Minneapolis Community and Technical College

Annual Financial Report

For the Years Ended June 30, 2013 and 2012

www.minneapolis.edu

MCTC is an equal opportunity educator and employer

A member of the Minnesota State Colleges and Universities system

Minneapolis Community & Technical College

MINNEAPOLIS COMMUNITY AND TECHNICAL 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:

Minneapolis Community & Technical College
1501 Hennepin Avenue South
Minneapolis, MN 55403

MINNEAPOLIS COMMUNITY AND TECHNICAL COLLEGE

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

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Minneapolis Community & Technical College

1501 Hennepin Avenue
Minneapolis, MN 55403
612-659-6000

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A Member of the
Minnesota State Colleges
and Universities system

Equal Opportunity
Educator and Employer

November 15, 2013

Chancellor Steven J. Rosenstone
Minnesota State Colleges and Universities
350 Wells Fargo Place
30 East Seventh Street
St. Paul, MN 55101

Dear Chancellor Rosenstone:

I am pleased to submit to you the audited Annual Financial Report for Minneapolis Community and Technical College (MCTC) for the fiscal year ending June 30, 2013. This report includes the financial statements and disclosures necessary to accurately present the financial position of the College and the results of our operation for the year. The financial statements are presented in accordance with U.S. Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standard Board.

Within the financial statements, audited by the firm CliftonLarsonAllen LLP, you will find Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. You will note that MCTC ended fiscal year 2013 with total net position of $100.4 million. The change in net position from operation during fiscal year 2013 was $2.2 million. For a summary review and explanation of the financial statements, please review Management's Discussion and Analysis section of the report.

MCTC experienced a 3.4 percent decline in Full-year Equivalent (FYE) for fiscal year 2013, not all of which was anticipated. While declines were evident at most system schools, the College has responded by greatly increasing the number of summer offerings and is working on the development of a comprehensive tool for enrollment projection.

MCTC showed another decline in its operating margin for fiscal year 2013. The College paid a series of one-time contract settlements that resulted in retroactive pay and increased personnel costs across all bargaining units. Additionally, the College continued to pursue its Facilities Master Plan by reinvesting in its infrastructure. $3.1 million in general fund proceeds alone were spent on repair and betterment, resulting in a significant decline in deferred maintenance. The combination of this reinvestment coupled with lower enrollment resulted in a decline in unrestricted net assets from $19.2 million to $15.7 million. Maintaining a substantial balance in this account allows for the College to fund one-time projects and to continue its low yearly increase in tuition. MCTC has posted the smallest overall tuition increase among metro area schools and currently has the second lowest tuition rate amongst the aforementioned group.

The College continues to be a leader in offering ways to hold down the cost of education outside of lower tuition rates. As nearly 60.0 percent of the student body can be classified as low income, MCTC has sought ways to impact the cost of books, transportation and even meals and healthcare in an effort to eliminate some of the obstacles that may come between its students and academic success. Some highlights include an etextbooks program, the continued funding of the College's bus pass subsidy (again, more than 7,000 bus passes sold), a 10.0 percent discount from the College's food services vendor offered to those students who pay with their campus card, and a variety of healthcare services provided by the College's Boynton Health Care Clinic.

With another decline in enrollment projected for the coming year, the College will continue to use its budgetary process to prioritize expenses and increase efficiencies. Critical factors for the College to consider in its long range planning include state appropriation levels, the cost of employee benefits to the College and enrollment levels.

About Minneapolis Community and Technical College

Established in 1996 by the merger of Minneapolis Community College and Minneapolis Technical College, and with educational origins dating back to 1914, MCTC reflects and embraces the changing diversity of our region.

Located on beautiful Loring Park, near the heart of downtown Minneapolis, MCTC offers students a comprehensive curriculum of 140 liberal arts, career and technical awards.

Enrollment at MCTC increased 17.0 percent over the past six years, from 11,900 in fiscal year 2007 to 13,874 students in fiscal year 2012.

MCTC is one of Minnesota's most diverse colleges with 56 percent students of color and an average age of 28. Sixty percent of our students receive Pell grants. Our top five programs (as declared by major) include Liberal Arts, Business Management, Allied Health, Education and Child Development, and Graphic Design: Print and Web.

MCTC has led efforts to increase college participation among first-generation students and has one of the largest English for Speakers of Other Languages (ESOL) and precollege programs in the state.

The College has a budget of $54 million and employs more than 900 permanent and temporary faculty and staff. In addition to the downtown campus, the College operates the Aviation Center in Eden Prairie.

New grants, partnerships and awards

Grants and partnerships

MCTC received numerous grants in FY13 to forge partnerships and programs that serve student and community needs. These included a $67,000 investment from Airtex Design Group and a $45,000 grant from Minnesota Job Skills Partnership to develop and provide training needed for Airtex to increase its capacity and create jobs; a third year of funding from Boston Scientific to continue MCTC's Summer Jump Start to College program for high school students who are interested in STEM careers; and $300,000 from the Minnesota Department of Employment and Economic Development to provide lean process improvement training for Minnesota-based Thermo King.

MCTC also received a $427,444 grant from The Federal Transit Administration to provide training and professional development for current Metro Transit bus, rail and building maintenance technicians and to encourage youth to pursue careers in public transportation; $300,000 from the Otto Bremer Foundation to share with Saint Paul College to expand the Power of You, a program that provides tuition-free assistance and academic support to low-income students, and to help MCTC launch its Academic Pathways project to provide students with pathways from the first course through graduation; a $75,000 grant from the National Science Foundation and University of Minnesota and a $100,000 grant from the Association of Public and Land-Grant Universities to support engagement of students of color in STEM programs; $2.1 million from the U.S. Department of Education for TRIO's Upward Bound program, which helps low-income, first-generation high school students prepare for and succeed in post-secondary education; and a $3 million grant from the National Science Foundation to educate and train manufacturing technicians. The grant will be shared with MnSCU partner institutions through the MnSCU Manufacturing and Applied Engineering Center of Excellence. Partnerships were also forged with Mortensen Construction and Standard Heating and Air Conditioning.

