187.53)	(\$28,238,476.16)	(\$105,954.00)	(\$152,595.00)	(\$29,947,141.53)
Travel	(\$858,253.13)	(\$868,701.90)	(\$238,704.00)	(\$177,924.00)	(\$1,096,957.13)
Contractual	(\$6,969,074.88)	(\$6,873,110.35)	(\$146,549.00)	(\$120,519.00)	(\$7,115,623.88)
Supplies & Materials	(\$4,626,423.44)	(\$5,791,358.61)	(\$274,574.00)	(\$167,858.00)	(\$4,900,997.44)
Grants	(\$3,529,138.64)	(\$4,826,419.92)	(\$645,518.00)	(\$492,260.00)	(\$4,174,656.64)
Interest	\$0.00	\$0.00	(\$1,193.00)	(\$2,139.00)	(\$1,193.00)
Loan Cancellation Expense	(\$151,295.30)	(\$140,498.72)	\$0.00	\$0.00	(\$151,295.30)
Bad Debt	(\$149,383.44)	(\$39,235.65)	\$22,882.00	(\$1,133.00)	(\$126,501.44)
Depreciation	(\$3,114,439.71)	(\$2,994,659.74)	(\$51,097.00)	(\$43,908.00)	(\$3,165,536.71)
<b>TOTAL OPERATING EXPENSES</b>	<b>(\$49,239,196.07)</b>	<b>(\$49,772,461.05)</b>	<b>(\$1,440,707.00)</b>	<b>(\$1,158,336.00)</b>	<b>(\$50,679,903.07)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(\$10,127,787.29)</b>	<b>(\$7,907,586.00)</b>	<b>\$1,867,360.00</b>	<b>\$1,327,380.00</b>	<b>(\$8,260,427.29)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
General Fund Appropriations	\$8,941,451.01	\$8,329,157.22			\$8,941,451.01
School & Public Lands	\$173,360.00	\$173,360.00			\$173,360.00
HEFF	\$412,448.88	\$220,550.62			\$412,448.88
Investment Income	\$146,986.19	\$119,895.99			\$146,986.19
Interest on Capital Assets	(\$623,861.12)	(\$778,444.23)			(\$623,861.12)
Bond Issuance Costs	(\$100,861.32)	\$0.00			
Gain/(Loss) on Disposal of Asset	\$0.00	(\$24,447.50)			\$0.00
<b>TOTAL NON-OPERATING REVENUES/(EXPENSES)</b>	<b>\$8,949,523.64</b>	<b>\$8,040,072.10</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$9,050,384.96</b>
<b>INCOME/(LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>(\$1,178,263.65)</b>	<b>\$132,486.10</b>	<b>\$1,867,360.00</b>	<b>\$1,327,380.00</b>	<b>\$789,957.67</b>
<b>CAPITAL</b>					
HEFF	\$1,091,293.34	\$1,149,029.16			\$1,091,293.34
SD Building Authority Capital Financing	\$1,040,190.97	\$781,573.47			\$1,040,190.97
Total Capital Contributions	\$2,131,484.31	\$1,930,602.63	\$0.00	\$0.00	\$2,131,484.31
<b>ADDITIONS TO ENDOWMENTS</b>					
<b>SPECIAL ITEMS - Transfer of Asset from Building Authority</b>					
<b>EXTRA-ORDINARY ITEMS</b>					
<b>INCREASE/(DECREASE) IN NET POSITION</b>	<b>\$953,220.66</b>	<b>\$2,063,088.73</b>	<b>\$1,867,360.00</b>	<b>\$1,327,380.00</b>	<b>\$2,921,441.98</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>\$78,517,055.85</b>	<b>\$74,563,556.20</b>	<b>\$14,517,557.00</b>	<b>\$13,190,177.00</b>	<b>\$93,034,612.85</b>
Prior Period Adjustments	\$0.00	\$1,890,410.92	\$0.00	\$0.00	\$0.00
<b>NET POSITION - END OF YEAR</b>	<b>\$79,470,276.51</b>	<b>\$78,517,055.85</b>	<b>\$16,384,917.00</b>	<b>\$14,517,557.00</b>	<b>\$95,956,054.83</b>

The accompanying notes to the Black Hills State University financial statements are an integral part to this statement.

