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CENTURY COLLEGE

Annual Financial Report

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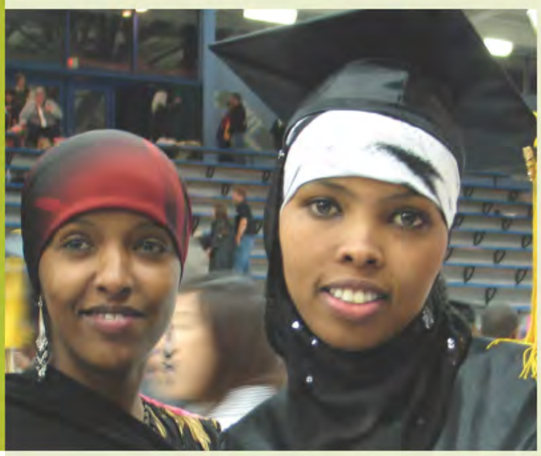

A MEMBER OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

FOR THE YEARS ENDED
June 30, 2013 and 2012

CENTURY COLLEGE

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

Prepared by:

Century College
3300 Century Avenue North
White Bear Lake, MN 55110

CENTURY COLLEGE

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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CENTURY
COLLEGE

A MEMBER OF THE MINNESOTA STATE
COLLEGES & UNIVERSITY SYSTEM

AN AFFIRMATIVE ACTION EQUAL
OPPORTUNITY EMPLOYER & EDUCATOR

Office of the President

Ron Anderson, Ph.D.

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November 15, 2013

Dr. Steven Rosenstone, Chancellor
Minnesota State Colleges and Universities
Wells Fargo Place
30 7th Street East, Suite 350
Saint Paul, Minnesota 55101

Dear Chancellor Rosenstone:

I am pleased to submit to you the Century College audited Annual Financial Report for the fiscal year ended June 30, 2013. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of our operation for the fiscal year. The financial statements are presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

The financial statements have been audited by the firm of Baker Tilly Virchow Krause, LLP. You will find a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. Please consult the "Management's Discussion and Analysis" section of this report for a summary review and explanation of the financial statements.

About Century College
As a comprehensive community and technical college, Century College offers students a full liberal arts curriculum as well as 40 occupational programs in more than 60 areas of study. Located in White Bear Lake, the College serves students and citizens throughout the Twin Cities metropolitan area, and most notably those from the northeast quadrant. Century served 14,462 credit students from July 1, 2012 to June 30, 2013. The enrollment for full year equivalent students was 7,394. In addition, the College's Continuing Education and Customized Training unit offered non-credit education and training to 8,824 students last year, placing it among the top four institutions in the Minnesota State Colleges and Universities system.

3300 Century Avenue North
White Bear Lake, Minnesota 55110

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Highlights from FY2013

Century College continued its primary focus of student success through its *Bridge to Success* program. We strengthened and expanded the program by engaging in deeper conversations about our diverse experiences and perspectives, reorganizing our efforts around specific "best practice" interventions shown to improve student success, and measuring the effectiveness of these interventions.

Some of the specific actions included:

- The Data Team, in collaboration with the Equity Advancement Team, are implementing recommendations for addressing the achievement gap of our male students of color, based on focus group and interview data collected from students during spring 2012.
- *Deeper Conversations* about critical issues surrounding equity were offered throughout the spring through the efforts of the Equity Advancement Team.
- The Brother-to- Brother program completed its first full year of programming, providing cultural, financial, academic, community, social, and professional learning experiences to African American and Latino male students.
- The *New Student Seminar* enrolled 1,228 students during the 2013 academic year, providing developmental reading students assistance with their transition to college, and increasing student-faculty interaction through faculty advising, goal setting, and success strategy development activities.
- Seventy-two learning communities were offered during the year, serving 1,440 students.
- Student tutors were placed in 245 course sections during the academic year, offering additional academic support to the nearly 4,744 students enrolled in these sections.
- College-wide assessment of the Communication core competency began, utilizing a faculty developed scoring rubric.
- Faculty in the disciplines of mathematics, English, ESOL, and reading explored innovative and accelerated means of assisting students in completing developmental courses. Examples of this include Express English, Math 15, advanced placement in ESOL, Read Right instruction for Reading 0080, and accelerated offerings in English, mathematics, and reading.
- The Financial Planning and Advising Advancement Team has collaborated with NSS faculty to embed and improve financial literacy modules into the *New Student Seminar*, and continues to streamline and approve financial aid services to the nearly 16,000 students who apply for financial aid each year.
- The Academic and Graduation Pathways Advancement Team has continued to revise and improve new student orientation, improve communication with students, and post updated course sequencing guides on the College website. In addition, this group researched and reviewed technology tools for use by College faculty and staff to better support students, and recommended a specific tool for adoption and implementation.
- The Professional and Organizational Development Advancement Team has been working to coordinate the multitude of development activities available across campus, and is collaborating with faculty development, staff development, and the other Advancement Teams to create an 18-month training and development program. This team has also worked to integrate the planning and content of our all-college development and work days in February, April, and August of 2013.
- The College offered a Century College Data Day – where we spent focused, uninterrupted time with colleagues reviewing data and information central to our work and discussing how it can best be used to improve our practices and increase student success. The discussions served as the foundation for continued discussion and planning during our April 11th All-College development day, which focused on the development of second generation Student Success Action Plans at the program, department, discipline, and unit level.

We are continuing our active involvement in AQIP (Academic Quality Improvement Program), which aligns with and supports our ongoing quality improvement efforts. Our Systems Portfolio was updated and underwent review at the end of the fiscal year. The Colleges Strategic Planning Committee is now reviewing the feedback appraisal and forming strategies to address the opportunities identified in the report.

We continue to advance three AQIP action projects: 1. Creating a Culture of Data-based Decision Making; 2. Assessing Core Outcomes; and 3. Improving the Employee Evaluation Process. We are also in the early stages of defining a fourth project that will build capacity for ongoing quality improvement efforts throughout the College with an initial focus on operational processes. We plan to expand this effort and build the capacity for further process improvement at the College in the coming months and years.

Looking forward

Like other colleges and universities, Century is concerned about declining enrollment and the impact on both the immediate and long-term position of the College. With the drop in enrollment in the past two years, the College has made large reductions to operating budgets to address the loss of revenue. We project the enrollment trends to continue and expect to make additional reductions in the coming fiscal years to address the drop in enrollment and tuition revenue. We are taking a long-term view of these reductions and have begun a systematic review and assessment of College activities to prepare for restructuring of College operations in the FY2014 and FY2015 operating budgets.

In addition to budget adjustments, we will continue to pursue other strategic actions necessary to offset declining enrollment. We will continue to strengthen our efforts on student success, helping to increase persistence and completion rates of our students. With our sustained focus on student success, we expect to see positive results in our student completion and persistence numbers in the coming years, resulting in higher enrollment.