Awards

MCTC programs, faculty, staff and students were recognized in FY13 with several awards. MCTC received two awards from the Minneapolis Downtown Improvement District (DID) for its commitment to urban green spaces, including its new outdoor plaza and its Urban Farm Collective student club for a community garden. MCTC's African American Male Empowerment program received a diversity award from MnSCU for Outstanding Student Club. MCTC student Louis Fobb was the seventh MCTC student to be selected a member of the All-USA Community College Academic Team. MCTC's chapter of Student African American Brotherhood (SAAB) was one of only two chapters to earn a national SAAB "Stellar Chapter" award.

MCTC student Etonam Fanny Okaikue-Woodi received a $5,000 scholarship from the Minnesota High Tech Association at the Tekne Awards ceremony for an environmental research project she completed. The National Security Agency and the Department of Homeland Security designated MCTC as one of only 20 colleges in the country named as a National Center of Academic Excellence in Information Assurance Two-Year Education. MCTC alum Saciido Shaie was appointed by Governor Mark Dayton to serve on the Juvenile Justice Advisory Committee for Minneapolis. MCTC's culinary students won third place and a $1,000 scholarship at the Taste of Cupcake Wars event held in St. Louis Park. MCTC HVAC-R students took home national Skills USA awards at competitions throughout the year.

Academic Programs

MCTC offers numerous degree, diploma and certificate options in career and technical program areas like Aviation, Business, Cinema, Healthcare, Information Technology, Manufacturing and Applied Technology, Media Arts, Public Safety, Public Service, and Service Industry; as well as liberal arts and transfer programs in Cultural Studies, Science, Technology, Math and Fine Arts.

In FY13, MCTC developed 19 new degrees, diplomas and certificates, including five new Associate in Arts with an emphasis degree programs in American Indian Studies, Communication Studies, Education, Global Studies and Psychology. The College also launched an Administrative Assistant/Software Support Specialist A.A.S. degree and certificate, a Cinematic Visual Effects A.S. degree, Communication Studies Certificate, Education A.S. degree, Special Education Certificate, Herbal Studies Certificate, Legal Administrative Assistant Certificate, Medical Office Assistant A.A.S. degree, Medical Receptionist Certificate, Personal Trainer and Group Exercise Instruction, Dynamic Media Certificate, Welding and Metal Fabrication A.A.S. degree, and a Yoga and Teacher Training Certificate.

Academic Partnerships were forged with Mortenson Construction and MCTC's Architectural Technology students, the University of Minnesota's College of Biological Sciences and MCTC's Biotechnology program, and Augsburg College's Bachelor of Science in Nursing program and MCTC's Professional Nursing A.S. degree program.

MCTC Foundation

For more than 30 years, the MCTC Foundation has raised funds for the benefit of our students. In fiscal year 2013, the MCTC Foundation raised more than $1M in total revenue. The Foundation's fiscal year 2013 Return on Investment is projected to be over nine dollars for each public dollar expended. The Foundation awarded over $500K in scholarships to low-income students and provided the College nearly $300K in funding for important college programs including the Central Corridor Collaborative, Academic Advising, JumpStart to College, and the annual MLK Day of Service. In honor of his long-standing advocacy and support of the College, its initiatives and its students, the MCTC Foundation established the Mayor R. T. Rybak scholarship.

Facilities

MCTC is located in downtown Minneapolis on 14 acres of land. There is roughly 1.1 million gross square feet devoted to academic efforts. MCTC also has a parking ramp with over 447,000 GSF and 1,400 parking stalls. The campus location is ideal for Metro Transit accessibility and within walking distance of light rail stops.

The College invested more than $15 million in its physical plant in 2013. This past year, the College made significant progress toward the completion of its Workforce Center project (fiscal year 2014 completion), funded by more than $13 million in G.O. Bonds. The College believes that its transformation into an educational provider with state-of-the-art infrastructure for the programs affected by this project will allow it to provide best-in-class training at highly competitive costs, contributing significantly to the region's economic future.

The deferred maintenance as of fiscal year 2013 was at $33.1 million, an amount that represents a significant decline from the previous year. This is evidenced in the College's FCI (Facilities Condition Index) improvement from 0.10 to 0.08.

Personnel

MCTC's total staff and faculty headcount has decreased from 942 in FY2012 to 929 in fiscal year 2013, a decrease of 1.38 percent. The person of color headcount has also decreased from 230 in fiscal year 2012 to 229 in fiscal year 2013, a decrease of less than 1 percent.

We are extremely proud of what we have accomplished at Minneapolis Community & Technical College this past year. We understand the importance of being good stewards of our financial resources. The management of the College is responsible for insuring the accuracy, reliability and completeness of the information in this report.