**Black Hills State University**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2013</b>
Tuition and Fees (Net of Scholarship Allowances)	\$19,370,429.59	\$19,349,467.33
Auxiliaries	\$4,820,143.86	\$5,148,137.16
Sales & Services - General	\$2,677,650.80	\$3,555,164.38
Federal Contracts & Grants	\$9,499,449.91	\$11,817,865.84
State Contracts & Grants	\$596,267.01	\$479,534.39
Private Contracts & Grants	\$1,441,731.82	\$1,074,985.40
Other Revenue and Additions	\$0.00	\$13,602.48
Loans Issued to Students	(\$191,602.31)	\$86,917.72
Student Loan Interest	\$23,216.34	\$25,593.93
Payments for Personal Services Expenditures	(\$29,681,678.65)	(\$28,132,313.94)
Payments for Travel Expenditures	(\$858,253.13)	(\$868,701.90)
Payments for Contractual Expenditures	(\$5,831,226.48)	(\$7,837,000.76)
Payment for Supply Expenditures and Non-Capitalized Equipment	(\$4,569,605.11)	(\$5,752,144.93)
Payment for Grant and Subsidy Expenditures	(\$3,538,717.47)	(\$4,743,980.53)
Foundation Activity	\$402,403.00	\$674,451.26
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>(\$5,839,790.82)</b>	<b>(\$5,108,422.17)</b>
 <b>CASH FLOWS FROM NON-OPERATING ACTIVITIES</b>		
General Fund Appropriations	\$8,941,451.01	\$8,329,157.22
School & Public Lands	\$173,360.00	\$173,360.00
HEFF	\$412,448.88	\$220,550.62
Federal Loan Disbursements	(\$17,094,697.00)	(\$18,745,317.00)
Federal Loan Receipts	\$17,094,697.00	\$18,745,317.00
Net Change in Funds Held for Others	(\$378.77)	\$0.00
<b>Net Cash Provided/(Used) by Non-Operating Activities</b>	<b>\$9,526,881.12</b>	<b>\$8,723,067.84</b>
 <b>CASH FLOWS FROM CAPITAL RELATED ACTIVITIES</b>		
HEFF	\$1,091,293.34	\$1,149,029.16
SDBA Funding	\$1,040,190.97	\$781,573.47
Proceeds from Capital Debt (Leases)	\$7,632,487.00	\$0.00
Principal Paid on Capital Debt and Leases	(\$790,000.00)	(\$760,000.00)
Interest Paid on Capital Debt and Leases	(\$654,956.29)	(\$569,915.75)
Purchase of Capital Assets	(\$5,735,832.96)	(\$3,093,659.61)
Foundation Activity	\$723,220.00	\$1,103,718.00
<b>Net Cash Provided/(Used) by Capital Related Activities</b>	<b>\$3,306,402.06</b>	<b>(\$1,389,254.73)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	\$136,350.48	\$94,425.38
Foundation Activity	(\$209,899.00)	(\$1,138,904.00)
<b>Net Cash Provided/(Used) by Investing Activities</b>	<b>(\$73,548.52)</b>	<b>(\$1,044,478.62)</b>
 <b>Net Increase/(Decrease) in Cash</b>	<b>\$6,919,943.84</b>	<b>\$1,180,912.32</b>
<b>Cash - Beginning of the year</b>	<b>\$18,578,587.31</b>	<b>\$17,397,674.99</b>
<b>Cash - End of the year</b>	<b>\$25,498,531.15</b>	<b>\$18,578,587.31</b>