To expand our enrollment markets, we continue to pursue stronger partnerships with universities. We have been steadily building our partnership with Metropolitan State University in the last several years, now offering bachelor's degrees in nursing, business administration, and criminal justice on the Century College campus. The College has also entered into a partnership with Bemidji State University to offer courses at Century College leading to a Baccalaureate degree. Century College and Minnesota State University, Mankato are developing at least six bachelor completion programs and will begin offering a joint degree in Applied Organizational Studies in spring 2014. The other programs will be rolling out over the next several years, providing opportunities for more students to attend and complete their degrees at Century.

We continue to expand our resource development efforts to offset declining tuition revenue. We successfully secured two grants from the Great Lakes Foundation totaling $551,000. Together these grants will support programming throughout the 2013-2014 academic year, providing funds for additional support and academic services for 275 underrepresented students. In addition, through the federal Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program, Century was awarded more than $4.67 million over four years for advancements in our Orthotics and Prosthetics program. Through this project, Century will work with four partners across the country to expand and improve the delivery of orthotics and prosthetics education, increasing the number of graduates prepared to enter the field and address the expected shortage of workers in this area.

We also understand the need to improve efficiencies as a way to maintain affordability. We are expanding our process redesign initiative started in fiscal year 2013, where we are creating the capacity and expertise within the College to improve processes as a way to improve customer service, more effectively employ the skills of our employees, as well as control costs. To complement these efforts, the College has been actively engaged in the Campus Service Cooperative (CSC), saving dollars and realigning some of our processes. The College has played such an active role in the procurement component of the CSC that Colin Dougherty, the Managing Director of the CSC has nominated Todd Oseby, the College's procurement manager, for a Chancellor's Award for his work on the CSC.

As a public institution of higher education funded primarily by state tax dollars and student tuition, Century College is committed to promoting and fulfilling its mission of *inspiring, preparing, and empowering students to succeed in a changing world.* Through continued careful stewardship of these resources, the College aims to renew and transform itself to meet the changing needs of its students and communities.

Century College is on solid footing as it faces increasing challenges. We believe our strategic focus on student success will not only help students reach their educational goals, but will improve the overall financial position of the College.

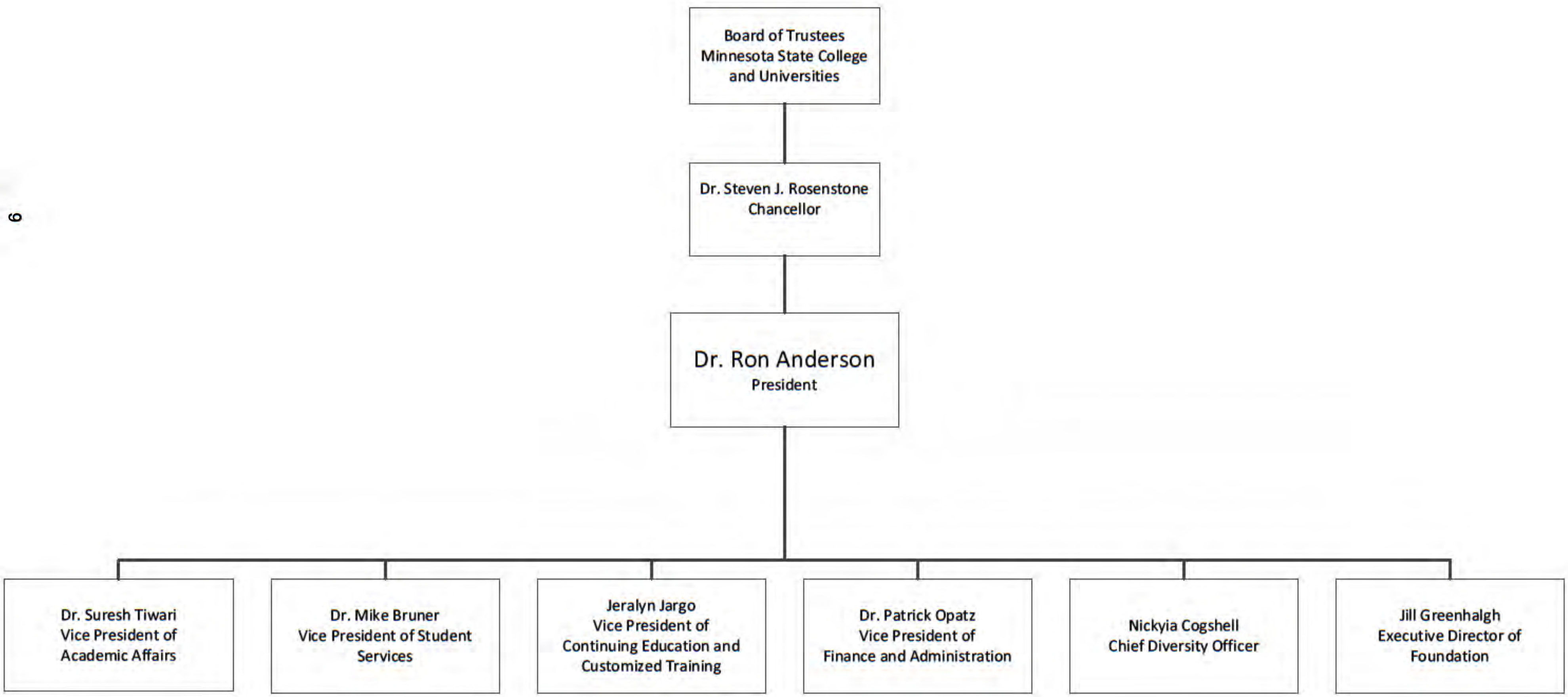
The management of Century College is responsible for assuring the accuracy, reliability, fairness and completeness of the information presented in this report, and as college president I rely upon the financial division of the college for that assurance.

Sincerely,

Dr. Ron Anderson
President, Century College

CENTURY COLLEGE

June 30, 2013



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

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

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

FINANCIAL SECTION

BAKER TILLY
VIRCHOW KRAUSE, LLP

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Century College (the "College"), a member of the Minnesota State Colleges and Universities (MnSCU) system of the State of Minnesota, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Century College as of June 30, 2013 and 2012, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Century College's basic financial statements. The introductory section identified in the table of contents has not been subjected to the auditing procedures applied by us or the other auditors in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of Century College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Century College, a member of Minnesota State Colleges and Universities system, for years ended June 30, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

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

The College is a two year comprehensive public institution of higher learning with 14,462 students in credit courses. Approximately 700 faculty and staff members are employed by the College.

The College's mission is to inspire, prepare, and empower students to succeed in a changing world. The College fulfills that mission through its offering of the first two years of a liberal arts education and more than 40 occupational programs in nearly 60 areas of study.

FINANCIAL HIGHLIGHTS

The College's financial position remained relatively stable in fiscal year 2013 despite difficult external pressures. The College's Composite Financial Index (CFI) decreased slightly, moving to 1.52 in fiscal year 2013 from 1.53 in fiscal 2012. Of the four components that make up the CFI, two increased and two decreased.