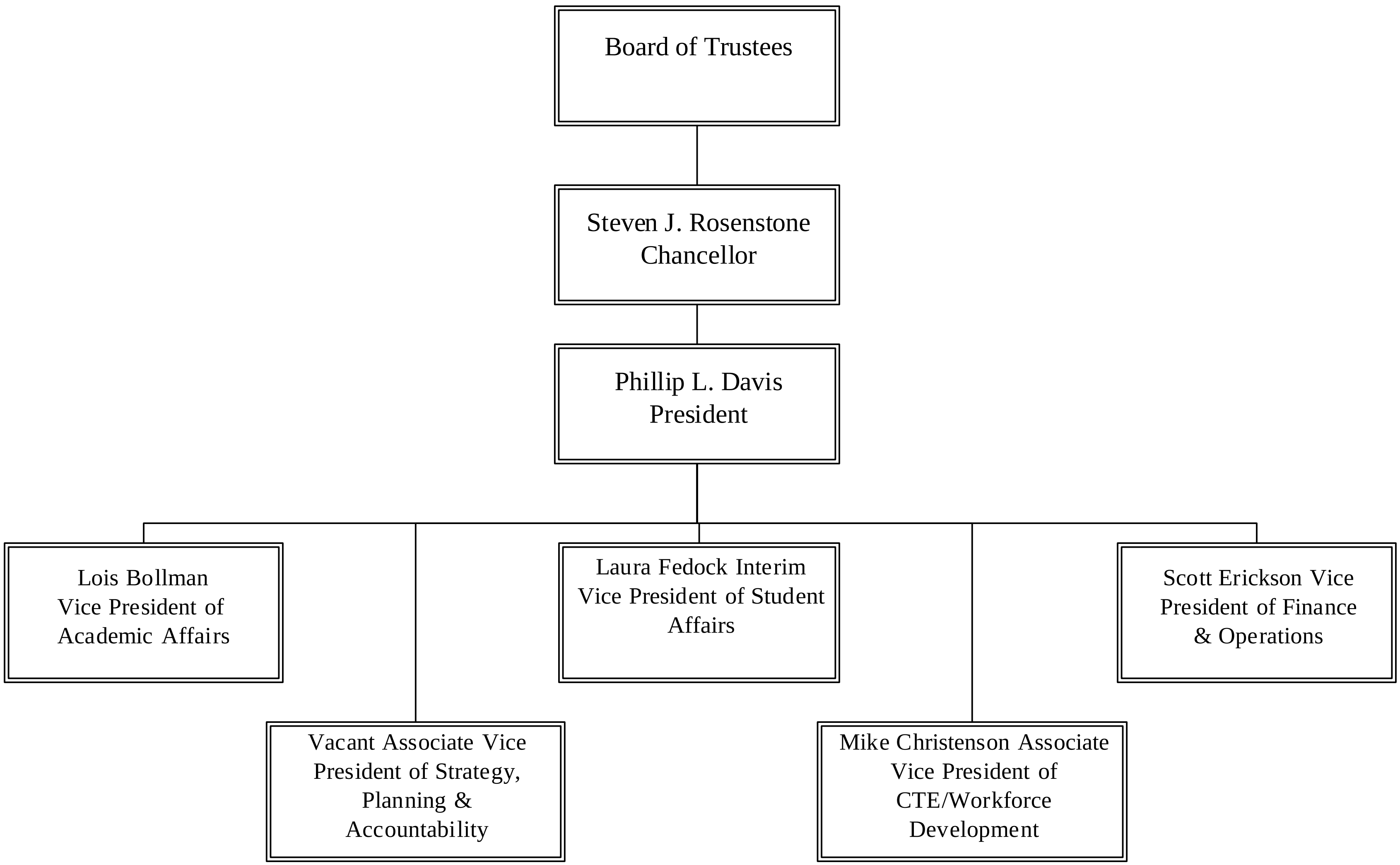
Sincerely,

Phillip L. Davis

Phillip L. Davis
President

Minneapolis Community & Technical College

Organizational Chart



The financial activity of the Minneapolis Community and Technical 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

CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Minneapolis Community and Technical College (the College), a campus of Minnesota State Colleges and Universities, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 College'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2013 and 2012, and the results of its operations 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 – Net Other Postemployment Benefit Plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

CliftonLarsonAllen LLP

CliftonLarsonAllen 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 Minneapolis Community and Technical College, a member of Minnesota State Colleges and Universities at June 30, 2013 and 2012, and for the years then ended. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Minneapolis Community and Technical College (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, eight representing each of Minnesota's congressional districts and four serving at large. Three student trustees – one from a state university, one from a community college and one from a technical college – serve two-year terms. The Board of Trustees selects the Chancellor and has broad policy responsibility for system planning, academic programs, fiscal management, personnel, admissions requirements, tuition and fees, and policies and procedures.

The College is a comprehensive public institution of higher learning with approximately 13,874 students of which 56 percent are students of color. The average age of the student on campus is 28 years old. Approximately 26 percent of our students represent the first generation in their family to attend college. The College employs approximately 654 full time equivalent staff and faculty members.

The College offers associate degrees, diplomas, certificates, participates in the Minnesota Transfer Curriculum and is accredited by the Higher Learning Commission. The largest programs based on enrollment are liberal arts, nursing careers, business management, and human services. Some of the College's more unique programs include filmmaking, screenwriting, sound arts, and a polysomnography program.

The College has over 40 different clubs and activities in areas such as honorary, drama and theater, music ensembles, cultural and social concerns, recreational sports and student government.

FINANCIAL HIGHLIGHTS

The College spent more resources in fiscal year 2013 than it received due to a continued commitment to investing in its facilities and higher personnel costs, largely revolving around one-time employee contract settlements that involved retroactive pay. As the declining enrollment trend has continued into the early portion of fiscal year 2014, the College will use the budget process to reduce personnel costs and continue to work to bring them back to their historical norm based on enrollment. Additionally, the College will limit the one-time usage of its unrestricted net position in the coming years. Assets totaled $144.3 million compared to liabilities of $44.0 million. Net position, which represents the residual interest in the College's assets after liabilities are deducted, comprised of the College's net investment in capital assets of $79.2 million; restricted net position of $5.4 million, and unrestricted net position of $15.7 million.

Unrestricted cash and cash equivalents balances decreased by $0.9 million in fiscal year 2013. Operating revenues decreased by $0.4 million in 2013 after decreasing by $0.6 million in fiscal 2012 and nonoperating revenues remained consistent between fiscal years 2013 and 2012. Gross tuition revenue increased by $0.4 million in 2013 as the College's 3.4 percent decline in enrollment was offset by a 3 percent increase to tuition and increased summer offerings. The 2012-2013 academic year marked the third straight year of declining enrollment for the College.