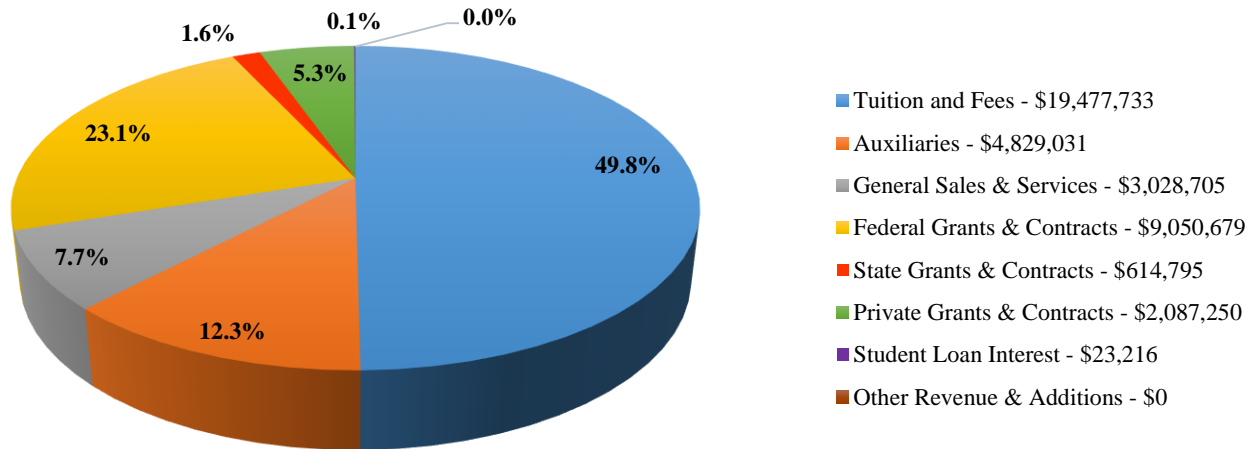
**Black Hills State University**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

**RECONCILIATION OF NET OPERATING REVENUES/(EXPENSES) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES**

	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2013</b>
<b>OPERATING INCOME/LOSS AFTER ELIMINATION ENTRIES</b>	<b>(\$10,773,305.29)</b>	<b>(\$8,503,443.26)</b>
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	\$3,114,439.71	\$2,994,659.74
Bad Debt Expense	\$149,383.44	\$39,235.65
Loan Cancellation Expense	\$151,295.30	\$140,498.72
Foundation Activity	\$402,403.00	\$674,451.26
Change in Assets and Liabilities:		
Accounts Receivable Students	(\$107,303.03)	(\$19,450.92)
Accounts Receivable - Dept	(\$351,053.73)	(\$10,340.99)
Notes Receivable	(\$191,602.31)	\$86,917.72
Accrued Interest & Dividends Receivable	\$0.00	\$0.00
Due From Federal Sources	\$499,113.73	\$210,039.81
Due From Primary Govt	(\$18,527.93)	(\$9,648.73)
Due From Component Unit	(\$205,463.43)	\$114,531.38
Prepaid Expense & Deferred	(\$19,690.57)	(\$38,086.00)
Inventory	\$166,873.54	(\$25,129.73)
Accounts Payable	\$1,137,848.40	(\$938,809.60)
Accrued Wages & Benefits	\$87,328.03	(\$10,352.29)
Due to Primary Government	\$10,111.74	(\$9,438.07)
Due to Other Component Unit	\$93,416.16	\$66,145.50
Student Deposits	(\$8,887.26)	\$10,463.45
Compensated Absences	\$72,180.85	\$116,514.51
Deferred Revenue	(\$50,343.23)	\$4,621.77
Agency Funds Held for Others	(\$378.77)	(\$1,802.09)
<b>NET CASH PROVIDED/USED BY OPERATING ACTIVITIES</b>	<b>(\$5,842,161.65)</b>	<b>(\$5,108,422.17)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Loss on Disposal of Fixed Assets	\$0.00	(\$24,447.50)

*The accompanying notes to the Black Hills State University financial statements are an integral part to this statement.*

