

Financial Report
of
South Dakota State University
Brookings, South Dakota,
Its Colleges and Agencies

University Proper
College of Agriculture and Biological Sciences
College of Arts and Sciences
College of Education & Human Sciences
College of Engineering
College of Nursing
College of Pharmacy
Graduate School
Honors College
University College

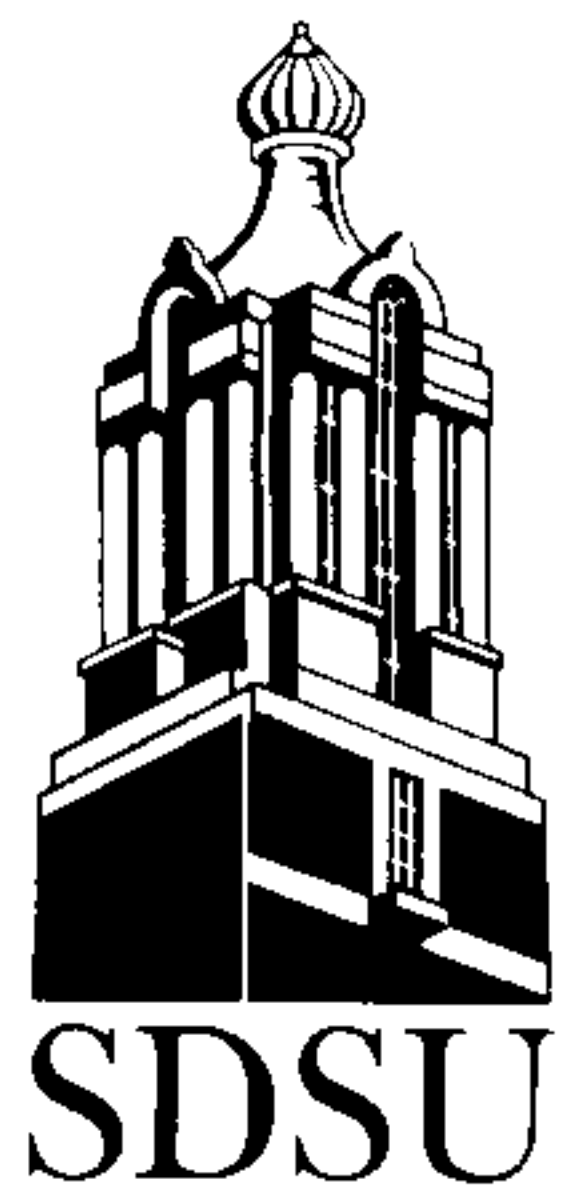
Cooperative Extension Service

Agricultural Experiment Station

Animal Disease Research and Diagnostic Laboratory



For the year ended June 30, 2012



South Dakota
State University

Office of the President

Administration 222, Box 2201
South Dakota State University
Brookings, SD 57007-2298
Phone: 605-688-4111
Fax: 605-688-4443

April 8, 2013

Regent Dean Krogman, President
South Dakota Board of Regents
218 State Ave.
Brookings, SD 57006

Dear President Krogman:

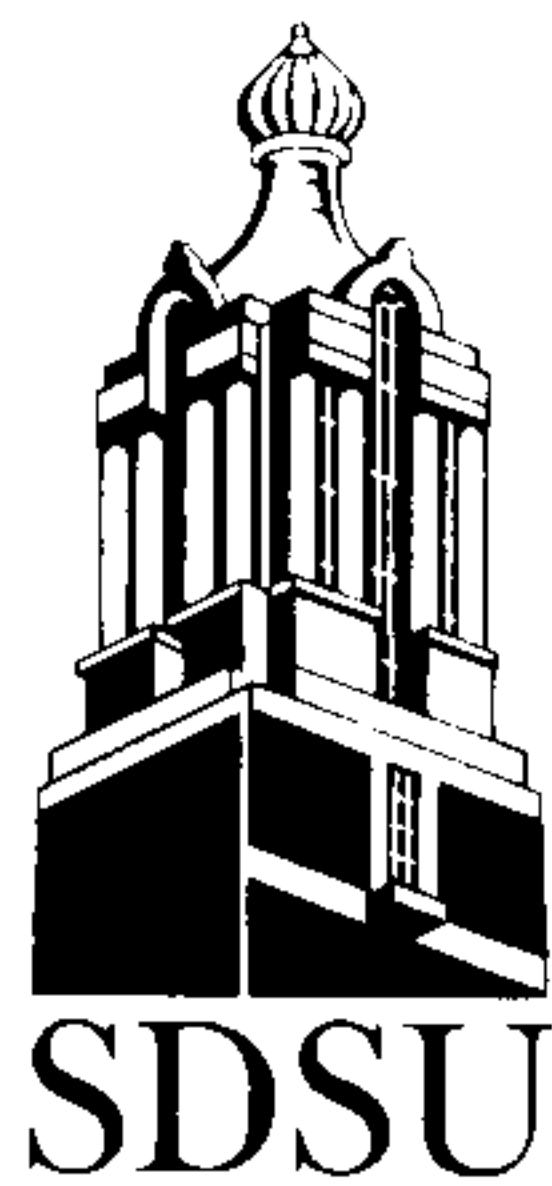
I am pleased to forward the Financial Report for South Dakota State University, covering the fiscal year 2011-2012. This report covers all phases of the financial transactions of the University for the twelve-month period ending June 30, 2012.

Copies of the report will be sent to Jack R. Warner, executive director of the South Dakota Board of Regents.

Sincerely,

David L. Chicoine, PhD.
President

Enclosure



South Dakota
State University

Department of Finance and Budget

Accounting

Administration 234, Box 2201
South Dakota State University
Brookings, SD 57007-2398
Phone: 605-688-6101
Fax: 605-688-5014

April 8, 2013

Dr. David Chicoine
President
South Dakota State University

Dear Dr. Chicoine:

The Annual Financial Report of South Dakota State University for the year ending June 30, 2012 is complete and submitted in the attached exhibits.

The reports of South Dakota State University have been presented in accordance with standards issued by the Governmental Accounting Standards Board (GASB). These reports provide a comprehensive record of the University's financial activities as a whole.

The South Dakota State University Foundation is a legally separate, tax-exempt entity that acts primarily as a fund raising organization to supplement the resources that are available to the University in support of its programs. The Foundation's financial statements, audited by an independent certified public accountant, are included in this report as it has been determined to be a component unit of the University based on the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

All state fund expenditures are under the continuous pre-audit control of the State Auditor and all accounts are under the post-audit control of the Auditor General. This report is intended to form a comprehensive and permanent record of the finances of South Dakota State University for the fiscal year ending June 30, 2012.