The weighted primary reserve ratio, comprised of expendable net position as the numerator and total expenses as the denominator, decreased marginally from 0.56 in fiscal year 2012 to 0.55 in fiscal year 2013 due in part to an increase in total expenses. The primary reserve ratio is an indicator of the sufficiency and flexibility of a college's financial resources and represents the portion of a year the institution could meet financial obligations with assets readily available.

The College's weighted return on net position increased from 0.10 in fiscal year 2012 to 0.17 in fiscal year 2013 due to a positive change in net position. The return on net position indicates whether an institution's total assets are increasing or decreasing.

The viability ratio, which measures the ability of an institution to adequately manage debt, is comprised of change in net position as numerator and beginning net position as the denominator. The College's weighted viability ratio increased slightly from 0.92 in fiscal year 2012 to 0.94 in fiscal year 2013 due in part to a decrease in long term debt.

The operating margin, which indicates whether an institution's normal operations resulted in a surplus or deficit, was negative again in fiscal year 2013. The College's weighted operating margin declined from (0.05) in fiscal year 2012 to (0.14) in fiscal year 2013. Structural adjustments to the College's operating budget will be required to ensure that the operating margin returns to positive territory in fiscal year 2014. The decline was the result of flat operating revenues and an increase in expenses, due primarily to an increase in employee compensation.

USING THE FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

The statements of net position present the financial position of the College at the end of the fiscal year and include all assets and liabilities of the College as measured using the accrual basis of accounting. The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Capital assets are stated at historical cost less accumulated depreciation, with current year depreciation reflected as a period expense on the statements of revenues, expenses and changes in net position.

A summary of the College's assets, liabilities and net position as of June 30, 2013, 2012 and 2011, respectively, is as follows:

(In Thousands)

	2013	2012	2011
Current assets	$ 31,569	$ 30,258	$ 31,180
Noncurrent assets	55,846	55,219	56,195
Total assets	87,415	85,477	87,375
Current liabilities	9,805	8,600	10,215
Noncurrent liabilities	19,648	19,893	20,717
Total liabilities	29,453	28,493	30,932
Net investment in capital assets	41,824	41,040	40,881
Restricted	1,940	1,894	1,916
Unrestricted	14,198	14,050	13,646
Total net position	$ 57,962	$ 56,984	$ 56,443

Current assets, consisting primarily of cash and cash equivalents, totaled $31.6 million at June 30, 2013, compared to the prior fiscal year total of $30.3 million. This represents an increase of 4.3 percent. Current liabilities consist primarily of salaries and benefits payable, accounts payable, unearned revenue and bonds payable. Current liabilities increased by nearly 14.0 percent in fiscal year 2013, due to large increases in accounts payable and salaries payable. Salaries and benefits payable totaled $4.2 million at June 30, 2013, an increase of $0.7 million compared to fiscal year 2012. Approximately $0.5 million of the increase is due to an adjustment between cash and salaries and benefits payable for benefit payments due to third party providers that were disbursed on July 1 versus the end of June in prior years. A second reason for the increase is due to retroactive pay adjustments processed after June 30, 2013 for employment contract settlements approved in fiscal year 2013. Also included within the salaries payable accrual is approximately two months of earned salary for faculty who have elected to receive salaries over twelve months on a September 1 – August 31 academic year.

Total assets increased $1.9 million or 2.2 percent to $87.4 million, compared to $85.5 million in fiscal year 2012. Total liabilities increased by $1.0 million or 3.4 percent to $29.5 million compared to $28.5 million in fiscal year 2012. Total net position, which represents the residual interest in the College's assets after liabilities are deducted, increased by 1.7 percent to $58.0 million in fiscal year 2013, compared to $57.0 million in fiscal year 2012.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the College's academic programs is the development and renewal of its capital assets. The College continues to implement its long range plan to modernize its complement of older facilities, balanced with new construction. Capital assets as of June 30, 2013 totaled $55.8 million, which is net of accumulated depreciation of $39.6 million. This represents an increase in capital assets of 1.1 percent from fiscal year 2012 of $55.2 million. Total current assets, consisting primarily of cash and accounts receivable, totaled $30.7 million at June 30, 2013, an increase of $1.3 million compared to fiscal year 2012. This increase is primarily due to an increase of $1.0 million from accounts receivable related to bond proceeds receivable at June 30, 2013, for capital project expenses already incurred in fiscal year 2013. Building and construction in progress assets increased in fiscal year 2013 due primarily to a capital construction project on campus. The Academic Partners Classroom addition will add six state-of the-art classrooms with unique and flexible learning spaces. Total bonds payable, comprised of current and noncurrent liabilities for both general obligation and revenue bonds, declined 1.1 percent from $14.5 million in fiscal year 2012 to $14.4 million in fiscal year 2013. General obligation and revenue bond payables combined remained flat between fiscal years and total $14.5 million.

Additional information on capital and debt activities can be found in Notes 5 and 7 to the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statements of revenues, expenses and changes in net position represents the College's results of operations for the fiscal year. Users should note that GASB requires classification of state appropriations as nonoperating revenue.

A summarized statement for the years ended June 30, 2013, 2012, and 2011, follows:

(In Thousands)

Operating revenues:	2013	2012	2011
Student tuition, fees, sales	$ 49,162	$ 49,185	$ 48,067
Less scholarship allowances	(19,723)	(19,051)	(16,366)
Net tuition, fees, sales	29,439	30,134	31,701
Other	414	426	454
Total operating revenues	29,853	30,560	32,155
Total operating expenses	(76,024)	(74,411)	(78,617)
Operating loss	(46,171)	(43,851)	(46,462)
Nonoperating revenue	44,755	43,379	46,487
Income (loss) before other revenues and expenses	(1,416)	(472)	25
Other revenues, expenses, gains, or losses	2,394	1,013	2,258
Change in net position	978	541	2,283
Net position, beginning of year	56,984	56,443	54,160
Net position, end of year	$ 57,962	$ 56,984	$ 56,443

Total operating revenue is comprised primarily of student tuition and fees, along with the offsetting scholarship allowances (i.e., student financial aid). Total operating revenue (net of scholarship allowance) decreased slightly in fiscal year 2013 due to the increase in scholarship allowance. Student tuition was flat, with the 3 percent increase in tuition offset by a 3.4 percent drop in enrollment. Scholarship allowance continued to climb, up 3.5 percent in fiscal year 2013, despite the drop in enrollment.

Nonoperating revenue, comprised primarily of state appropriation and federal grants, increased slightly. State appropriation increased 2.5 percent in fiscal year 2013 to $20.2 million from $19.7 million in fiscal year 2012. Federal grants, comprised mainly of student financial aid, decreased slightly. Total revenue net of scholarship allowance increased 0.9 percent to $74.6 million in 2013 from $73.9 million in 2012.