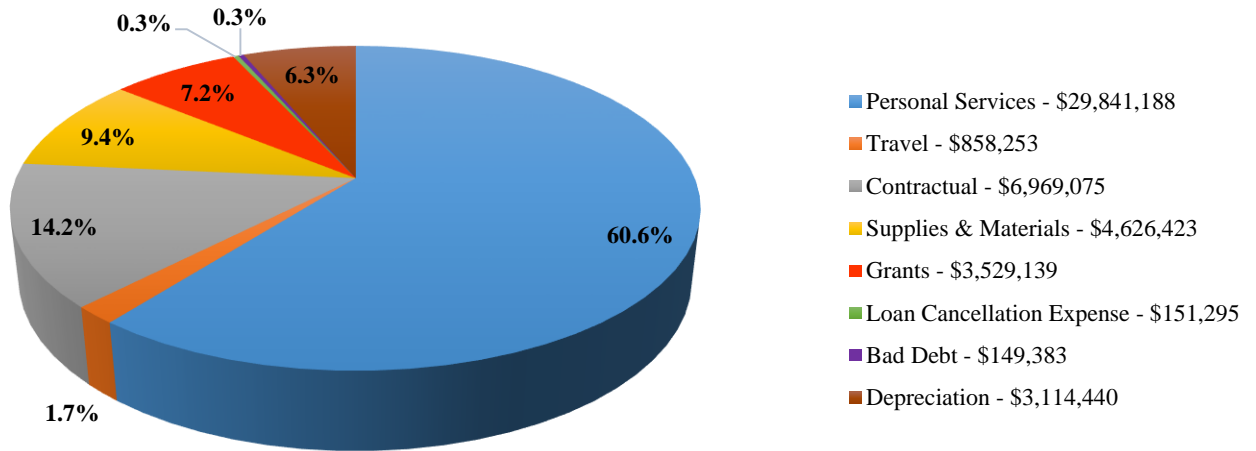
## BHSU FY14 Operating Revenues \$39,111,409



### BHSU Operating Revenues

	FY14	FY13	Increase (Decrease)
Tuition and Fees	\$19,477,733	\$19,368,918	\$108,814
Auxiliaries	\$4,829,031	\$5,137,674	(\$308,643)
General Sales & Services	\$3,028,705	\$3,669,103	(\$640,398)
Federal Grants & Contracts	\$9,050,679	\$11,603,204	(\$2,552,525)
State Grants & Contracts	\$614,795	\$479,534	\$135,261
Private Grants & Contracts	\$2,087,250	\$1,567,245	\$520,004
Student Loan Interest	\$23,216	\$25,594	(\$2,378)
Other Revenue & Additions	\$0	\$13,602	(\$13,602)
	\$39,111,409	\$41,864,875	(\$2,753,466)

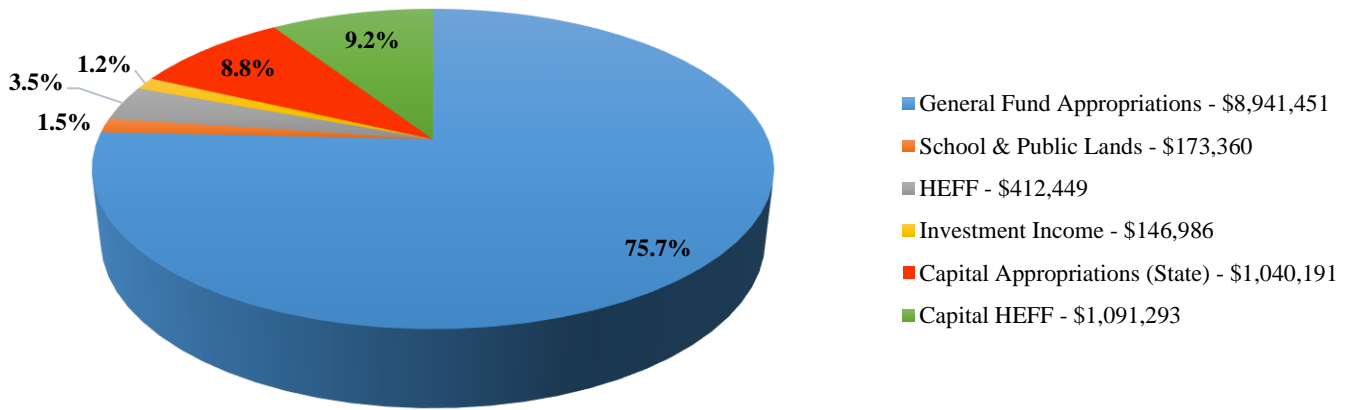
## BHSU FY14 Operating Expenses \$49,239,196