Sincerely,

Wesley Tschetter
Vice President Finance and Business/CFO

**SOUTH DAKOTA STATE UNIVERSITY
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	Page
Management's Discussion and Analysis	1-8
Statement of Net Assets	9-10
Consolidated Statements of Financial Position (SDSU Foundation)	11
Statement of Revenues, Expenses and Other Changes	12-13
Consolidated Statements of Activities (SDSU Foundation)	14-15
Consolidated Statements of Changes in Net Assets (SDSU Foundation)	16
Statement of Cash Flows	17-18
Consolidated Statement of Cash Flows	19
Charts and Graphs	
Operating Revenues	20
Operating Expenses	21
Non-Operating Revenue	22
Notes to Financial Statements	23-34
Notes to Consolidated Financial Statements	35-50
Functional Class Matrix	51

SOUTH DAKOTA STATE UNIVERSITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of South Dakota State University's annual financial report presents management's discussion and analysis of the University's financial operations during the fiscal year ended June 30, 2012. The discussion and analysis should be read in conjunction with the accompanying financial statements and footnotes. The accuracy of the financial statements, footnote disclosures, and discussion are the responsibility of management.

Based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, it has been determined that the South Dakota State University Foundation is a component unit of the University. As such, the financial statements of the Foundation are included in this report. Independent auditors engaged by the Foundation's Board of Directors audit the Foundation's financial information. The University has no control or management responsibility over the Foundation funds.

Reporting Entity

South Dakota State University is one of six public universities under the control of the South Dakota Board of Regents. The public universities are considered a component unit of the State of South Dakota and are reported as such in the State's Comprehensive Annual Financial Report.

The financial operations of South Dakota 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 the University, but rather on the audited Comprehensive Annual Financial Report of the State of South Dakota.

Using the Annual Report

The accompanying statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The accompanying financial statements provide a comprehensive view of the financial operations of the University as a whole.

The statements prescribed by GASB Statement No. 35 include the Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when a liability is incurred regardless of when the exchange of cash takes place.

The Statement of Net Assets reports the difference between assets and liabilities and is one way of measuring the University's financial position. Changes in net assets are an 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 serving the students.

The Statement of Revenues, Expenses and Changes in Net Assets presents revenues earned and expenses incurred during the year. Revenues and expenses are reported as either operating or non-operating. In accordance with the GASB Statement 35 reporting model requirements, state and federal appropriations are reported as non-operating revenues, resulting in the reporting of a significant net operating loss. The financial statements also reflect an allowance for depreciation expense, which is the amortization of the cost of a capital asset over its estimated useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows. Transactions are classified as operating, non-capital, capital and investing activities. This statement helps measure the ability of the University to meet financial obligations as they mature.

Financial Highlights

The University's financial position improved during the fiscal year ended June 30, 2012 as compared to the previous fiscal year as evidenced by:

- The University's total assets increased over the prior year by \$74.5 million primarily due to an increase in Cash of \$57.3 million due to the issuance of the Series 2011 bonds of \$57.7 million. Also, Construction in Progress increased by \$15.7 million largely due to expenditures related to the Series 2011 bond issue along with the Central Heating Plant boiler replacement and renovations to the Electrical Engineering building.
- The University's largest asset is its investment in physical plant which represents \$333.92 million at June 30, 2012.
- The University's liabilities increased by \$57.4 million primarily due to the issuance of the Series 2011 bond issue with a par value of \$57.7 million.
- The University's largest liability is its revenue bonds payable of \$121.9 million.
- The University's net assets increased by \$17.1 million to \$277.8 million, of which \$259.8 million is invested in capital assets, net of related debt and \$7.7 million is restricted. The majority of the remaining \$10.3 million of unrestricted net assets is designated for future acquisition or maintenance and repair of plant facilities.
- The University's current assets of \$95.5 million were sufficient to cover current liabilities of \$25.8 million (current ratio of 3.70).

**South Dakota State University
Condensed Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Current Assets	\$ 95,528,706.35	\$ 42,912,463.92
Non-Current Assets	<u>346,736,501.31</u>	<u>324,806,520.44</u>
Total Assets	<u>\$ 442,265,207.66</u>	<u>\$ 367,718,984.36</u>
LIABILITIES		
Current Liabilities	\$ 25,821,662.65	\$ 24,291,969.28
Non-Current Liabilities	<u>138,613,183.16</u>	<u>82,723,530.44</u>
Total Liabilities	<u>\$ 164,434,845.81</u>	<u>\$ 107,015,499.72</u>
NET ASSETS		
Invested in Capital, Net of Related Debt	\$ 259,775,313.36	\$ 248,832,448.01
Restricted	7,738,958.20	6,969,354.07
Unrestricted	<u>10,316,090.29</u>	<u>4,901,682.56</u>
Total Net Assets	<u>\$ 277,830,361.85</u>	<u>\$ 260,703,484.64</u>

- The most significant sources of operating revenues for the University are student tuition and fees, grants and contracts, general sales and service revenue, and auxiliary enterprise activities.
- Operating revenues increased by \$8.0 million compared to the prior year. Operating revenues saw significant increases to Tuition and Fees of \$8.5 million, General Sales & Services of \$4.0 million, Auxiliaries of \$2.1 million and State Grants & Contracts for \$1.6 million. Operating revenues saw significant decreases to Federal Grants & Contracts of \$7.8 million.
- State support tuition rates increased by 14.5% while self support tuition rates increased by 7.05% which resulted in an increase of tuition revenue of \$4.2 million.

- Effective for FY12, the Salary Enhancement Fees were combined with Special Discipline Fees. Also, there were several new Special Discipline Fees added in FY12. Special Discipline Fees increased by \$4.1 million from FY11 to FY12.
- Large increases to General Sales & Services included a \$1.6 million increase to Wheat License Income, a \$1.1 million increase to Rentals & Royalties, a \$.7 million increase to Testing Services and a variety of smaller increases from various sources.
- Auxiliary Enterprise revenue increased by \$2.1 million primarily due to a \$1 million dollar increase to Residential Life and a \$.5 million increase to Bookstore.
- State Grants & Contracts increased by \$1.6 million. The largest increases were a \$350,000 increase to BCAAP Center grants and a \$330,000 increase to Jurisdictional state grants.
- Federal Grants & Contracts decreased by \$7.8 million. The largest decreases were to federal grants from the Department of Health & Human Services of \$3.2 million and decreases to federal financial aid of \$2.9 million and decreases to federal grants from the Department of Education of \$2.0 million.
- Operating expenses increased by \$12.3 million compared to the prior year. The largest increases to Operating Expenses came from Supplies & Materials which increased by \$6.0 million and Contractual Services which increased by \$5.0 million and Personal Services which increased by \$1.4 million.
- The operating loss totaled \$59.9 million which was funded primarily by State General Fund Appropriations of \$56.0 million and Federal Appropriations of \$9.4 million.
- State General Fund Appropriations were the most significant non-operating revenue at \$56.0 million. In FY11, the University received \$4.9 million in funding from the American Recovery and Reinvestment Act (ARRA) which was discontinued in FY12. For FY12, the State General Fund Appropriation and ARRA funding was \$5.3 million less than the comparable numbers for FY11.
- The University received \$9.4 million in Federal Appropriations for FY12 which was an increase of \$2.5 million from the previous year. The largest increases in Federal Appropriations came from federal Hatch funding which increased by \$1.4 million and from federal Smith Lever funding which increased by \$.9 million.
- The University received revenue from the Higher Education Facilities Fund of \$3.1 million which was primarily used for the Exterior Lighting Upgrades, Scobey Window Replacement, Administration Masonry Repair & Tuckpointing, and various other smaller construction projects.