Total operating expenses increased by $1.6 million. The bulk of the increase was due to an increase in salary and benefits. The number of full-time equivalent employees declined but that was not able to offset the increase in the bargaining unit compensation settlements. Other expenses that also increased were depreciation expense, financial aid and other expenses. The expenses that declined were purchased services and supplies.

FOUNDATION

The Century College Foundation is a component unit of Century College. As such, the separately audited financial statements for the Foundation are included, but shown separately from those of the College in compliance with the requirements of GASB Statement No. 39. The value of scholarships and equipment contributed by, or passed through the Foundation was approximately $0.4 million for the fiscal year ended June 30, 2013.

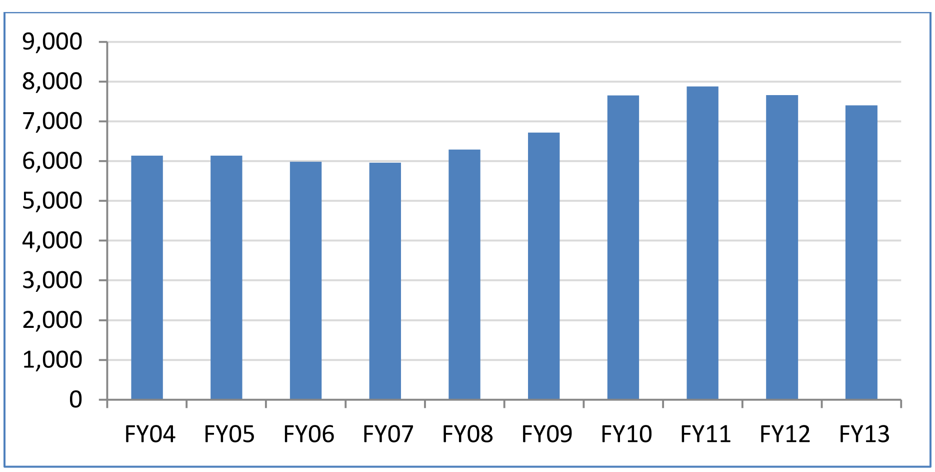
ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Several interrelated factors will affect the College's ability to increase revenue and will compel it to review how it delivers services. Student demographic trends will affect enrollment over the next several years. The number of high school graduates in the state is projected to decline or remain relatively flat through the 2021 academic year. The "traditional age" student (under 25 years old) is the largest category of students at the College. In the Fall term of fiscal year 2013, fifty-seven percent of Century's students were under 25 years of age. Although that category of student has been consistently declining over the past six years, it still makes up the majority of the College's student population. A decline in the high school population will impact the pool of students from which the College draws.

The College's enrollment has dropped 6.1 percent (or 479 full year equivalent students) from its peak in fiscal 2011 to fiscal year 2013. The College, like most other higher education institutions, saw a dramatic increase in enrollments between fiscal year 2009 and fiscal year 2011, due in part, to the "Great Recession". This enrollment increase masked the broader underlying student demographic trends affecting enrollments. We are now seeing some of those trends in the most recent enrollment figures. Projections for fiscal year 2014 indicate another drop in enrollment. From a longer term perspective, the fiscal year 2013 enrollment was still above the College's fiscal year 2009 enrollment level.

The following graph shows the ten year enrollment trend.

Century College
Student Enrollment - Full Year Equivalent
Ten Year Trend



Not only do we expect enrollment to remain relatively flat, we also expect continued downward pressure on tuition. For fiscal year 2014 and 2015, the tuition at Minnesota State Colleges and Universities will be capped at the fiscal year 2013 level. This will benefit students, but may limit overall revenue growth of the College. Other external influences, such as stagnant wages and a continued soft job market will also impact students' ability to pay for college and limit the College's ability to increase tuition rates in the long run.

As a result of the pressure on revenues, the College will need to restructure expenses in order to generate a positive operating margin in the future. The College's operating margin was negative for a second year in a row. The College will need to align its operating expenses with its revenue. In face of enrollment reductions and increases in compensation costs, it was able to decrease operating budgets in fiscal year 2013, as indicated by a drop in the number of employees, but still needs to do more to put itself on solid footing. In addition to direct base budget reductions, the College has initiated process redesign efforts to improve College efficiency and delivery of services, and will be expanding those efforts in fiscal year 2014.

The College has the capacity to address these underlying changes in revenue and enrollment in the long run. The work to move in that direction has begun and will continue in fiscal year 2014.

REQUEST FOR INFORMATION

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

Vice President of Finance and Administration
Century College
3300 Century Avenue North
White Bear Lake, Minnesota 55110

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CENTURY COLLEGE
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2013 AND 2012
(IN THOUSANDS)

Assets	2013	2012
Current Assets		
Cash and cash equivalents	$ 22,359	$ 22,172
Investments	283	279
Grants receivable	259	373
Accounts receivable, net	5,285	4,101
Prepaid expense	1,108	1,104
Inventory	1,393	1,344
Other assets	32	35
Total current assets	30,719	29,408
Current Restricted Assets		
Cash and cash equivalents	850	850
Total current restricted assets	850	850
Noncurrent Assets		
Capital assets, net	55,846	55,219
Total noncurrent assets	55,846	55,219
Total Assets	87,415	85,477
Liabilities		
Current Liabilities		
Salaries and benefits payable	4,212	3,508
Accounts payable	1,571	1,054
Unearned revenue	1,041	1,342
Payable from restricted assets	1,023	75
Interest payable	27	29
Funds held for others	29	674
Current portion of long-term debt	1,150	1,091
Other compensation benefits	742	827
Advances from other schools	10	-
Total current liabilities	9,805	8,600
Noncurrent Liabilities		
Noncurrent portion of long-term debt	13,207	13,423
Other compensation benefits	6,441	6,470
Total noncurrent liabilities	19,648	19,893
Total Liabilities	29,453	28,493
Net Position		
Net investment in capital assets	41,824	41,040
Restricted expendable, bond covenants	398	329
Restricted expendable, other	1,542	1,565
Unrestricted	14,198	14,050
Total Net Position	$ 57,962	$ 56,984

The notes are an integral part of the financial statements.

CENTURY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 171	$ 138
Pledges receivable	59	67
Investments	1,819	1,668
Other assets	2	-
Total Assets	$ 2,051	$ 1,873
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 4	$ 92
Total Liabilities	4	92
Net Assets		
Unrestricted	45	(30)
Temporarily restricted	821	697
Permanently restricted	1,181	1,114
Total Net Assets	2,047	1,781
Total Liabilities and Net Assets	$ 2,051	$ 1,873

The notes are an integral part of the financial statements.