### BHSU Operating Expenses

	FY14	FY13	Increase (Decrease)
Personal Services	\$29,841,188	\$28,238,476	\$1,602,711
Travel	\$858,253	\$868,702	(\$10,449)
Contractual	\$6,969,075	\$6,873,110	\$95,965
Supplies & Materials	\$4,626,423	\$5,791,359	(\$1,164,935)
Grants	\$3,529,139	\$4,826,420	(\$1,297,281)
Loan Cancellation Expense	\$151,295	\$140,499	\$10,797
Bad Debt	\$149,383	\$39,236	\$110,148
Depreciation	\$3,114,440	\$2,994,660	\$119,780
	\$49,239,196	\$49,772,461	(\$533,265)

## BHSU FY14 Non-Operating Revenues \$11,805,730



### BHSU Non-Operating Revenues

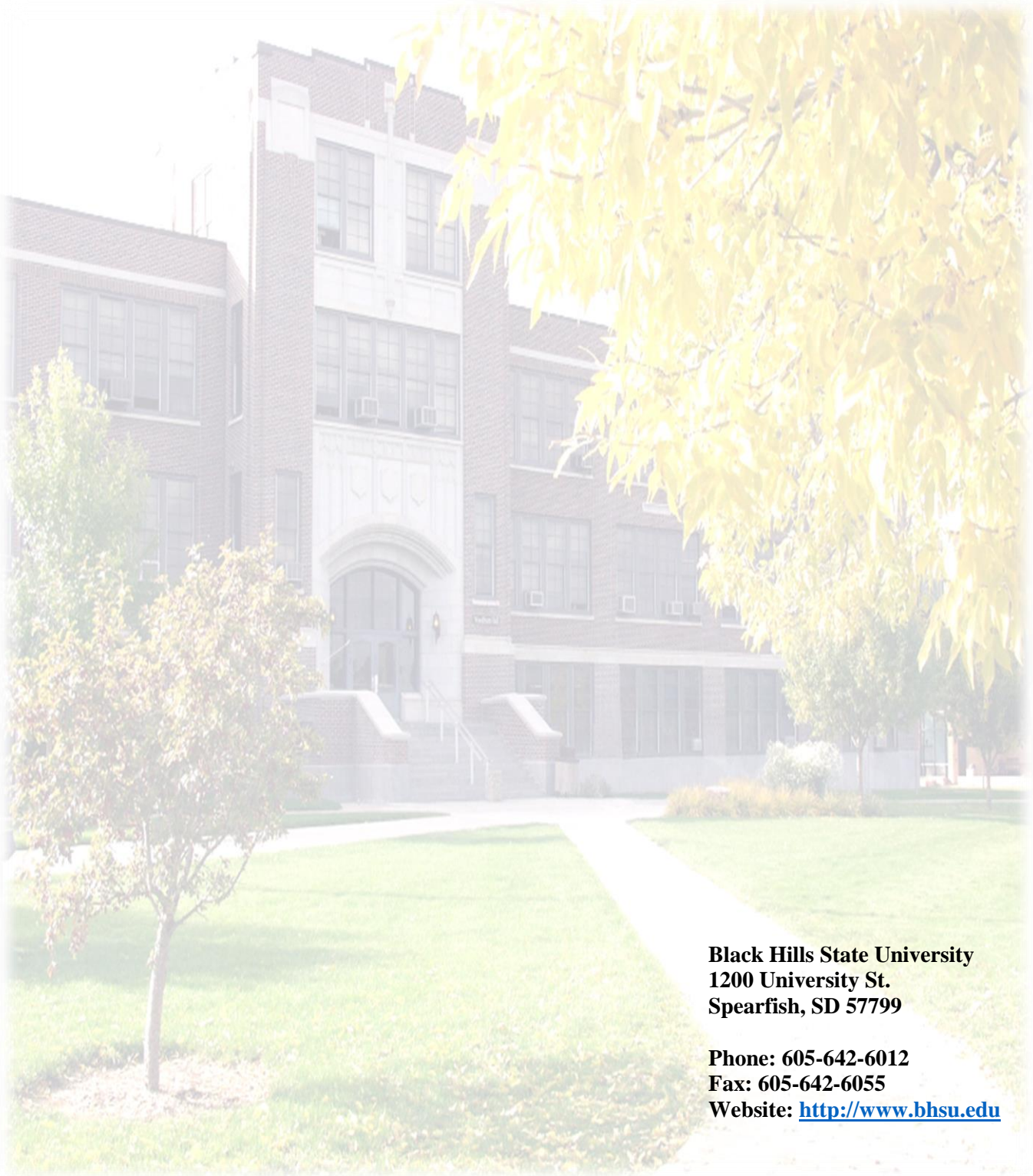
	FY14	FY13	Increase (Decrease)
General Fund Appropriations	\$8,941,451	\$8,329,157	\$612,294
School & Public Lands	\$173,360	\$173,360	\$0
HEFF	\$412,449	\$220,551	\$191,898
Investment Income	\$146,986	\$119,896	\$27,090
Capital Appropriations (State)	\$1,040,191	\$781,573	\$258,618
Capital HEFF	\$1,091,293	\$1,149,029	(\$57,736)
	\$11,805,730	\$10,773,566	\$1,032,164