- The University received \$7.0 million in Capital Grants & Contracts for FY12 primarily from the SDSU Foundation and from various federal grants & contracts which was used for various building & renovation projects around campus. For FY12, an additional \$5.0 million was received in bond proceeds from the SD Building Authority which was used primarily for the Central Heating Plant Boiler Replacement & Boiler Upgrades, the Ag Hall Lab Renovation, Ag Hall Tuckpointing and for the Dairy Micro Renovation project.

South Dakota State University
Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Total Operating Revenues	\$ 198,883,134.48	\$ 190,916,761.26
Total Operating Expenses	<u>258,759,002.41</u>	<u>246,447,051.00</u>
Operating Loss	(59,875,867.93)	(55,530,289.74)
Non-Operating Revenues	62,827,530.45	67,059,925.50
Other Revenues	<u>14,735,797.14</u>	<u>20,024,641.09</u>
Total Increase in Net Assets	\$ 17,687,459.66	\$ 31,554,276.85
Net Assets, Beginning of Year	260,703,484.64	229,771,950.90
Prior Period Adjustments	<u>(560,582.45)</u>	<u>(622,743.11)</u>
Net Assets, End of Year	<u>\$ 277,830,361.85</u>	<u>\$ 260,703,484.64</u>

- Major sources of operating cash included student tuition, fees and auxiliaries of \$97.1 million, grants and contracts of \$76.5 million and general sales & services of \$26.3 million. The largest use of operating cash was payments to employees of \$146.4 million.
- The most significant source of non-capital financing activities cash was State General Fund appropriations of \$56.0 million.
- The most significant sources of capital related financing activities cash were Proceeds from the Series 2011 bond issue of \$59.9 million, Capital Grants & Contracts of \$8.0 million and bond proceeds received from the SD Building Authority of \$4.7 million for capital purposes. The most significant use of capital related financing activities cash was the Purchase of Capital Assets of \$37.0 million which was predominately for construction expenditures for buildings & improvements.

**South Dakota State University
Condensed Statement of Cash Flows
For the Year Ended**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash Provided/(Used) by:		
Operating Activities	\$ (40,372,503.94)	\$ (42,045,229.68)
Non-Capital Financing Activities	65,824,295.10	70,783,508.53
Capital Related Financing Activities	31,140,622.28	(29,890,953.44)
Investing Activities	<u>698,584.44</u>	<u>1,691,455.05</u>
Net Increase (Decrease) in Cash	57,290,997.88	538,780.46
Cash, Beginning of Year	<u>11,644,799.12</u>	<u>11,106,018.66</u>
Cash, End of Year	<u>\$ 68,935,797.00</u>	<u>\$ 11,644,799.12</u>

Outlook for FY13 and Beyond

The ability of the University to fulfill its educational mission and execute its strategic plans is positively influenced by stable enrollment. Fall 2012 total full-time equivalent enrollment decreased slightly from 10,421 in Fall 2011 to 10,153 in Fall 2012. Fall 2012 headcount enrollment was at 12,583 which was a slight decline from 12,725 for Fall 2011. It is projected that enrollment will continue to remain stable for FY14.

Reliance on State support remains an important non-operating revenue source for the University. For FY13, it is expected that the State General Fund appropriations will be impacted by state and national economic pressures impacting revenues generated for the State General Fund. Each year the University continues to be confronted with increases in health care costs, compensation, and utilities.

Additional challenges include maintenance and repair of plant facilities and major renovations to facilities. Maintenance and repair of facilities is essential to provide safe, effective and current education and service to the State. Major projects that are in the planning process or in progress include construction of new residence halls, renovation and expansion of food service facilities, renovation of Electrical Engineering, construction of a visitor center for McCrory Gardens, renovations of the Central Heating Plant.

In November of 2011, the SD Board of Regents issued an additional \$57.7 million in revenue bonds for South Dakota State University for the construction of new residence hall facilities; expansion of the Student Union (includes dining); family student housing project and parking expansion.

The University has a 10 year Capital Plan which includes the construction of a new headhouse and greenhouses; architecture, mathematics and engineering facility; Visual Arts facility expansion; Performing Arts Center expansion and the construction of a cow-calf research unit.

South Dakota State University maintains a positive outlook for FY13 and beyond. The University continues to be well positioned for the future, both academically and financially in its mission of education, research and service.

SOUTH DAKOTA STATE UNIVERSITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Current Year</u>	<u>Prior Year</u>
ASSETS:		
Current Assets:		
Cash on Deposit - State Treasurer	\$ 62,803,828.75	\$ 8,848,631.10
Cash & Cash Equivalents	4,835,818.07	2,737,401.19
Accounts Receivable - Student	3,255,060.08	3,088,822.17
Accounts Receivable - Dept. Sales	2,417,709.02	2,975,781.98
Student Notes Receivable (Net of Allowance of \$78,907.56 2012 & \$78,999.43 2011)	2,038,408.37	2,077,780.66
Interest Receivable	1,031,300.30	699,521.78
Prepaid Expenses	500,507.91	603,137.35
Inventories	5,276,452.31	5,869,322.27
Due From Federal Sources	11,286,732.26	14,333,942.50
Due From Primary Government	951,600.97	972,764.69
Due From Other Component Units	930,448.86	532,630.73
Investments, Carried at Market	114,650.63	111,506.88
Unamortized Cost of Issuance	86,188.82	61,220.62
Total Current Assets	\$ 95,528,706.35	\$ 42,912,463.92
Non-Current Assets:		
Restricted Cash on Deposit - State Treasurer	\$ 1,296,150.18	\$ 58,766.83
Student Notes Receivable (Net of Allowance of \$373,645.44 2012 & \$476,625.57 2011)	9,383,727.57	9,391,235.60
UnRestricted Long Term Investments	270,811.83	265,737.25
Unamortized Cost of Issuance	1,524,496.33	1,017,696.05
Land	9,002,997.70	8,061,741.65
Construction in Progress	32,258,194.34	16,560,807.56
Buildings & Bldg Improvements (Net of Accum Depr \$108,490,801.11 2012; \$98,866,268.57 2011)	241,942,480.21	241,160,781.08
Land Improvements (Net of Accum Depr of \$5,155,596.05 2012 & \$4,623,356.05 2011)	4,629,034.98	4,182,702.94
Infrastructure (Net of Accum Depr of \$4,643,401.87 2012 & \$4,196,243.27 2011)	12,290,200.53	9,664,636.05
Equipment & Other Property (Net of Accum Depr \$67,207,499.33 2012 & \$64,191,844.52 2011)	25,459,058.99	25,586,808.08
Museum and Art Collections	8,339,858.50	8,260,944.50
Intangible Assets (Net of Accum Amort \$5,993.30 2012 & \$34,129.21 2011)	96,990.15	307,162.85
Other Assets	242,500.00	287,500.00
Total Non-Current Assets	\$ 346,736,501.31	\$ 324,806,520.44
TOTAL ASSETS	\$ 442,265,207.66	\$ 367,718,984.36