CENTURY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Operating Revenues		
Tuition, net	$ 22,494	$ 22,841
Fees, net	2,202	2,305
Sales, net	3,954	4,222
Restricted student payments, net	789	766
Other income	414	426
Total operating revenues	29,853	30,560
Operating Expenses		
Salaries and benefits	53,565	51,982
Purchased services	5,432	5,823
Supplies	7,055	7,310
Repairs and maintenance	907	930
Depreciation	3,149	3,030
Financial aid, net	2,620	2,076
Other expense	3,296	3,260
Total operating expenses	76,024	74,411
Operating loss	(46,171)	(43,851)
Nonoperating Revenues (Expenses)		
Appropriations	20,237	19,743
Federal grants	21,523	21,574
State grants	3,187	2,478
Private grants	247	48
Interest income	152	154
Interest expense	(591)	(618)
Total nonoperating revenues (expenses)	44,755	43,379
Loss Before Other Revenues, Expenses, Gains, or Losses	(1,416)	(472)
Capital appropriations	2,296	944
Donated assets and supplies	92	25
Gain on disposal of capital assets	6	44
Change in net position	978	541
Total Net Position, Beginning of Year	56,984	56,443
Total Net Position, End of Year	$ 57,962	$ 56,984

The notes are an integral part of the financial statements.

CENTURY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Support and Revenue					
Contributions	$ 122	$ 398	$ 34	$ 554	$ 476
In-kind contributions	145	-	-	145	73
Investment income (loss)	-	14	(6)	8	6
Realized gains	-	11	22	33	18
Unrealized gains (losses)	1	127	45	173	(94)
Special events	12	-	-	12	15
Reclassification on net assets	-	28	(28)	-	-
Net assets released from restrictions	454	(454)	-	-	-
Total support and revenue	734	124	67	925	494
Expenses					
Program services					
Scholarships	126	-	-	126	120
College activities	439	-	-	439	291
Total program services	565	-	-	565	411
Supporting services					
Management and general	71	-	-	71	98
Fundraising	23	-	-	23	11
Total supporting services	94	-	-	94	109
Total expenses	659	-	-	659	520
Change in Net Assets	75	124	67	266	(26)
Net Assets, Beginning of Year	(30)	697	1,114	1,781	1,807
Net Assets, End of Year	$ 45	$ 821	$ 1,181	$ 2,047	$ 1,781

The notes are an integral part of the financial statements.

CENTURY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Cash Flows from Operating Activities		
Cash received from customers	$ 29,460	$ 30,068
Cash payments for employees	(52,975)	(53,197)
Cash paid to suppliers for goods or services	(16,220)	(17,902)
Financial aid disbursements	(2,620)	(2,076)
Net cash flows used in operating activities	(42,355)	(43,107)
Cash Flows from Noncapital Financing Activities		
Appropriations	20,237	19,743
Agency activity	(635)	665
Federal grants	21,570	21,621
State grants	3,187	2,478
Private grants	247	48
Net cash flows provided by noncapital financing activities	44,606	44,555
Cash Flows from Capital and Related Financing Activities		
Capital appropriation	1,273	944
Proceeds from borrowing	986	47
Proceeds from sale of capital assets	10	46
Proceeds from bond premium	21	1
Investment in capital assets	(2,763)	(2,251)
Repayment of bond principal	(1,102)	(1,081)
Interest paid	(564)	(600)
Net cash flows used in capital and related financing activities	(2,139)	(2,894)
Cash Flows from Investing Activities		
Purchase of investments	-	(300)
Investment earnings	75	109
Net cash flows provided by (used in) investing activities	75	(191)
Net Increase (Decrease) in Cash and Cash Equivalents	187	(1,637)
Cash and Cash Equivalents, Beginning of Year	23,022	24,659
Cash and Cash Equivalents, End of Year	$ 23,209	$ 23,022

The notes are an integral part of the financial statements.

CENTURY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Operating Loss	$ (46,171)	$ (43,851)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	3,149	3,030
Donated supplies	-	25
Change in assets and liabilities		
Inventory	(49)	(81)
Accounts receivable	(161)	(430)
Accounts payable	517	(479)
Salaries and benefits payable	704	(1,492)
Other compensation benefits	(114)	278
Unearned revenue	(231)	(63)
Other	1	(44)
Net reconciling items to be added to operating loss	3,816	744
Net cash flow used in operating activities	$ (42,355)	$ (43,107)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 1,023	$ 158

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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

Discretely presented component units are legally separate organizations that raise and hold economic resources for the direct benefit of a college or university in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* The Century College Foundation is considered significant to the College and is included as a discretely presented component unit and separately identified in Note 17. Complete financial statements may be obtained from Century College Foundation, 3300 Century Avenue North, White Bear Lake, MN 55110-1842.

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

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

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

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

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

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

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

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

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

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

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

Inventories — Inventories are valued at cost using the retail cost method.

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

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

Asset Type	Life
Buildings	35 years
Building improvements	20 years
Equipment	3-20 years
Library collections	7 years

Equipment includes all items with an original cost of $10,000 and over for items purchased since July 1, 2008; $5,000 and over for items purchased between July 1, 2003 and June 30, 2008; and $2,000 and over for items purchased prior to July 1, 2003.

Buildings, building improvements, and internally developed software include all projects with a cost of $250,000 and over for projects started since July 1, 2008, and $100,000 and over for projects started prior to July 1, 2008. All land and library collection purchases are capitalized regardless of amount spent.

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

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

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

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

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

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances. See Note 11 for additional information.

Restricted Student Payments – Restricted student payments consist of parking fees restricted for payment of revenue bonds. See Note 11 for additional information.

Federal Grants — The College participates in several federal grant programs. The largest programs include Pell, TRIO, Carl D. Perkins, Federal Work Study, and Supplemental Educational Opportunity Grant. Federal Grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the College will record such disallowance at the time the determination is made.

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

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

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

- *Restricted expendable:* Net position subject to externally imposed stipulations. Net position restrictions for the College are as follows:

  Restricted for bond covenants— revenue bond restrictions:

  Restricted for other — includes restrictions for the following:

  Debt service — legally restricted for bond debt repayments:

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

Net Position Restricted for Other
(In Thousands)

	2013	2012
Debt service	$ 1,535	$ 1,564
Faculty contract obligations	7	1
Total	$ 1,542	$ 1,565

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

New Accounting Pronouncements — The Minnesota State Colleges and Universities adopted GASB No. 60, Accounting and Financial Reporting for Service Concession Arrangements, retroactive to July 1, 2011. This statement requires that revenue be recognized in a systematic manner over the term of contracts when applicable. There was no impact on the financial statements as a result of this adoption.

The Minnesota State Colleges and Universities adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, retroactive to July 1, 2011. This statement amends the net asset reporting requirements in Statement No. 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of residual measure and by renaming the measure as net position, rather than net assets. There was no impact on the financial statements as a result of this adoption.