# Black Hills State University

## NOTES TO THE FINANCIAL STATEMENTS



**Black Hills State University  
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Spearfish, SD 57799**

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**Website: <http://www.bhsu.edu>**

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 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. 35. This statement requires presentation of the following components:

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

### BASIS OF 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.

### 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.

Primary criteria for capitalization of equipment include a useful life of one year or more and a unit cost in excess of \$5,000. Building improvements valued at \$100,000, and infrastructure and land improvements valued at \$50,000 that extend the useful life of the property are capitalized.

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.

### 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.

### 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.

## NET POSITION

*Invested in capital net of related debt*, includes total assets net of accumulated depreciation, less outstanding debt applicable to those assets.

*Restricted net position, 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 position, non-expendable* include assets which must be maintained in accordance with external stipulations.

*Unrestricted net position* 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.

## 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.

## 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.

## REVENUE RECOGNITION

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

## 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 Position. 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.

## **2. 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.

## **3. 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.

#### 4. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

<b>Black Hills State University</b>							
<b>Capital Asset Activity</b>							
<b>For the Year Ended June 30, 2014</b>							
	BHSU Beginning Balance June 30, 2013	BHSU Foundation Beginning Balance	BHSU Foundation Changes	BHSU Foundation Ending Balance December 31, 2013	BHSU Additions	BHSU Reductions	BHSU Ending Balance June 30, 2014
Land	\$189,350.00	\$309,436.00	(\$135,000.00)	\$174,436.00	\$0.00	\$0.00	\$189,350.00
Building	\$87,983,791.66	\$1,130,926.00	(\$513,798.00)	\$617,128.00	\$1,071,750.43	\$0.00	\$89,055,542.09
Land Improvements	\$4,018,708.29	\$0.00	\$0.00	\$0.00	\$626,819.34	\$0.00	\$4,645,527.63
Infrastructure	\$6,415,903.21	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,415,903.21
Equipment:							
Equipment	\$5,595,504.19	\$92,958.00	(\$23,162.00)	\$69,796.00	\$471,546.44	\$0.00	\$6,067,050.63
Library Books**	\$4,001,495.39			\$0.00	\$51,864.70	\$0.00	\$4,053,360.09
Construction in Progress	\$2,396,403.39	\$146,175.00	\$178,281.00	\$324,456.00	\$5,008,714.40	\$1,492,870.29	\$5,912,247.50
Total Assets	<u>\$110,601,156.13</u>	<u>\$1,679,495.00</u>	<u>(\$493,679.00)</u>	<u>\$1,185,816.00</u>	<u>\$7,230,695.31</u>	<u>\$1,492,870.29</u>	<u>\$116,338,981.15</u>
Less Accumulated Depreciation:							
Building	\$22,486,663.47	\$431,473.28	(\$275,128.28)	\$156,345.00	\$2,171,237.79		\$24,657,901.26
Land Improvements	\$1,321,816.27	\$0.00	\$0.00	\$0.00	\$148,108.69		\$1,469,924.96
Infrastructure	\$3,310,274.24	\$0.00	\$0.00	\$0.00	\$337,417.84		\$3,647,692.08
Equipment:							
Equipment	\$3,362,634.42	\$23,779.72	\$45,968.28	\$69,748.00	\$452,488.92	\$0.00	\$3,815,123.34
Library Books**	\$3,425,670.89			\$0.00	\$5,186.47	\$0.00	\$3,430,857.36
Total Depreciation	<u>\$33,907,059.29</u>	<u>\$455,253.00</u>	<u>(\$229,160.00)</u>	<u>\$226,093.00</u>	<u>\$3,114,439.71</u>	<u>\$0.00</u>	<u>\$37,021,499.00</u>
Capital Assets Net	<u>\$76,694,096.84</u>	<u>\$1,224,242.00</u>	<u>(\$264,519.00)</u>	<u>\$959,723.00</u>	<u>\$4,116,255.60</u>	<u>\$1,492,870.29</u>	<u>\$79,317,482.15</u>