**SOUTH DAKOTA STATE UNIVERSITY
STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2012**

	Current Year	Prior Year
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 8,374,390.76	\$ 8,082,584.88
Accrued Wages & Benefits	2,993,384.31	3,241,253.73
Accrued Interest Payable	1,429,006.01	804,483.79
Due To Primary Government	357,692.12	281,597.58
Due To Other Component Units	318,728.34	288,592.03
Student Deposits	482,276.61	323,666.85
Compensated Absences Payable	5,107,510.72	4,834,229.31
Notes Payable	165,000.00	165,000.00
Bonds Payable (See Note XV of Notes to Financial Statements)	3,054,768.73	2,853,013.46
Obligations Under Capital Leases	35,471.76	33,930.43
Deferred Revenue	3,147,495.48	3,043,530.00
Agency Funds - Funds Held for Others	355,937.81	340,087.22
Total Current Liabilities	\$ 25,821,662.65	\$ 24,291,969.28
Non-Current Liabilities:		
Compensated Absences Payable	\$ 8,624,389.61	\$ 10,040,414.56
Notes Payable	660,000.00	825,000.00
Bonds Payable (See Note XV of Notes to Financial Statements)	118,877,187.87	61,459,044.44
Obligations Under Capital Leases	37,087.26	72,559.02
Federal Capital Contribution - Student Loans	10,414,518.42	10,326,512.42
Total Non-Current Liabilities	\$ 138,613,183.16	\$ 82,723,530.44
TOTAL LIABILITIES	\$ 164,434,845.81	\$ 107,015,499.72
NET ASSETS:		
Invested in Capital, Net of Related Debt	\$ 259,775,313.36	\$ 248,832,448.01
Restricted Non-Expendable:		
Loans	2,517,465.04	2,590,382.91
Restricted Expendable:		
Scholarships and fellowships	84,752.13	34,215.28
Research	1,405,737.30	2,220,073.55
Debt Service	1,296,150.18	58,766.83
Renewals & Replacements	2,427,325.53	2,053,415.50
Other	7,528.02	12,500.00
Unrestricted	10,316,090.29	4,901,682.56
TOTAL NET ASSETS	\$ 277,830,361.85	\$ 260,703,484.64
TOTAL LIABILITIES & NET ASSETS	\$ 442,265,207.66	\$ 367,718,984.36

The accompanying notes to the South Dakota State University financial statements are an integral part of this statement.

South Dakota State University Foundation
Consolidated Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 7,037,746	\$ 5,733,419
Investments (Note 2 and Note 16)	90,976,548	93,774,930
Receivables		
Pledges, net of allowance and discount (Note 4)	31,350,506	33,499,114
Trusts held by others (Note 5)	1,366,011	1,610,373
Notes, contracts, and other receivables (Note 1)	1,859,241	1,828,030
Total receivables	34,575,758	36,937,517
Property, net of accumulated depreciation (Note 1)	4,661,711	4,739,094
Property held for investment (Note 1)	3,544,484	4,867,696
Other assets		
Prepaid SDSU support (Note 1)	1,493,060	1,791,672
Prepaid expenses, inventory, and other assets (Note 1)	1,030,281	957,555
Cash surrender value of life insurance (Note 6)	364,287	321,144
Life estates	1,157,155	1,190,155
Beneficial interest in perpetual trust (Note 7)	779,475	830,417
Total other assets	4,824,258	5,090,943
	\$ 145,620,505	\$ 151,143,599
Liabilities		
Accounts payable and accrued expenses	\$ 4,795,560	\$ 1,329,991
Due to SDSU - scholarships	2,244,336	2,349,686
Investments held for others (Note 8)	261,792	291,151
Gift annuities and life income agreements (Note 9)	8,784,075	9,215,487
Notes payable (Note 10)	16,388,086	20,910,965
Total liabilities	32,473,849	34,097,280
Net Assets		
Donor Restricted		
Temporarily restricted (Note 1)	27,880,008	35,251,283
Permanently restricted (Note 1)	104,644,286	97,976,519
Other		
Unrestricted deficit (Note 15)	(19,377,638)	(16,181,483)
Total net assets	113,146,656	117,046,319
	\$ 145,620,505	\$ 151,143,599

See Notes to Consolidated Financial Statements

**SOUTH DAKOTA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 2012**

	Current Year	Prior Year
OPERATING REVENUES:		
Tuition:		
State-Support Tuition Allocation	\$ 28,851,542.58	\$ 26,387,772.26
Self-Support Tuition	14,003,701.23	12,090,708.11
	\$ 42,855,243.81	\$ 38,478,480.37
Fees:		
University Support Fee	\$ 10,680,169.40	\$ 11,022,852.54
Salary Competitiveness Fee Allocation	8,183,828.28	9,214,755.80
General Activity Fee	6,252,412.68	6,369,880.02
Salary Enhancement Fees	2,996.40	1,468,229.54
Special Discipline Fees	8,938,430.38	3,394,454.77
Lab Fees	1,195,377.14	1,202,505.04
Vehicle Registration Fees	757,073.03	556,969.72
Delivery Fees	1,876,924.66	1,397,026.32
Technology Fees	2,478,894.28	2,322,518.51
Other Fees	96,339.39	68,948.76
Student Charges	1,093,028.19	657,961.65
	\$ 41,555,473.83	\$ 37,676,102.67
Total Tuition and Fees	\$ 84,410,717.64	\$ 76,154,583.04
Less Student Financial Assistance	(11,537,637.58)	(11,782,685.73)
	\$ 72,873,080.06	\$ 64,371,897.31
Auxiliaries (Net of Student Financial Assistance of \$4,187,641.93 2012 & \$4,464,812.52 2011)		
General Sales & Services	26,288,330.66	22,272,707.53
Federal Grants & Contracts	56,119,747.32	63,894,689.44
State Grants & Contracts	5,384,170.66	3,747,466.02
Private & Other Grants & Contracts	11,371,858.31	11,981,317.01
Student Loan Interest	232,495.32	225,422.37
Loan Cancellation Reimbursement	-	-
Other Revenues & Additions	165,567.94	33,706.17
	\$ 198,883,134.48	\$ 190,916,761.26
TOTAL OPERATING REVENUES	\$ 198,883,134.48	\$ 190,916,761.26