The Minnesota State Colleges and Universities adopted GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This statement requires certain items that were previously reported as assets and liabilities to be reported as outflows of resources or inflows of resources in the year incurred or received. More specifically, the statement requires costs related to the issuance of debt to no longer be recorded as a deferred charge and amortized, but to be recognized as an expense in the period incurred. An insignificant amount of costs related to prior year bond issuance were expensed in fiscal year 2013.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

The following table summarizes cash and cash equivalents:

Year Ended June 30 (In Thousands) Carrying Amount	2013	2012
Cash, in bank	$ 2,810	$ 2,652
Cash, trustee account (US Bank)	335	335
Total local cash and cash equivalents	3,145	2,987
Total treasury cash accounts	20,064	20,035
Grand Total	$ 23,209	$ 23,022

At June 30, 2013 and 2012, the College's bank checking balance was $2,912,892 and $2,860,812, respectively. These balances were adjusted by items in transit to arrive at the College's bank cash balance.
The College's balance in the state treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment as part of the state investment pool. This asset is reported as a cash equivalent.

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

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

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

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

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

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

At June 30, 2013 and 2012, the College had locally held investments in corporate/municipal bonds in the amount of $283,002 and $279,195, respectively with a weighted maturity of 2.6 years and 3.5 years, respectively.

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals. At June 30, 2013 and 2012, the total accounts receivable balances for the College were $7,264,559 and $5,875,284, respectively, less an allowance for uncollectible accounts of $1,979,279 and $1,774,157, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2013	2012
Tuition	$ 3,411	$ 3,160
Fees	819	821
Sales and service	1,090	681
Third party obligations	170	227
Capital projects	1,023	66
Other	751	920
Total accounts receivable	7,264	5,875
Allowance for doubtful accounts	(1,979)	(1,774)
Net accounts receivable	$ 5,285	$ 4,101

The capital project related receivables of $1,022,595 and $65,765 at June 30, 2013 and 2012 respectively, are for bond proceeds spent on capital projects, but not yet collected from the state of Minnesota.

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

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

4. PREPAID EXPENSE

Prepaid expense consists of funds which have been deposited in the state's Debt Fund Service for future general obligation bond payments in the amounts of $1,030,267 and $1,048,980 for fiscal years 2013 and 2012, respectively. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand on December 1, of each year, an amount sufficient to pay all general obligation bond principal and interest due, and to become due, through July 1 of the second fiscal year. Also, included in prepaid expense for fiscal years 2013 and 2012 is $77,362 and $54,680, respectively, stemming from prepaid software maintenance agreements and prepaid contractual support.

5. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2013 and 2012 follow:

Year Ended June 30, 2013
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 1,012	$ —	$ —	$ —	$ 1,012
Construction in progress	1,443	3,636	235	(1,892)	2,952
Total capital assets, not depreciated	2,455	3,636	235	(1,892)	3,964
Capital assets, depreciated:					
Buildings and improvements	82,536	—	—	1,892	84,428
Equipment	5,473	138	166	—	5,445
Library collections	1,546	237	209	—	1,574
Total capital assets, depreciated	89,555	375	375	1,892	91,447
Less accumulated depreciation:					
Buildings and improvements	32,400	2,519	—	—	34,919
Equipment	3,538	405	166	—	3,777
Library collections	853	225	209	—	869
Total accumulated depreciation	36,791	3,149	375	—	39,565
Total capital assets, depreciated, net	52,764	(2,774)	—	1,892	51,882
Total capital assets, net of depreciation	$ 55,219	$ 862	$ 235	$ —	$ 55,846

Year Ended June 30, 2012
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 1,012	$ —	$ —	$ —	$ 1,012
Construction in progress	2,702	1,294	—	(2,553)	1,443
Total capital assets, not depreciated	3,714	1,294	—	(2,553)	2,455
Capital assets, depreciated:					
Buildings and improvements	79,983	—	—	2,553	82,536
Equipment	5,083	508	118	—	5,473
Library collections	1,437	252	143	—	1,546
Total capital assets, depreciated	86,503	760	261	2,553	89,555
Less accumulated depreciation:					
Buildings and improvements	29,976	2,424	—	—	32,400
Equipment	3,271	385	118	—	3,538
Library collections	775	221	143	—	853
Total accumulated depreciation	34,022	3,030	261	—	36,791
Total capital assets, depreciated, net	52,481	(2,270)	—	2,553	52,764
Total capital assets, net of depreciation	$ 56,195	$ (976)	$ —	$ —	$ 55,219

6. ACCOUNTS PAYABLE

Accounts payable represent amounts due for goods and services received prior to the end of the fiscal year.

Summary of Accounts Payable at June 30
(In Thousands)

	2013	2012
Capital expenditures	$ 133	$ 83
Purchased services	553	609
Supplies	671	223
Inventory	4	5
Employee reimbursements	15	106
Repairs and maintenance	31	24
Other	164	4
Total	$ 1,571	$ 1,054

In addition, as of June 30, 2013 and 2012, the College had payables from restricted assets in the amounts of $1,022,748 and $74,862, which were related to capital projects financed by general obligation bonds.

7. LONG TERM OBLIGATIONS

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

The changes in long term debt for fiscal years 2013 and 2012 follow:

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 574	$ 21	$ 73	$ 522	$ —
General obligation bonds	10,385	986	691	10,680	740
Revenue bonds	3,555	—	400	3,155	410
Total long term debt	$ 14,514	$ 1,007	$ 1,164	$ 14,357	$ 1,150

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 646	$ 1	$ 73	$ 574	$ —
General obligation bonds	11,059	47	721	10,385	691
Revenue bonds	3,945	—	390	3,555	400
Total long term debt	$ 15,650	$ 48	$ 1,184	$ 14,514	$ 1,091

The changes in other compensation benefits for fiscal years 2013 and 2012 follow:

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 5,555	$ 495	$ 601	$ 5,449	$ 621
Early termination benefits	14	—	14	—	—
Net other postemployment benefits	1,258	370	146	1,482	—
Workers' compensation	470	72	290	252	121
Total other compensation benefits	$ 7,297	$ 937	$ 1,051	$ 7,183	$ 742

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 5,666	$ 512	$ 623	$ 5,555	$ 601
Early termination benefits	86	14	86	14	14
Net other postemployment benefits	970	508	220	1,258	—
Workers' compensation	297	348	175	470	212
Total other compensation benefits	$ 7,019	$ 1,382	$ 1,104	$ 7,297	$ 827

Bond Premium — In fiscal years 2013 and 2012, bonds were issued resulting in premiums of $21,186 and $450, respectively. Amortization is calculated using the straight line method and amortized over the remaining life of the bonds.

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

Revenue Bonds — The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for residence hall, food service, student union, and other revenue-producing and related facilities at the state colleges and universities. Revenue bonds currently outstanding have interest rates between 2.5 percent to 4 percent.

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed parking lot and from student fees. These revenue bonds are payable through fiscal year 2020. Annual principal and interest payments on the bonds are expected to require less than 65.29 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $3,580,188. Principal and interest paid for the current year and total customer net revenues were $512,125 and $789,000 respectively.