Total operating expenses rose by $1.9 million in 2013 after increasing by $0.6 million in fiscal year 2012 due to the aforementioned employee contract settlements. Salary expense increased $2.4 million, or 5 percent between 2013 and 2012, after an increase of $1.8 million between 2012 and 2011. Total net position increased by $2.2 million for fiscal year 2013 after falling by $0.3 million in fiscal year 2012 as the College received significant capital appropriation revenue related to its Workforce Center project that is scheduled to be completed in fiscal year 2014.

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. The 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.

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 an allowance for depreciation, with current year depreciation reflected as a period expense on the statements of revenues, expenses, and changes to 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	$ 34,676	$ 34,499	$ 37,655
Restricted current assets	2,825	3,788	8,258
Restricted capital assets	—	10	4,933
Capital assets, net	106,882	99,253	86,856
Total assets	144,383	137,550	137,702
Current liabilities	10,378	8,080	10,253
Noncurrent liabilities	33,621	31,303	28,965
Total liabilities	43,999	39,383	39,218
Net position	$ 100,384	$ 98,167	$ 98,484

Current unrestricted assets consist primarily of cash and cash equivalents totaling $26.2 million at June 30, 2013, a decrease of $0.9 million. In addition, current unrestricted assets include accounts receivable, net of allowance for doubtful accounts, totaling $5.6 million at June 30, 2013, an increase of $1.0 million compared to fiscal year 2012. This increase is primarily due to an increase of $1.5 million from bond proceeds receivable at June 30, 2013, for capital project expenses already incurred in fiscal year 2013. The $1.0 million decrease in current restricted assets reflects the expenditure of remaining revenue bond proceeds in fiscal year 2013 associated with the College's Helland Student Center Renovation. Unexpended revenue bond proceeds of $0.7 remained with the College due to coming in significantly under budget and these funds were directed toward the repayment of the debt they were derived from. See Note 14 to the financial statements for more information about revenue bonds.

Current liabilities consist primarily of accounts payable, salaries and benefits payable and unearned revenue. Unrestricted accounts payable decreased by $0.3 million in fiscal year 2013 while salaries and benefits payable increased by $0.7 million. The latter increase was largely due to an adjustment between cash and salaries payable for benefit programs due to third party providers that were disbursed on July 1 instead of in June, as had been done in previous years. In addition, salaries and benefits payable include approximately two months of earned salary for faculty payroll that have elected to receive salaries over twelve months on a September 1 – August 31 year. Unearned revenue, consisting primarily of the portion of summer tuition and grants received, but not yet earned, increased by $0.4 million in 2013 due to an increase in the number of summer session classes offered.

Net position represents the residual interest in the College's assets after liabilities are deducted. The College's net position as of June 30, 2013, 2012, and 2011, respectively, are summarized below.

(In Thousands)	2013	2012	2011
Net investment in capital assets	$ 79,235	$ 74,625	$ 73,446
Restricted	5,411	4,369	3,395
Unrestricted	15,738	19,173	21,643
Total net position	$ 100,384	$ 98,167	$ 98,484

Net investment in capital assets — represents the College's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted— primarily includes donations received for specific purposes, capital projects, and debt service.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the College's academic programs and student life is the development and renewal of its capital assets. The College continues to implement its master facilities plan to modernize its complement of older facilities, balanced with new construction. Capital assets as of June 30, 2013 totaled $106.9 million, net of accumulated depreciation of $96.9 million. Capital assets net of depreciation grew by $7.6 million in fiscal year 2013 due to the progress made on the Workforce Center project.

Capital outlays totaled $13.5 million, a $6.9 million decrease from the prior year. Fiscal year 2013 featured major strides toward the completion of the College's Workforce Center project, a venture with a total capitalizable value approaching $16 million. The College also completed a renovation of its theater and finished its space planning project, a comprehensive plan designed to create optimal usage of the College's facilities. Capital expenditures are primarily comprised of recently completed new buildings, replacement and renovation of existing facilities, as well as investments in equipment. Current year capital asset additions were funded through capital appropriations, general obligation bonds, and one-time usages of institutional resources**.**

Construction in progress, at June 30, 2013, increased by $11.9 million, again, largely attributable to the Workforce Center project. 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 present the College's results of operations for the year. When viewing the full statement, users should note that GASB requires classification of state appropriations as nonoperating revenue.

A summarized statement in table format for the years ending June 30, 2013, 2012, 2011, respectively, follows:

Summarized Statements of Revenues, Expenses and Changes in Net Position
(In Thousands)

	2013	2012	2011
Operating revenue:			
Student tuition, fees, and sales	$ 44,136	$ 44,240	$ 44,289
Less scholarship allowances	(22,084)	(21,768)	(21,090)
Net student tuition, fees, and sales	22,052	22,472	23,199
Other	203	186	52
Total operating revenue	22,255	22,658	23,251
Nonoperating revenue:			
State appropriations	27,756	20,768	24,571
Federal grants	26,253	26,612	29,069
State grants	3,567	2,879	2,908
Other	476	2,938	362
Total nonoperating revenue	58,052	53,197	56,910
Total revenue	80,307	75,855	80,161
Operating expense:			
Salaries and benefits	49,428	47,052	45,223
Supplies and services	13,719	14,964	15,036
Depreciation	5,552	5,392	4,899
Financial aid	3,718	3,120	4,547
Other	4,548	4,563	4,812
Total operating expense	76,965	75,091	74,517
Nonoperating expense:			
Interest expense and other	1,125	1,081	1,234
Total nonoperating expense	1,125	1,081	1,234
Total expense	78,090	76,172	75,751
Change in net position	2,217	(317)	4,410
Net position, beginning of year	98,167	98,484	94,074
Net position, end of year	$ 100,384	$ 98,167	$ 98,484

Tuition and state appropriations are the primary sources of funding for the College's academic programs. Tuition revenue decreased by $0.1 million and overall operating revenue declined by $0.4 million, which is consistent with the decline in enrollment. Total state and capital appropriations increased in fiscal year 2013 by $7.0 million to $27.8 million due to general obligation bond funding for the College's Workforce Center and participation in the state's Higher Education Asset Preservation and Replacement (HEAPR) program.