\*\* 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:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- 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 Termsphere "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.

#### 5. 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 Position and as Salary and Benefit Expense on the Statement of Revenues, Expenses and Changes in Net Position.

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 at least seven years prior to the date of retirement, voluntary resignation or death will receive payment for 25% of their accumulated sick leave balance, with payment not to exceed the sum of twelve weeks of the employee's annual compensation.

**Black Hills State University**  
**Compensated Absences Activity (includes benefits)**  
**For the Year Ended June 30, 2014**

	Dollar Value of Leave Balances June 30, 2013	Dollar Value of Leave Taken	Dollar Value of Leave Accrued	Dollar Value of Leave Balances June 30, 2014
Annual Leave	\$ 836,906.27	\$ 621,715.32	\$ 666,832.99	\$882,023.94
Sick Leave	\$ 1,536,392.66	\$ 213,594.72	\$ 240,657.91	\$1,563,455.85
Total Compensated Absences Payable	<u>\$2,373,298.93</u>	<u>\$835,310.04</u>	<u>\$907,490.90</u>	<u>\$2,445,479.79</u>

**6. STATE APPROPRIATIONS**

The State General Fund appropriation for fiscal year 2014 was \$8,941,451.01.

**7. TUITION AND FEES**

For FY 2014, the University collected and remitted \$10,997,448.95 of state support tuition and system fees to the Board of Regents Office. Of the \$10,997,448.95, \$6,412,669.41 was submitted to the Tuition & Fee Pool while \$1,603,167.35 was remitted to the Higher Education Facilities Fund; \$1,718,417.91 to the Salary Competitiveness Fee; \$76,681.48 to the Technology Fee; and \$192,963.81 to the Science Lab Facilities Bond.

The University also reported \$10,339,746.31 of self-support tuition and remitted \$1,000,209.51 to the Self Support 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.

**8. 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 because the University is not involved in the administration of the funds.

**9. 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.

## 10. 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 the residence halls, food service, student union, and parking operations. The annual requirements to amortize all revenue bonds and special assessments outstanding as of June 30, 2014 are as follows:

<b>Black Hills State University</b>			
<b>Amount to Amortize Long Term Debt</b>			
	Revenue Bonds	Interest on Revenue Bonds	Total Revenue Bond & Interest
2015	\$940,000	\$863,740	\$1,803,740
2016	\$970,000	\$828,946	\$1,798,946
2017	\$1,015,000	\$788,821	\$1,803,821
2018	\$1,060,000	\$746,814	\$1,806,814
2019	\$1,095,000	\$702,929	\$1,797,929
2020 - 2024	\$5,940,000	\$2,741,982	\$8,681,982
2025 - 2029	\$4,835,000	\$1,495,484	\$6,330,484
2030 - 2039	\$4,235,000	\$1,161,275	\$4,856,813
	\$20,090,000	\$9,329,991	\$28,880,528