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

Early Termination Benefits — Early termination benefits are benefits received for discontinuing service earlier than planned. See Note 8 for details.

Net Other Postemployment Benefits— Other postemployment benefits are health insurance benefits for certain retired employees under a single employer fully insured plan. Under the health benefits program retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. See Note 9 for further details.

Workers' Compensation — The state of Minnesota Department of Management and Budget manages the self insured workers' compensation claims activities. The reported liability for workers' compensation of $251,433 and $470,596 at June 30, 2013 and 2012, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end and is an undiscounted estimate of future payments.

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

Long Term Debt Repayment Schedule
(In Thousands)

Fiscal Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	$ 740	$ 520	$ 410	$ 102
2015	740	463	420	91
2016	739	427	430	79
2017	737	390	450	65
2018	736	354	465	48
2019-2023	3,575	1,230	980	40
2024-2028	2,891	415	—	—
2029-2033	522	33	—	—
Total	$ 10,680	$ 3,832	$ 3,155	$ 425

8. EARLY TERMINATION BENEFITS

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

Minnesota State College Faculty (MSCF) contract

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

There was no future liability in fiscal year 2013 and there was one retired faculty member who received $13,700 of future liability for fiscal year 2012.

9. NET OTHER POSTEMPLOYMENT BENEFITS

The College provides health insurance benefits for certain retired employees under a single employer fully insured plan**,** as required by Minnesota Statute 471.61 subdivision 2B. Active employees who retire when eligible to receive a retirement benefit from a Minnesota public pension plan and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the health benefits program. Retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2012, there were approximately 19 retirees receiving health benefits from the health plan.

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

The following table shows the components of the annual OPEB cost for fiscal years 2013 and 2012, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Components of the Annual OPEB Cost
(In Thousands)

	2013	2012
Annual required contribution (ARC)	$ 360	$ 500
Interest on net OPEB obligation	60	46
Adjustment to ARC	(50)	(38)
Annual OPEB cost	370	508
Contributions during the year	(146)	(220)
Increase in net OPEB obligation	224	288
Net OPEB obligation, beginning of year	1,258	970
Net OPEB obligation, end of year	$ 1,482	$ 1,258

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2013 and 2012 were as follows:

Year Ended June 30
(In Thousands)

	2013	2012
Beginning of year net OPEB obligation	$ 1,258	$ 970
Annual OPEB cost	370	508
Employer contribution	(146)	(220)
End of year net OPEB obligation	$ 1,482	$ 1,258
Percentage contributed	39.46%	43.31%

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	((b - a)/c)
July 1, 2012	$ —	$ 3,408	$ 3,408	0.00%	$ 39,485	8.63%

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

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

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

10. LEASE AGREEMENTS

Operating Leases — The College is committed under three lease agreement types for equipment and rental space. These leases are considered for accounting purposes to be operating leases.

Lease expenses for the years ended June 30, 2013 and 2012, totaled approximately $332,823 and $115,549, respectively.

Future minimum lease payments for existing lease agreements follow:

Year Ended June 30
(In Thousands)

Fiscal Year	Amount
2014	$ 263
2015	216
2016	216
2017	36
Total	$ 731

11. TUITION, FEES, SALES, AND RESTRICTED STUDENT PAYMENTS

The following tables provide information related to tuition, fees, and sales revenue:

Year Ended June 30
(In Thousands)

	2013			2012		
Description	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 39,552	$ (17,058)	$ 22,494	$ 39,163	$ (16,322)	$ 22,841
Fees	3,626	(1,424)	2,202	3,781	(1,476)	2,305
Sales	5,195	(1,241)	3,954	5,475	(1,253)	4,222
Restricted student payments	789	—	789	766	—	766
Total	$ 49,162	$ (19,723)	$ 29,439	$ 49,185	$ (19,051)	$ 30,134

12. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2013
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 5,348	$ 2,016	$ 2,807	$ 67	$ 10,238
Institutional support	4,902	1,906	5,215	62	12,085
Instruction	23,078	7,065	5,132	282	35,557
Public service	20	2	76	—	98
Student services	6,554	2,019	2,303	78	10,954
Auxiliary enterprises	470	185	4,306	102	5,063
Scholarships & fellowships	—	—	2,620	—	2,620
Less interest expense	—	—	—	(591)	(591)
Total operating expenses	$ 40,372	$ 13,193	$ 22,459	$ —	$ 76,024

Year Ended June 30, 2012
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 5,554	$ 2,083	$ 3,072	$ 91	$ 10,800
Institutional support	4,253	1,521	4,390	68	10,232
Instruction	22,448	6,716	5,615	347	35,126
Public service	230	73	154	4	461
Student services	6,526	1,951	2,543	101	11,121
Auxiliary enterprises	464	163	4,579	7	5,213
Scholarships & fellowships	—	—	2,076	—	2,076
Less interest expense	—	—	—	(618)	(618)
Total operating expenses	$ 39,475	$ 12,507	$ 22,429	$ —	$ 74,411

13. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund (SERF)

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

The SERF is a cost sharing, multiple employer defined benefit plan. All classified employees are covered by this plan. A classified employee is one who serves in a civil service position. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement or a level rate (the higher step rate) with an actuarial reduction for early retirement.

The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of the members' average salary which is defined as the highest salary paid in five successive years of service. The College, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for SERF is Minnesota Statutes, Chapter 352. For fiscal years 2011, 2012, and 2013 the funding requirement was 5 percent for both employer and employee. Actual contributions were 100 percent of required contributions. Actual contributions were 100 percent of required contributions.

Required contributions for the College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 449
2012	435
2011	461

Teachers Retirement Fund (TRF)

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

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

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

The statutory authority for TRF is Minnesota Statutes, Chapter 354. For fiscal year 2011 the funding requirement was 5.5 percent for both employer and employee coordinated members. For fiscal year 2012 the funding requirement was 6 percent for both employer and employee coordinated members. For fiscal year 2013 the funding requirement was 6.5 percent for both employer and employee coordinated members. Thereafter, a contribution rate increase will be phased in with a 0.5 percent increase, occurring every July 1 over two years, until it reaches a contribution rate of 7.5 percent on July 1, 2014. Actual contributions were 100 percent of required contributions.

Required contributions for the College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 563
2012	514
2011	443

General Employees Retirement Fund (GERF)

Pension fund information is provided by the Public Employees Retirement Association of Minnesota, which prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from the Public Employees Retirement Association of Minnesota at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103.GERF is a cost sharing, multiple employer defined benefit plan. Former employees of various governmental subdivisions including counties, cities, school districts, and related organizations participate in the plan.