**SOUTH DAKOTA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 2012**

	Current Year	Prior Year
OPERATING EXPENSES:		
Personal Services (Salaries & Benefits)	\$ 144,972,595.99	\$ 143,542,693.29
Travel	7,788,166.38	6,532,853.35
Contractual Services	35,856,429.25	30,840,417.77
Supplies & Materials	30,267,311.88	24,272,065.38
Grants & Subsidies	23,645,666.56	24,773,569.39
Interest	1,456.97	20,054.78
Loan Cancellation Expense	389,922.64	485,864.07
Bad Debts	713.49	299,597.22
Depreciation	15,754,665.95	15,644,166.55
Amortization of Intangibles	5,993.30	34,129.21
Other Operating Expense	76,080.00	1,639.99
	\$ 258,759,002.41	\$ 246,447,051.00
TOTAL OPERATING EXPENSES		
	\$ (59,875,867.93)	\$ (55,530,289.74)
OPERATING LOSS		
	\$ (59,875,867.93)	\$ (55,530,289.74)
NON-OPERATING REVENUES (EXPENSES):		
General Fund Appropriations	\$ 56,024,888.00	\$ 56,406,439.00
ARRA Stabilization Appropriations	-	4,901,625.00
School & Public Lands	614,398.03	585,391.90
Federal Fund Appropriations	9,363,852.14	6,889,768.47
Higher Education Facilities Fund	935,263.33	899,855.75
Endo/Ecto Parasiticide Tax	250,000.00	250,000.00
Investment Income	1,030,502.03	702,580.41
Other Non-Operating Revenue & Additions	22,277.41	18,635.23
Interest Expense related to Capital Assets	(4,798,768.23)	(3,324,552.14)
Loss on Disposal of Capital Assets	(614,780.48)	(269,592.46)
Unrealized Gain (Loss) on Investments	(101.78)	(225.66)
	\$ 62,827,530.45	\$ 67,059,925.50
NET NON-OPERATING REVENUES		
	\$ 62,827,530.45	\$ 67,059,925.50
INCOME BEFORE OTHER REVENUES, EXPENSES & OTHER CHANGES	\$ 2,951,662.52	\$ 11,529,635.76
Capital Grants & Contracts	7,012,350.07	10,974,445.01
SD Building Authority Bond Proceeds	4,956,558.84	4,606,039.91
BAB Subsidy	627,871.61	636,862.38
Higher Education Facilities Fund	2,139,016.62	3,807,293.79
	\$ 17,687,459.66	\$ 31,554,276.85
NET INCREASE IN NET ASSETS		
	\$ 17,687,459.66	\$ 31,554,276.85
NET ASSETS, BEGINNING OF YEAR	260,703,484.64	229,771,950.90
Prior Period Adjustments	(560,582.45)	(622,743.11)
	\$ 277,830,361.85	\$ 260,703,484.64
NET ASSETS, END OF YEAR		
	\$ 277,830,361.85	\$ 260,703,484.64

The accompanying notes to the South Dakota State University financial statements are an integral part of this statement.

	2011			
	Restricted Net Assets		Unrestricted Net Assets	Total
	Temporarily	Permanently		
Revenue and Other Support				
Gifts	\$ 15,872,744	\$ 7,471,051	\$ 1,124,573	\$ 24,468,368
Investment income	1,934,172	140,215	604,622	2,679,009
Net realized and unrealized (loss) gain	(2,326,921)	(110,180)	90,520	(2,346,581)
Change in split interest agreements	(14,914)	(788,472)	28,644	(774,742)
Other revenue				
Federal grant	-	-	-	-
Telemarketing contract	-	-	300,000	300,000
Related organizations	2,014,317	-	297,384	2,311,701
Professional fundraising	45,000	-	150,000	195,000
Other	639,240	20,961	7,119	667,320
	<u>18,163,638</u>	<u>6,733,575</u>	<u>2,602,862</u>	<u>27,500,075</u>
Net assets released from restrictions (Note 11)	<u>(28,489,231)</u>	<u>(98,165)</u>	<u>28,587,396</u>	<u>-</u>
Total revenue and other support	<u>(10,325,593)</u>	<u>6,635,410</u>	<u>31,190,258</u>	<u>27,500,075</u>
Expenses				
Program Services				
SDSU scholarships	-	-	4,943,458	4,943,458
SDSU operational and program support	-	-	6,543,168	6,543,168
SDSU capital projects	-	-	13,850,820	13,850,820
Grants to others	-	-	118,902	118,902
Other program expenses				
Related organizations	-	-	1,980,955	1,980,955
Total program services	<u>-</u>	<u>-</u>	<u>27,437,303</u>	<u>27,437,303</u>
Support Services				
Administrative and general expenses	-	-	3,962,435	3,962,435
Total expenses	<u>-</u>	<u>-</u>	<u>31,399,738</u>	<u>31,399,738</u>
Interfund Transfers (Note 15)	<u>2,954,318</u>	<u>32,357</u>	<u>(2,986,675)</u>	<u>-</u>
Change in Net Assets	<u>\$ (7,371,275)</u>	<u>\$ 6,667,767</u>	<u>\$ (3,196,155)</u>	<u>\$ (3,899,663)</u>

See Notes to Consolidated Financial Statements

South Dakota State University Foundation
Consolidated Statements of Activities
Years Ended December 31, 2011 and 2010

2010			
Restricted Net Assets		Unrestricted	Total
Temporarily	Permanently	Net Assets	
\$ 15,841,235	\$ 7,256,892	\$ 18,314	\$ 23,116,441
1,758,554	93,797	721,510	2,573,861
5,344,533	296,768	207,304	5,848,605
71,105	454,494	(1,965)	523,634
854,738	-	-	854,738
-	-	300,000	300,000
1,451,463	-	315,757	1,767,220
45,000	-	150,000	195,000
269,344	8,011	12,632	289,987
<u>25,635,972</u>	<u>8,109,962</u>	<u>1,723,552</u>	<u>35,469,486</u>
<u>(28,607,599)</u>	<u>(117,709)</u>	<u>28,725,308</u>	<u>-</u>
<u>(2,971,627)</u>	<u>7,992,253</u>	<u>30,448,860</u>	<u>35,469,486</u>
-	-	4,871,525	4,871,525
-	-	3,918,498	3,918,498
-	-	16,612,016	16,612,016
-	-	50,446	50,446
-	-	<u>1,505,530</u>	<u>1,505,530</u>
-	-	<u>26,958,015</u>	<u>26,958,015</u>
-	-	<u>4,347,260</u>	<u>4,347,260</u>
-	-	<u>31,305,275</u>	<u>31,305,275</u>
<u>(2,886,975)</u>	<u>155,218</u>	<u>2,731,757</u>	<u>-</u>
<u>\$ (5,858,602)</u>	<u>\$ 8,147,471</u>	<u>\$ 1,875,342</u>	<u>\$ 4,164,211</u>

South Dakota State University Foundation
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2011 and 2010

	Restricted Net Assets		Unrestricted Net Assets	Total
	Temporarily	Permanently		
Net Assets (Deficit) December 31, 2009	\$ 41,109,885	\$ 89,829,048	\$ (18,056,825)	\$ 112,882,108
Change in net assets	<u>(5,858,602)</u>	<u>8,147,471</u>	<u>1,875,342</u>	<u>4,164,211</u>
Net Assets (Deficit) December 31, 2010	35,251,283	97,976,519	(16,181,483)	117,046,319
Change in net assets	<u>(7,371,275)</u>	<u>6,667,767</u>	<u>(3,196,155)</u>	<u>(3,899,663)</u>
Net Assets (Deficit) December 31, 2011	<u>\$ 27,880,008</u>	<u>\$ 104,644,286</u>	<u>\$ (19,377,638)</u>	<u>\$ 113,146,656</u>