Resources expended for compensation increased $2.4 million to $49.4 million in fiscal year 2013, as the College paid one-time retroactive adjustments for employee contract settlements. Bargaining unit contracts had expired on June 30, 2011 and weren't agreed upon again until midway through fiscal year 2013, resulting in a halt to cost-of-living adjustments during that time period. Supplies and service decreased by $1.2 million as the College imposed purchasing limitations in light of the decline in enrollment and increased personnel costs.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Looking to the future, management believes it necessary to realign costs based on the current enrollment climate and is committed to making substantial strides in that direction in fiscal year 2014. The College has a number of advantages, not the least of which is its prime location in downtown Minneapolis and its state-of-the-art facilities, and it will leverage these assets to draw students from across the area and provide an affordable, extraordinary education. With more than $100 million invested in its infrastructure in the past decade, the College believes itself poised to reap the rewards of its careful positioning. The College's unrestricted net position, a product of many years of strong controls placed on operational expenses, was used to fund many of these improvements in recent years but will be used less liberally in coming years. The College remains committed to offering affordable tuition rates (second lowest among area two-year colleges) and, along with the above, feel this will position the institution favorably in future enrollment cycles.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Minneapolis Community and Technical College's 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 financial information should be addressed to:

Scott Erickson, V.P. Finance and Operations
Minneapolis Community and Technical College
1501 Hennepin Ave
Minneapolis, MN 55403

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

Assets	2013	2012
Current Assets		
Cash and cash equivalents	$ 26,205	$ 27,083
Investments	630	638
Grants receivable	364	420
Accounts receivable, net	5,586	4,592
Prepaid expense	1,422	1,309
Inventory	291	358
Other assets	73	99
Advances from other schools	105	-
Total current assets	34,676	34,499
Current Restricted Assets		
Cash and cash equivalents	2,825	3,788
Total current restricted assets	2,825	3,788
Noncurrent Restricted Assets		
Other assets	-	10
Total noncurrent restricted assets	-	10
Total restricted assets	2,825	3,798
Noncurrent Assets		
Capital assets, net	106,882	99,253
Total noncurrent assets	106,882	99,253
Total Assets	144,383	137,550
Liabilities		
Current Liabilities		
Salaries and benefits payable	3,691	2,969
Accounts payable	826	1,141
Unearned revenue	1,360	990
Payable from restricted assets	1,865	465
Interest payable	131	161
Funds held for others	28	85
Current portion of long-term debt	1,784	1,572
Other compensation benefits	693	697
Total current liabilities	10,378	8,080
Noncurrent Liabilities		
Noncurrent portion of long-term debt	27,642	25,694
Other compensation benefits	5,979	5,609
Total noncurrent liabilities	33,621	31,303
Total Liabilities	43,999	39,383
Net Position		
Net investment in capital assets	79,235	74,625
Restricted expendable, bond covenants	3,268	2,352
Restricted expendable, other	2,143	2,017
Unrestricted	15,738	19,173
Total Net Position	$ 100,384	$ 98,167

The notes are an integral part of the financial statements.

MINNEAPOLIS COMMUNITY AND TECHNICAL 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	$ 15,122	$ 15,007
Fees, net	1,197	1,738
Sales, net	3,242	3,310
Restricted student payments, net	2,491	2,417
Other income	203	186
Total operating revenues	22,255	22,658
Operating Expenses		
Salaries and benefits	49,428	47,052
Purchased services	6,485	6,199
Supplies	6,741	7,314
Repairs and maintenance	493	1,451
Depreciation	5,552	5,392
Financial aid, net	3,718	3,120
Other expense	4,548	4,563
Total operating expenses	76,965	75,091
Operating loss	(54,710)	(52,433)
Nonoperating Revenues (Expenses)		
Appropriations	19,518	19,815
Federal grants	26,253	26,612
State grants	3,567	2,879
Private grants	201	515
Interest income	275	239
Interest expense	(1,114)	(1,081)
Total nonoperating revenues (expenses)	48,700	48,979
Loss Before Other Revenues, Expenses, Gains, or Losses	(6,010)	(3,454)
Capital appropriations	8,238	953
Transfer in of assets	-	2,184
Loss on disposal of capital assets	(11)	-
Change in net position	2,217	(317)
Total Net Position, Beginning of Year	98,167	98,484
Total Net Position, End of Year	$ 100,384	$ 98,167

The notes are an integral part of the financial statements.

MINNEAPOLIS COMMUNITY AND TECHNICAL 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	$ 23,158	$ 21,782
Cash paid to suppliers for goods or services	(18,575)	(19,352)
Cash payments for employees	(48,341)	(47,946)
Financial aid disbursements	(3,722)	(3,120)
Net cash used in operating activities	(47,480)	(48,636)
Cash Flows from Noncapital Financing Activities		
Appropriations	19,518	19,815
Agency activity	(57)	84
Federal grants	26,225	26,987
State grants	3,567	2,879
Nonoperating cash transfer	-	1,534
Private grants	201	515
Loans to other schools	(105)	-
Net cash flows provided by noncapital financing activities	49,349	51,814
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(11,828)	(13,033)
Capital appropriation and grants	6,789	911
Proceeds from sale of capital assets	124	34
Proceeds from borrowing	6,766	3,984
Proceeds from bond premiums/discounts	621	-
Interest paid	(1,173)	(1,013)
Repayment of bond principal	(5,121)	(1,549)
Net cash flows used in capital and related financing activities	(3,822)	(10,666)
Cash Flows from Investing Activities		
Purchase of investments	-	(639)
Investment earnings	112	113
Net cash flows provided by (used in) investing activities	112	(526)
Net Decrease in Cash and Cash Equivalents	(1,841)	(8,014)
Cash and Cash Equivalents, Beginning of Year	30,871	38,885
Cash and Cash Equivalents, End of Year	$ 29,030	$ 30,871

The notes are an integral part of the financial statements.