The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for members are 1.2 percent and 1.7 percent. The College, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

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

Required contributions for the College were:

	(In Thousands)	
Fiscal Year	Employer	Employee
2013	$ 25	$ 21
2012	26	21
2011	32	27

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

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

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

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

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

Required contributions for the College were:

	(In Thousands)	
Fiscal Year	Employer	Employee
2013	$ 1,228	$ 915
2012	1,150	858
2011	1,160	869

Supplemental Retirement Plan (SRP)

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

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

Member Group	Eligible Compensation		Annual Maximum
Minnesota State College Faculty Association	$ 6,000 to	$ 56,000	$ 2,500
Administrators	6,000 to	60,000	2,700
Minnesota Association of Professional Employees Unclassified	6,000 to	40,000	1,700
Middle Management Association Unclassified	6,000 to	40,000	1,700
Other Unclassified Members	6,000 to	40,000	1,700

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

Required contributions for the College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 699
2012	674
2011	740

Voluntary Retirement Savings Plans

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

Minnesota Deferred Compensation Plan is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax and after-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2013, the plan had 189 participants.

In addition, to the state’s Deferred Compensation program, Minnesota State Colleges and Universities also participates in a 403(b) Tax Sheltered Annuity (TSA) program. The plan consists of both pre-tax and after-tax contributions and accumulated investment gains or losses. As of June 30, 2013, the plan had 110 participants.

14. SEGMENT INFORMATION

A segment is an identifiable activity reported as a standalone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, and liabilities that are required by an external party to be accounted for separately. Minnesota State Colleges and Universities issued revenue bonds to finance the College’s parking lot.

Century College's Portion of the Revenue Fund
(In Thousands)

	2013	2012
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 532	$ 382
Restricted assets	850	850
Noncurrent assets	3,309	3,515
Total assets	4,691	4,747
Liabilities		
Current liabilities	545	453
Noncurrent liabilities	2,804	3,203
Total liabilities	3,349	3,656
Net position		
Net investment in capital assets	429	247
Restricted	913	844
Total net position	$ 1,342	$ 1,091
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 788	$ 766
Operating expenses	(441)	(433)
Net operating income	347	333
Nonoperating revenues (expenses)	(96)	(106)
Change in net position	251	227
Net position, beginning of year	1,091	864
Net position, end of year	$ 1,342	$ 1,091
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$ 637	$ 540
Investing activities	(2)	(3)
Capital and related financing activities	(485)	(503)
Net increase	150	34
Cash, beginning of year	1,174	1,140
Cash, end of year	$ 1,324	$ 1,174

15. COMMITMENTS AND CONTINGENCIES

The College has one outstanding project that totals $3.0 million in construction in progress at June 30, 2013. This relates to the $5.0 million Academic Partners Classroom addition, scheduled to be completed by March 2014.

16. RISK MANAGEMENT

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

Automobile liability coverage is required by the state and is provided by the Minnesota Risk Management Fund. Property and casualty coverage is required by Minnesota State Colleges and Universities policy.

Property coverage offered by the Minnesota Risk Management Fund are as follows:

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

The College retains the risk of loss. The College did not have any settlements in excess of coverage the last three years.

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

Workers' compensation is covered through state participation in the Workers' Compensation Reinsurance Association, which pays for catastrophic workers' compensation claims. Other workers' compensation risks are covered through self-insurance for which Minnesota State Colleges and Universities pays the cost of claims through the state Workers' Compensation Fund. A Minnesota State Colleges and Universities workers' compensation payment pool helps institutions manage the volatility of such claims. Annual premiums are assessed by the pool based on salary dollars and claims history. From this pool all workers' compensation claims are paid to the state Workers' Compensation Fund.

The following table presents changes in the balances of workers' compensation liability during the fiscal years ended June 30, 2013 and 2012.

(In Thousands)

	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/13	$ 470	$ 72	$ 290	$ 252
Fiscal Year Ended 6/30/12	297	348	175	470

17. COMPONENT UNITS

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

The Century College Foundation is a separate legal entity formed for the purpose of obtaining and disbursing funds for the sole benefit of the College. The College does not appoint any members to the board and the resources held by the Foundation can only be used by, or for, the benefit of the College. The Foundation's relationship with the institution is such that exclusion of the Foundation's financial statements would cause the College's financial statements to be misleading or incomplete. The Foundation is considered a component unit of the College and their statements are discretely presented in the College's financial statements.

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

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

- *Unrestricted Net Assets*: Net assets that are not subject to donor imposed stipulations.
- *Temporarily Restricted Net Assets:* Net assets subject to donor imposed restrictions as to how the assets are to be used.
- *Permanently Restricted Net Asset*s: Net assets subject to donor imposed stipulations that they be maintained permanently by each foundation. Generally, the donors of these assets permit the foundation to use all or part of the income earned on any related investments for general or specific purposes.

The value of scholarships and equipment contributed by or passed through the Foundation was $439,299 and $291,322 for the fiscal years ended June 30, 2013 and 2012, respectively.

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

Schedule of Investments
(In Thousands)

Investments	2013	2012
Cash	$ 6	$ 8
Mutual funds		
Money market	384	411
Bank Loan	25	-
Multi-sector bond	25	-
Intermediate term bond	26	113
World bond	24	-
Absolute return	158	123
Foreign large blend	136	122
Diversified emerging markets	25	25
Aggressive growth	42	-
Midcap value	54	46
Large value	195	154
Mid-cap growth	79	73
Large growth	155	163
Global real estate	47	42
Equity securities	390	332
International equities	48	56
Total investments	$ 1,819	$ 1,668

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ (1)	$ 175	$ 1,114	$ 1,288
Change in value of trusts	1	137	67	205
Contributions	—	—	34	34
Investment income (loss)	—	14	(6)	8
Amounts appropriated for expenditures	—	(23)	—	(23)
Other transfers	—	(8)	(28)	(36)
Net assets, end of year	$ —	$ 295	$ 1,181	$ 1,476

Changes in endowment net assets as of June 30, 2012 are as follows:

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ —	$ 199	$ 1,098	$ 1,297
Change in value of trusts	(1)	(36)	(37)	(74)
Contributions	—	—	26	26
Investment income (loss)	—	12	(6)	6
Amounts appropriated for expenditures	—	(14)	—	(14)
Other transfers	—	14	33	47
Net assets, end of year	$ (1)	$ 175	$ 1,114	$ 1,288

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

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CENTURY COLLEGE
SCHEDULE OF FUNDING PROGRESS FOR NET OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2006	$ —	$ 3,850	$ 3,850	0.00%	$ 33,256	11.58%
July 1, 2008	—	3,718	3,718	0.00	35,214	10.56
July 1, 2010	—	4,272	4,272	0.00	39,982	10.68
July 1, 2012	—	3,408	3,408	0.00	39,485	8.63

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SUPPLEMENTARY SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Century College, a member of the Minnesota State College and University system of the State of Minnesota, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2013. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of Century College Foundation, a discretely presented component unit of Century College, as described in our report on Century College's financial statements. The financial statements of the Century College Foundation were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 15, 2013

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