**SOUTH DAKOTA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition, Fees, & Auxiliaries (Net of Scholarship Allowance & Discounts)	\$ 97,134,090.16	\$ 86,718,710.38
General Sales & Services	26,303,196.09	21,779,479.86
Federal Grants & Contracts	59,587,492.71	61,357,077.39
State Grants & Contracts	5,118,590.35	4,938,460.44
Private Grants & Contracts	11,813,171.00	11,154,346.54
Loans Collected from Students	1,897,713.58	1,967,457.06
Loan Cancellation Reimbursement	-	-
Student Loan Interest	232,495.32	225,422.37
Other Receipts	61,852.22	31,789.94
Personal Services (salaries & benefits)	(146,358,627.90)	(143,991,729.42)
Travel	(7,692,710.70)	(6,531,462.44)
Contractual Services	(35,545,372.29)	(30,581,518.79)
Supplies & Materials	(29,381,066.42)	(24,594,094.78)
Grants & Subsidies	(23,465,791.09)	(24,440,538.87)
Interest	(1,456.97)	(20,054.78)
Bad Debts	-	(324.00)
Other Payments	(76,080.00)	(58,250.58)
NET CASH USED BY OPERATING ACTIVITIES	\$ (40,372,503.94)	\$ (42,045,229.68)
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:		
General Fund Appropriations	\$ 56,024,888.00	\$ 56,406,439.00
ARRA Stabilization Appropriations	-	4,901,625.00
School & Public Lands	614,398.03	596,053.87
Federal Fund Appropriations	7,718,455.00	7,213,181.00
Federal Loans Disbursements (Stafford & PLUS)	(60,840,331.00)	(58,576,382.00)
Federal Loan Receipts (Stafford & PLUS)	60,840,331.00	58,576,382.00
Higher Education Facilities Fund	935,263.33	899,855.75
Endo/Ecto Parasiticide Tax	250,000.00	250,000.00
Federal Capital Contribution - Student Loans	88,006.00	10,900.00
Net Change in Funds Held for Others	179,188.37	494,435.76
Other Non-Operating Revenues & Additions	14,096.37	11,018.15
Other Non-Operating Expenses	-	-
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCIAL ACTIVITIES	\$ 65,824,295.10	\$ 70,783,508.53
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES:		
Higher Education Facilities Fund	\$ 2,139,016.62	\$ 3,807,293.79
SD Building Authority Bond Proceeds	4,702,836.35	4,606,039.91
Purchase of Capital Assets	(37,002,392.76)	(42,968,309.04)
Proceeds from Bond Issue	59,936,851.11	-
Principal Payments on Bonds & Capital Leases	(2,868,930.43)	(2,694,776.54)
Interest Payments on Bonds & Capital Leases	(4,187,966.90)	(3,283,762.26)
Notes Payable Financing Agreement	(165,000.00)	(165,000.00)
BAB Subsidy	627,871.61	636,862.38
Capital Grants & Contracts	7,958,336.68	10,170,698.32
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 31,140,622.28	\$ (29,890,953.44)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	\$ 698,686.22	\$ 1,691,680.71
Unrealized Gain (Loss) on Investments	(101.78)	(225.66)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 698,584.44	\$ 1,691,455.05
Net (Decrease) in Cash	\$ 57,290,997.88	\$ 538,780.46
Cash - Beginning of the year	11,644,799.12	11,106,018.66
Cash - End of the year	<u>\$ 68,935,797.00</u>	<u>\$ 11,644,799.12</u>

**SOUTH DAKOTA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Current Year	Prior Year
RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	\$ (59,875,867.93)	\$ (55,530,289.74)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	15,754,665.95	15,644,166.55
Amortization of Intangibles	5,993.30	34,129.21
Bad Debt Expense	713.49	299,273.22
Loan Cancellation Expense	389,922.64	449,669.80
Change in Assets and Liabilities:		
Accounts Receivable Students	(166,237.91)	(340,557.56)
Accounts Receivable - Dept	648,232.23	(643,391.81)
Prepaid Expenses	101,812.30	(256,774.44)
Notes Receivable	(343,755.81)	(142,413.81)
Due From Federal Sources	3,363,248.15	(2,586,510.33)
Due From Primary Government	21,163.72	612,075.97
Due From Other Component Units	(207,095.64)	450,049.18
Inventories	592,869.96	(477,511.55)
Intangible Assets	307,162.85	(341,292.06)
Work in Progress Intangible Assets	-	315,761.06
Other Assets	45,000.00	45,000.00
Accounts Payable	263,361.95	1,064,608.64
Accrued Wages and Benefits	(243,288.37)	(164,777.58)
Due To Primary Government	76,094.54	(144,804.73)
Due To Other Component Units	30,136.31	(21,859.80)
Compensated Absences Payable	(1,142,743.54)	(284,258.55)
Deferred Revenue	6,107.87	(25,521.35)
NET CASH USED BY OPERATING ACTIVITIES	\$ (40,372,503.94)	\$ (42,045,229.68)
Non-Cash Investing, Capital and Financing Activities:		
Loss on Disposal of Fixed Assets	\$ (614,780.48)	\$ (269,592.46)

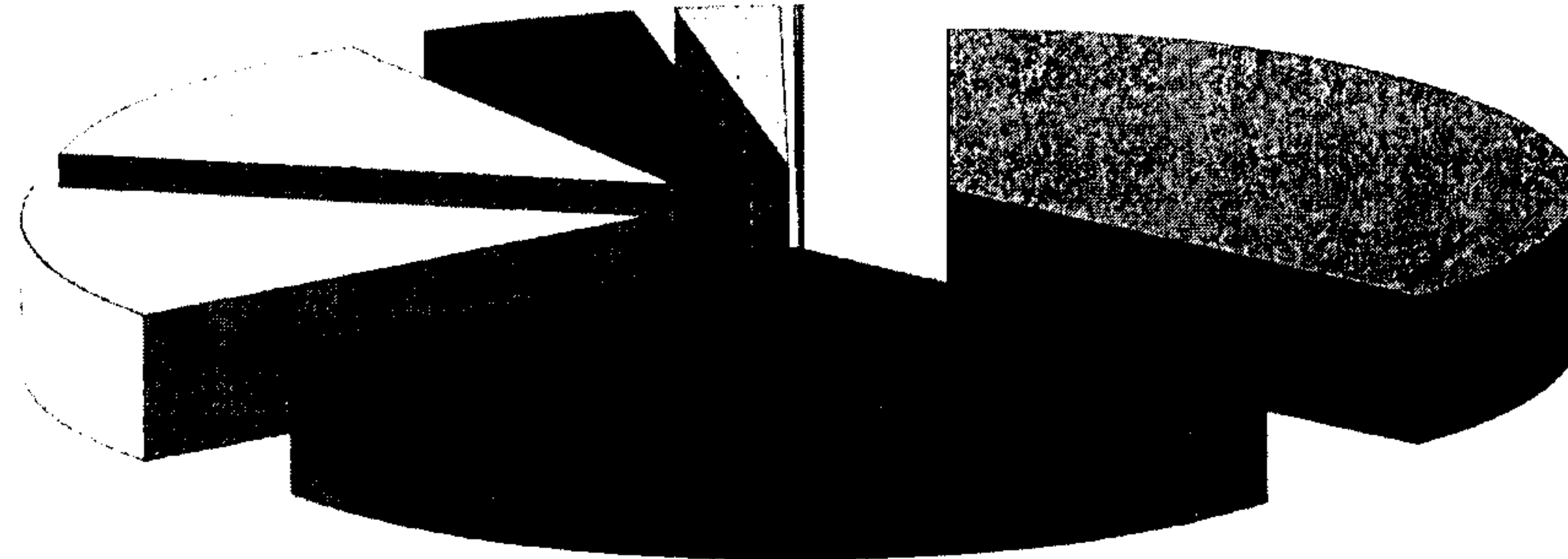
The accompanying notes to the South Dakota State University financial statements are an integral part of this statement.