<b>Black Hills State University</b>								
<b>Statement of Changes in Long-Term Debt</b>								
<b>For the Year Ended June 30, 2014</b>								
	Series	Date of Issue	Interest Rate	Amount of Issue	Bonds Matured to 6-30-14	Bonds Retired 7-1-13 to 6-30-14	Total Bonds Retired	Bonds Outstanding 6-30-14
<b>Bond Issue:</b>								
<b>Student Union</b>								
	2004A	2004	3.0 - 5.0%					
Student Union				\$3,446,000	\$1,010,893	\$139,434	\$1,150,327	\$2,295,673
Thomas Hall				\$14,000	\$4,107	\$566	\$4,673	\$9,327
<b>Apartment Complex-Heidepriem-Thomas</b>								
	2004	2004	4.18%					
Apartment Complex				\$3,986,000	\$1,522,657	\$2,463,343	\$3,986,000	\$0
Heidepriem Hall				\$602,000	\$245,905	\$356,095	\$602,000	\$0
Thomas Hall				\$602,000	\$246,438	\$355,562	\$602,000	\$0
<b>Crow Peak Hall and Refunding</b>								
	2014A	2014	3.0 - 5.0%	\$10,220,000	\$0	\$0	\$0	\$10,220,000
<b>Parking Lot Improvement</b>								
	2006	2006	3.92%	\$1,270,000	\$305,000	\$60,000	\$365,000	\$905,000
<b>Student Union Expansion</b>								
	2007	2007	3.88%	\$8,150,000	\$1,170,000	\$320,000	\$1,490,000	\$6,660,000
<b>Bond Issue Total</b>				\$28,290,000	\$4,505,000	\$3,695,000	\$8,200,000	\$20,090,000

## 11. SELF-LIQUIDATING PROJECTS

### 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.

The consolidated financial statement reflects the gross operating revenue, fee revenue, and reserves for self-liquidating projects.

## 12. FUNCTIONAL CLASSIFICATION OF EXPENSES

**Black Hills State University**  
**Functional Class Matrix of Expenses**  
**For Year Ended June 30, 2014**

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt Expense	Depreciation	Total
Instruction (1)	13,690,062.53	181,256.36	701,817.68	465,428.44	30,527.50	-	1,110,837.63	16,179,930.14
Research (2)	991,679.43	65,825.59	119,999.58	173,683.03	388,405.53	-	37,690.08	1,777,283.24
Public Service (3)	869,234.82	56,585.83	239,912.25	160,545.12	44,840.00	-	2,568.37	1,373,686.39
Academic Support (4)	2,907,769.97	53,541.20	588,212.32	341,223.67	-	-	185,041.48	4,075,788.64
Student Services (5)	3,724,388.82	326,552.69	482,112.16	564,694.43	14,912.64	-	466,208.74	5,578,869.48
Institutional Support (6)	3,816,741.49	93,090.77	1,330,088.54	7,973.62	10,378.20	149,522.99	353,291.88	5,761,087.49
O&M of Plant (7)	1,824,453.74	47,334.46	1,482,022.42	782,875.11	3,573.09	-	657,526.23	4,797,785.05
Scholarships and Fellowships (8)	-	-	-	-	3,036,501.68	151,155.75	-	3,187,657.43
Auxiliary Enterprises (9)	2,016,856.73	34,066.23	2,024,909.93	2,130,000.02	-	-	301,275.30	6,507,108.21
<b>TOTAL</b>	<b>29,841,187.53</b>	<b>858,253.13</b>	<b>6,969,074.88</b>	<b>4,626,423.44</b>	<b>3,529,138.64</b>	<b>300,678.74</b>	<b>3,114,439.71</b>	<b>49,239,196.07</b>

### **FY 2014 Disbursement by Program - \$49,239,196**