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

	2013	2012
Operating Loss	$ (54,710)	$ (52,433)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	5,552	5,392
Donated and lease equipment not capitalized	(27)	-
Change in assets and liabilities		
Inventory	67	(128)
Accounts receivable	455	(488)
Accounts payable	(520)	(471)
Salaries and benefits payable	722	(1,298)
Other compensation benefits	365	404
Unearned revenue	449	(397)
Other	167	783
Net reconciling items to be added to operating loss	7,230	3,797
Net cash flow used in operating activities	$ (47,480)	$ (48,636)
Non-Cash Investing, Capital, and Financing Activities:		
Capital assets net of related debt transfer	$ -	$ 648
Capital projects on account	2,076	465
Donated equipment	27	4,632

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — The reporting policies of Minneapolis Community and Technical College, a member of the 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 statements of cash flows include financial activities of Minneapolis Community and Technical 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. Minneapolis Community and Technical 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.

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 — College 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 biennial budget request and allocation as part of the Minnesota State Colleges and Universities' total budget.

Budgetary control is maintained at the College. The College 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.

The state appropriations do not lapse at year end. Any unexpended appropriation from the first year of a biennium is available for the second year. Any unexpended balance may also carry over to 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 bond sale proceeds are received. Individual colleges and universities are allocated cash, capital appropriation revenue, and debt based on capital project expenses.

The fiscal years 2013 and 2012 capital appropriation and allocations include $8,238,152 and $952,527 of revenue for higher education asset preservation, replacement projects and other allocations, respectively.

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

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

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

Investments —The Minnesota State Board of Investment invests the 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. The College also invests funds held for auxiliary and student activities in a brokerage account.

Receivables — Receivables are shown net of an allowance for uncollectibles.

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. Estimated useful lives are as follows:

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 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, early termination benefits, and workers' compensation claims.

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 annual financial report. Copies are available from the Financial Reporting System Director, Minnesota State Colleges and Universities, 30 7th St. E., Suite 350, Saint Paul, Minnesota 55101-7804.

Operating Activities — Operating activities, as reported in the statements of revenues, expenses and changes in net position, are those that generally result from exchange transactions such as payments received for providing services and payments 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, and investment income.

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

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 fee revenue restricted for payment of revenue bonds. See Note 11 for additional information.

Federal Grants — Minneapolis Community and Technical College participates in several federal grant programs. The largest programs include Pell, TRIO, Supplemental Educational Opportunity Grant and Federal Work Study. Federal Grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange 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 that is 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:
  Donations — restricted per donor request
  Capital projects — restricted for the completion of capital projects.
  Debt service — legally restricted for bond repayments.
  Faculty contract obligations — faculty development and travel required by contracts.

Net Position Restricted for Other
(In Thousands)

	2013	2012
Donations	$ 5	$ —
Capital projects	105	—
Debt service	2,025	2,016
Faculty contract obligations	8	1
Total	$ 2,143	$ 2,017

- *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 costs were expensed in fiscal year 2013. Additionally the fiscal year 2013 income statement reflects another $0.02 million of expense related to current year bond issuance costs.

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 at local banks. The activities handled through local banks include financial aid, student payroll, auxiliary, and student activities.

Minnesota Statutes, Section 118A.03, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. This statute further requires that such insurance and collateral shall be at least 10 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	$ 949	$ 1,683
Cash - trustee account (US Bank)	1,206	1,934
Total local cash and cash equivalents	2,155	3,617
Total treasury cash accounts	26,875	27,254
Grand Total	$ 29,030	$ 30,871

At June 30, 2013 and 2012, the College's local bank balances were $949,116 and $1,566,016, respectively. These balances were adjusted by items in transit to arrive at the College's cash in bank balance. The College's balance in the treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment as part of the state investment pool. This asset is reported as a cash equivalent.

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

Custodial Credit Risk — Custodial credit risk for investment 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 7.5.1 which recommends investments be diversified by type and issuer.

Interest Rate Risk — Interest rate risk is a 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 investments with Bremer Investment Management & Trust of $630,404 and $637,915, respectively, with weighted maturity of 6.7 and 9.0 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 $7,437,268 and $6,281,848, less an allowance for uncollectible receivables of $1,850,804 and $1,689,400, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2013	2012
Tuition	$ 3,201	$ 3,291
Fees	1,114	1,115
Sales and services	1,033	1,018
Third party obligations	49	271
Capital projects	1,493	42
Other	547	544
Total accounts receivable	7,437	6,281
Allowance for uncollectible accounts	(1,851)	(1,689)
Net accounts receivable	$ 5,586	$ 4,592

The capital project related receivables of $1,492,624 and $42,446 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 for 2013 and 2012:

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 includes $1,351,696 and $1,259,252, for fiscal years 2013 and 2012, respectively, which has been deposited in the state's Debt Service Fund for future general obligation bond payments. 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 year. The remainder of the prepaid expense, $70,488 and $49,805, for fiscal years 2013 and 2012, respectively, consists of prepaid funds for software maintenance.