South Dakota State University Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows used for Operating Activities		
Change in net assets	\$ (3,899,663)	\$ 4,164,211
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	281,523	267,206
Net realized and unrealized loss (gain) on investments	2,346,581	(5,848,605)
Gain on the disposal of property and property held in investments	(21,336)	(6,896)
Non-cash gifts	(3,837,730)	(2,141,173)
Provision for bad debts	(75,063)	(47,309)
Permanently restricted contributions	(7,014,956)	(6,796,872)
Changes in assets and liabilities		
Pledges receivable	2,950,264	3,439,749
Trusts held by others	244,362	389,180
Prepaid expenses, inventory, and other assets	(72,726)	(22,678)
Prepaid SDSU support	298,612	298,612
Cash surrender value of life insurance	(43,143)	(52,054)
Life estates	33,000	-
Beneficial interest in perpetual trust	50,942	(53,476)
Accounts payable and accrued expenses	3,465,569	407,123
Due to SDSU - scholarships	(105,350)	(11,908)
Investments held for others	(29,359)	14,622
Gift annuities and life income agreements	(431,412)	159,837
Net Cash used for Operating Activities	(5,859,885)	(5,840,431)
Cash Flows from (used for) Investing Activities		
Proceeds from the sale of investments	181,888,298	79,996,991
Purchases of investments	(177,696,355)	(87,061,334)
Proceeds from the sale of property and property held for investment	1,204,508	2,570,932
Purchases of property and property held for investment	(176,203)	(1,308,693)
Receipts on notes, contracts, and other receivables	207,677	116,031
Net Cash from (used for) Investing Activities	5,427,925	(5,686,073)
Cash Flows from Financing Activities		
Proceeds from notes payable	1,705,000	17,386,449
Payments on notes payable	(6,257,076)	(11,761,665)
Proceeds from permanently restricted contributions	6,288,363	5,685,216
Net Cash from Financing Activities	1,736,287	11,310,000
Net Change in Cash and Cash Equivalents	1,304,327	(216,504)
Cash and Cash Equivalents, Beginning of Year	5,733,419	5,949,923
Cash and Cash Equivalents, End of Year	\$ 7,037,746	\$ 5,733,419

See Notes to Consolidated Financial Statements

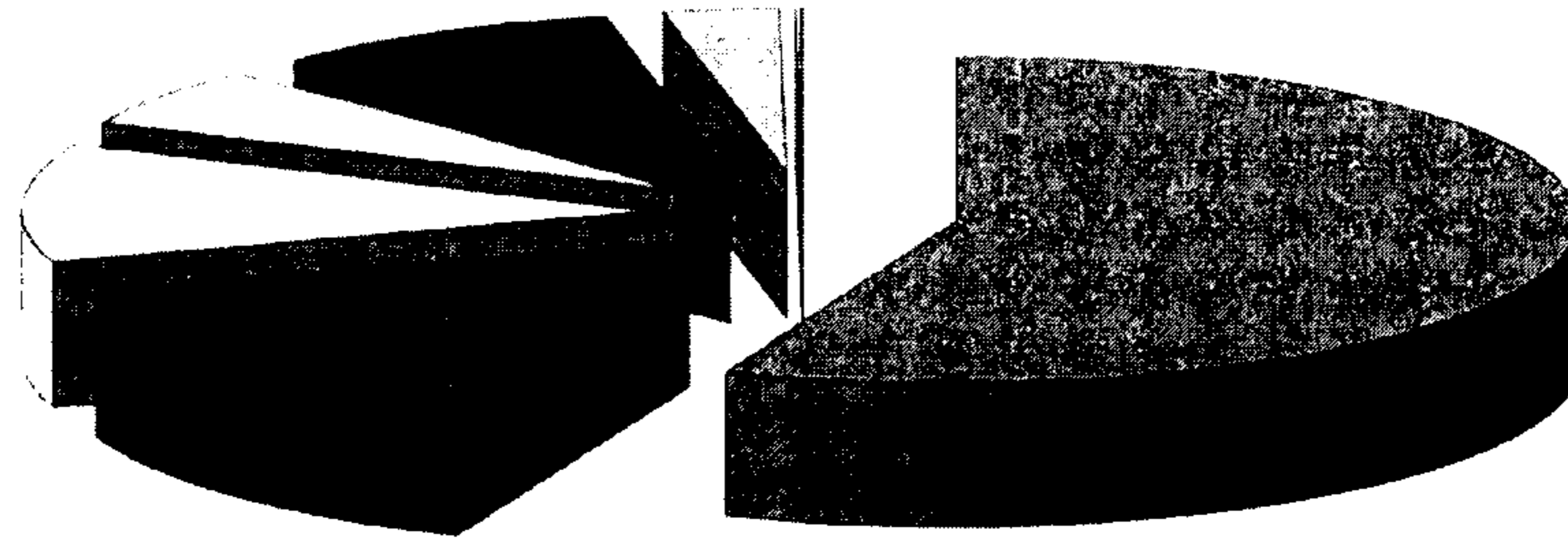
OPERATING REVENUES
\$198,883,134
SDSU & ATTACHED AGENCIES



- Tuition & Fees - \$72,873,080
- Federal Grants & Contracts - \$56,119,747
- Auxiliaries - \$26,447,884
- General Sales & Services - \$26,288,331
- Private & Other Grants & Contracts - \$11,371,858
- State Grants & Contracts - \$5,384,171
- Student Loan Interest - \$232,495
- Other Revenues & Additions - \$165,568

	FY12	FY11	INCREASE (DECREASE)
Tuition & Fees	72,873,080	64,371,897	8,501,183
Auxiliaries	26,447,884	24,389,555	2,058,329
General Sales & Services	26,288,331	22,272,708	4,015,623
Federal Grants & Contracts	56,119,747	63,894,689	(7,774,942)
State Grants & Contracts	5,384,171	3,747,466	1,636,705
Private & Other Grants & Contracts	11,371,858	11,981,317	(609,459)
Student Loan Interest	232,495	225,422	7,073
Other Revenues & Additions	165,568	33,706	131,862
TOTAL OPERATING REVENUE	198,883,134	190,916,760	7,966,374