5. CAPITAL ASSETS

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

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 18,727	$ —	$ —	$ —	$ 18,727
Construction in progress	1,763	13,208	—	(1,302)	13,669
Total capital assets, not depreciated	20,490	13,208	—	(1,302)	32,396
Capital assets, depreciated:					
Buildings and improvements	154,982	27	—	1,302	156,311
Equipment	14,615	136	451	—	14,300
Library collections	959	95	233	—	821
Total capital assets, depreciated	170,556	258	684	1,302	171,432
Less accumulated depreciation:					
Buildings and improvements	77,910	5,254		—	83,164
Equipment	13,273	181	166	—	13,288
Library collections	610	117	233	—	494
Total accumulated depreciation	91,793	5,552	399	—	96,946
Total capital assets, depreciated, net	78,763	(5,294)	285	1,302	74,486
Total capital assets, net of depreciation	$ 99,253	$ 7,914	$ 285	$ —	$ 106,882

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 18,727	$ —	$ —	$ —	$ 18,727
Construction in progress	8,732	7,743	—	(14,712)	1,763
Total capital assets, not depreciated	27,459	7,743	—	(14,712)	20,490
Capital assets, depreciated:					
Buildings and improvements	128,207	12,063	—	14,712	154,982
Equipment	14,362	408	155	—	14,615
Library collections	1,074	107	222	—	959
Total capital assets, depreciated	143,643	12,578	377	14,712	170,556
Less accumulated depreciation:					
Buildings and improvements	65,587	12,323	—	—	77,910
Equipment	13,031	363	121	—	13,273
Library collections	695	137	222	—	610
Total accumulated depreciation	79,313	12,823	343	—	91,793
Total capital assets, depreciated, net	64,330	(245)	34	14,712	78,763
Total capital assets, net of depreciation	$ 91,789	$ 7,498	$ 34	$ —	$ 99,253

6. ACCOUNTS PAYABLE

Accounts payable represent amounts due at June 30 for goods and services received prior to the end of the fiscal year.

Summary of Accounts Payable at June 30
(In Thousands)

	2013	2012
Repairs and maintenance	$ 22	$ 45
Purchased services	422	463
Salaries	6	1
Employee benefits	15	33
Supplies	96	206
Other	95	287
Capital projects	170	106
Total	$ 826	$ 1,141

In addition, as of June 30, 2013 and 2012, the College had payable from restricted assets in the amounts of $1,865,430 and $464,509, which were related to capital projects financed by general obligation bonds and revenue 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/discount	$ 1,090	$ 621	$ 170	$ 1,541	$ —
General obligation bonds	11,360	3,653	866	14,147	1,048
Revenue bonds	14,816	3,113	4,191	13,738	736
Total long term debt	$ 27,266	$ 7,387	$ 5,227	$ 29,426	$ 1,784

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium/discount	$ 1,212	$ —	$ 122	$ 1,090	$ —
General obligation bonds	12,226	—	866	11,360	866
Revenue bonds	11,515	3,984	683	14,816	706
Total long term debt	$ 24,953	$ 3,984	$ 1,671	$ 27,266	$ 1,572

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	$ 4,815	$ 786	$ 526	$ 5,075	$ 582
Early termination benefits	92	47	92	47	47
Net other postemployment benefits	1,222	329	134	1,417	—
Workers' compensation	177	48	92	133	64
Total other compensation benefits	$ 6,306	$ 1,210	$ 844	$ 6,672	$ 693

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 4,807	$ 537	$ 529	$ 4,815	$ 526
Early termination benefits	75	92	75	92	92
Net other postemployment benefits	982	438	198	1,222	—
Workers' compensation	40	169	32	177	79
Total other compensation benefits	$ 5,904	$ 1,236	$ 834	$ 6,306	$ 697

Bond Premium/Discount — In fiscal years 2013 and 2012, bonds were issued resulting in premiums of $621,471 and $0 respectively. Amortization is calculated using the straight-line method and amortized over the average 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 their 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 bonds liability included in these financial statements represents the College's share.

Revenue Bonds Liability — The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for residence hall, food service, student union, and other revenue-producing and related facilities at the state universities. Revenue bonds currently outstanding have interest rates between 2.5 percent and 5.0 percent.

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through fiscal year 2030. Annual principal and interest payments on the bonds are expected to require less than 47.93 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $18,606,090. Principal and interest paid for the current year and total customer net revenues were $4,795,727 and $2,503,000 respectively.

Compensated Absences — College employees accrue vacation, sick, 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 services 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 $133,090 and $176,571 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 and revenue bonds. There are no payment schedules for bond premium, compensated absences, early termination benefits, 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	$ 1,048	$ 725	$ 736	$ 514
2015	1,048	599	757	496
2016	1,047	548	788	476
2017	1,045	496	799	454
2018	1,043	445	840	428
2019-2023	5,042	1,458	4,653	1,634
2024-2028	2,921	465	3,525	791
2029-2033	953	77	1,640	77
Total	$ 14,147	$ 4,813	$ 13,738	$ 4,870

8. EARLY TERMINATION BENEFITS

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

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

The number of retired faculty who received this benefit, and the amount of future liability for those faculty, as of the end of fiscal years 2013 and 2012, follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2013	2	$ 47
2012	6	92

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 18 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)	$ 320	$ 429
Interest on net OPEB obligation	58	47
Adjustment to ARC	(49)	(38)
Annual OPEB cost	329	438
Contributions during the year	(134)	(198)
Increase in net OPEB obligation	195	240
Net OPEB obligation, beginning of year	1,222	982
Net OPEB obligation, end of year	$ 1,417	$ 1,222

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 follow:

For Year Ended June 30
(In Thousands)

	2013	2012
Beginning of the year net OPEB obligation	$ 1,222	$ 982
Annual OPEB cost	329	438
Employer contribution	(134)	(198)
End of year net OPEB obligation	$ 1,417	$ 1,222
Percentage contributed	40.73%	45.21%

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	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, 2012	$ —	$ 2,873	$ 2,873	0.00%	$ 35,929	8.00%

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

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.
In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent discount rate, which is based on the estimated long-term investment yield on the general assets, using an underlying long-term inflation assumption of 3 percent. The annual healthcare cost trend rate is 8.10 percent initially, reduced incrementally to an ultimate rate of 5 percent after seventeen years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30 year period.