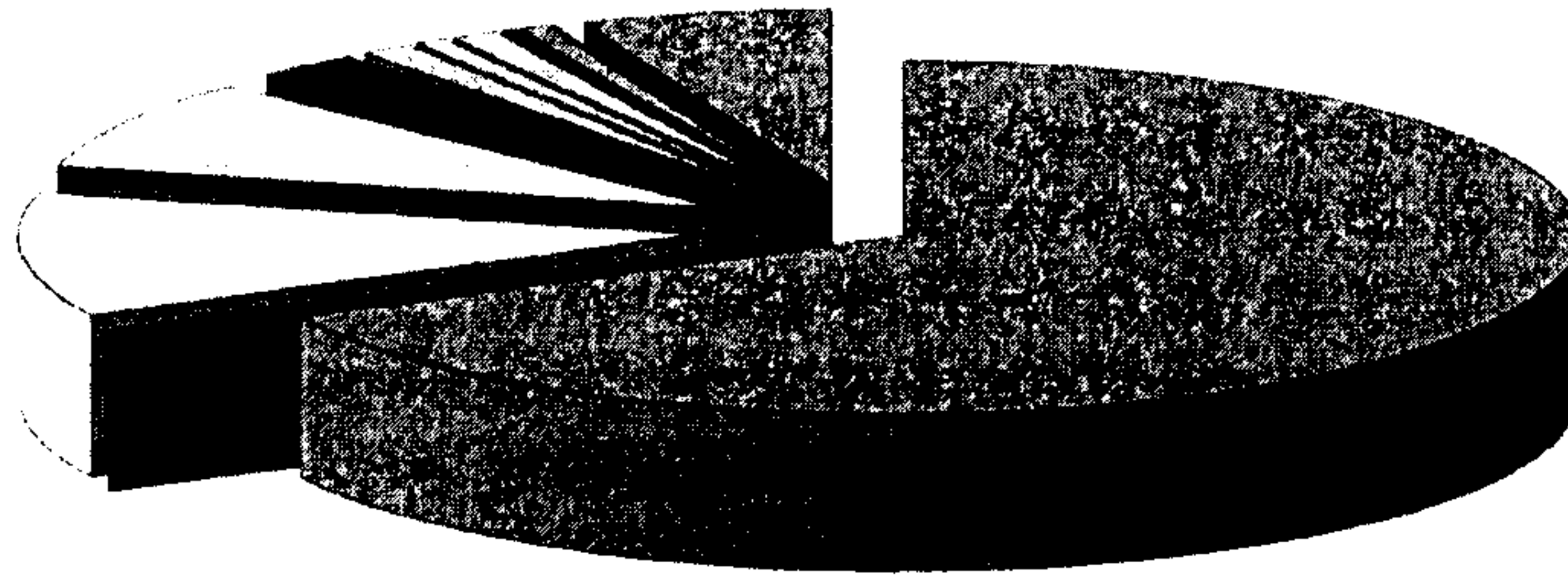
OPERATING EXPENSES
\$258,759,002
SDSU & ATTACHED AGENCIES



- Personal Services - \$144,972,596
- Contractual Services - \$35,856,429
- Supplies & Materials - \$30,267,312
- Depreciation - \$15,754,666
- Grants & Subsidies - \$23,645,667
- Travel - \$7,788,166
- Loan Cancellation Expense - \$389,923
- Bad Debts - \$713
- Interest - \$1,457
- Amortization of Intangibles - \$5,993
- Other Operating Expenses - \$76,080

	FY12	FY11	INCREASE (DECREASE)
Personal Services	144,972,596	143,542,693	1,429,903
Travel	7,788,166	6,532,853	1,255,313
Contractual Services	35,856,429	30,840,418	5,016,011
Supplies & Materials	30,267,312	24,272,065	5,995,247
Grants & Subsidies	23,645,667	24,773,570	(1,127,903)
Loan Cancellation Expense	389,923	485,864	(95,941)
Bad Debts	713	299,597	(298,884)
Depreciation	15,754,666	15,644,167	110,499
Interest	1,457	20,055	(18,598)
Amortization of Intangibles	5,993	34,129	(28,136)
Other Operating Expenses	76,080	1,640	74,440
TOTAL OPERATING EXPENSES	258,759,002	246,447,051	12,311,951

NON-OPERATING REVENUE
\$82,976,978
SDSU & ATTACHED AGENCIES



- General Fund Appropriations - \$56,024,888
- ARRA Stabilization Appropriation - \$0
- Federal Fund Appropriations - \$9,363,852
- Capital Grants & Contracts - \$7,012,350
- Capital HEFF - \$2,139,017
- Investment Income - \$1,030,502
- School & Public Lands - \$614,398
- Higher Education Facilities Fund - \$935,263
- Endo/Ecto Parasiticide Tax - \$250,000
- BAB Subsidy - \$627,872
- Other Non-Operating Revenue & Additions - \$22,277
- SD Building Authority Bond Proceeds - \$4,956,559

	FY12	FY11	INCREASE (DECREASE)
General Fund Appropriations	56,024,888	56,406,439	(381,551)
ARRA Stabilization Appropriation	-	4,901,625	(4,901,625)
School & Public Lands	614,398	585,392	29,006
Federal Fund Appropriations	9,363,852	6,889,768	2,474,084
Higher Education Facilities Fund	935,263	899,856	35,407
Endo/Ecto Parasiticide Tax	250,000	250,000	-
Investment Income	1,030,502	702,580	327,922
BAB Subsidy	627,872	636,862	(8,990)
Other Non-Operating Revenue & Additions	22,277	18,635	3,642
Capital Grants & Contracts	7,012,350	10,974,445	(3,962,095)
Capital HEFF	2,139,017	3,807,294	(1,668,277)
SD Building Authority Bond Proceeds	4,956,559	4,606,040	350,519
TOTAL NON-OPERATING REVENUE	82,976,978	90,678,936	(7,701,958)

SOUTH DAKOTA STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION: The University has adopted the financial statement presentation required by GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion & Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required prior to FY 2002.

B. REPORTING ENTITY: The financial statements include the funds of all agencies of South Dakota State University. The agencies include University Proper, Cooperative Extension Service & Agricultural Experiment Station. The University is governed by the South Dakota Board of Regents. The University is a component unit of the State of South Dakota and is included in the general-purpose financial statements of the State of South Dakota.

Accounts of the South Dakota State University Foundation are not included in the financial statements as it is a legally separate entity.

C. BASIS OF ACCOUNTING: The University is considered to be a special-purpose government engaged only in business-type activities. The financial statements are prepared on the accrual basis, including recognizing depreciation expense on capitalized assets. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Interdepartmental charges are treated as a transfer of expense per NACUBO guidelines.

D. FUND ACCOUNTING: In order to insure observance of the limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained according to the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are maintained in accordance with activities or objectives specified by donors, governmental appropriations, granting agencies, and other outside sources or regulations.

Separate funds are maintained for each funded activity; however, in the accompanying financial statements, all funds have been combined in order to present the financial statements from a comprehensive entity-wide perspective.

E. ACCOUNTS RECEIVABLE: Accounts Receivable consists of funds owed to various University departments at June 30, 2012 from external sources. Accounts Receivable would include funds owed from students for outstanding tuition & fee charges as well as funds owed to University departments from external sources for various sales & services. The University uses the direct write-off method for uncollectible receivables.