10. LEASE AGREEMENTS

Operating Leases — The College was committed under various leases primarily for building space. These leases were considered for accounting purposes to be operating leases. Lease expenditures for the years ended June 30, 2013 and 2012 totaled approximately $871,945 and $667,109 respectively.

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

Lease Repayment Schedule
(In Thousands)

Fiscal Year	Amount
2014	$ 691
2015	684
2016	407
Total	$ 1,782

11. TUITION, FEES, AND SALES, NET

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

Year Ended June 30
(In Thousands)

Description	2013 Gross	2013 Scholarship Allowance	2013 Net	2012 Gross	2012 Scholarship Allowance	2012 Net
Tuition	$ 33,243	$ (18,121)	$ 15,122	$ 32,843	$ (17,836)	$ 15,007
Fees	3,302	(2,105)	1,197	3,882	(2,144)	1,738
Sales	5,100	(1,858)	3,242	5,098	(1,788)	3,310
Restricted student payments	2,491	—	2,491	2,417	—	2,417
Total	$ 44,136	$ (22,084)	$ 22,052	$ 44,240	$ (21,768)	$ 22,472

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	$ 4,973	$ 1,653	$ 3,535	$ 76	$ 10,237
Institutional support	3,635	1,374	4,316	57	9,382
Instruction	20,731	6,307	6,388	323	33,749
Student services	7,478	2,168	3,508	111	13,265
Auxiliary enterprises	823	286	6,072	547	7,728
Scholarships & fellowships	—	—	3,718	—	3,718
Less interest expense	—	—	—	(1,114)	(1,114)
Total operating expenses	$ 37,640	$ 11,788	$ 27,537	$ —	$ 76,965

Year Ended June 30, 2012
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 4,472	$ 1,442	$ 3,716	$ 70	$ 9,700
Institutional support	3,662	1,403	5,254	59	10,378
Instruction	20,089	5,957	6,442	319	32,807
Student services	7,006	1,915	4,595	105	13,621
Auxiliary enterprises	836	270	4,912	528	6,546
Scholarships & fellowships	—	—	3,120	—	3,120
Less interest expense	—	—	—	(1,081)	(1,081)
Total operating expenses	$ 36,065	$ 10,987	$ 28,039	$ —	$ 75,091

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, Minnesota State Colleges and Universities 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 net 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 Minneapolis Community and Technical College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 462
2012	426
2011	414

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 Minneapolis Community and Technical College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 429
2012	366
2011	370

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. Normal retirement age is 65. 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 Minneapolis Community and Technical College were:

	(In Thousands)	
Fiscal Year	Employer	Employee
2013	$ 31	$ 26
2012	32	27
2011	31	27

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

<u>General Information</u> — 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)

<u>Participation</u> **—** 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 Minneapolis Community and Technical College were:

(In Thousands)		
Fiscal Year	Employer	Employee
2013	$ 1,099	$ 826
2012	1,031	775
2011	1,003	754

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	Max Annual Contributions
Minnesota Association of Professional Employees Unclassified	$ 6,000 to $ 40,000	$ 1,700
Middle Management Association Unclassified	6,000 to 40,000	1,700
Minnesota State College Faculty Association	6,000 to 56,000	2,500
Administrators	6,000 to 60,000	2,700
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 Minneapolis Community and Technical College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 583
2012	579
2011	556

Voluntary Retirement Savings Plans

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

Minnesota Deferred Compensation Plan is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2013, the plan had 157 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 99 participants

14. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand alone 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 its student union.

Minneapolis Community and Technical College Portion of the Revenue Fund
(In Thousands)

	2013	2012
CONDENSED STATEMENTS OF NET POSITION		
Assets:		
Current assets	$ 3,504	$ 2,570
Current restricted assets	2,452	3,788
Noncurrent restricted assets	—	10
Noncurrent assets	13,552	14,080
Total assets	19,508	20,448
Liabilities:		
Current liabilities	937	1,293
Noncurrent liabilities	13,393	14,170
Total liabilities	14,330	15,463
Net Position:		
Net investment in capital assets	1,238	1,875
Restricted	3,940	3,110
Total net position	$ 5,178	$ 4,985
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 2,503	$ 2,424
Operating expenses	(1,799)	(1,204)
Net operating income	704	1,220
Nonoperating revenues (expenses)	(511)	1,674
Changes in net position	193	2,894
Net position, beginning of year	4,985	2,091
Net position, end of year	$ 5,178	$ 4,985
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$ 1,351	$ 1,444
Investing activities	8	15
Capital and related financing activities	(1,718)	(5,106)
Net decrease	(359)	(3,647)
Cash and cash equivalents, beginning of year	6,189	9,836
Cash and cash equivalents, end of year	$ 5,830	$ 6,189

15. COMMITMENTS AND CONTINGENCIES

The College expended $11,922,501 in general obligation bond funds for work done as of June 30, 2013, for the College's Workforce Center project. Additionally, the College's general fund contributed $907,836 in capitalized costs for the project in fiscal year 2013. This project will be completed and capitalized in fiscal year 2014, with estimated additional expenses of $2.7 million.

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 manage these risks through Minnesota insurance plans including the state of Minnesota Risk Management Fund, and through 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 coverages offered by the Minnesota Risk Management Fund are as follows:

Coverage Type	Amount
Institution deductible	$2,500 to $250,000
Fund responsibility	$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	$ 177	$ 48	$ 92	$ 133
Fiscal Year Ended 6/30/12	40	169	32	177

17. RELATED PARTY TRANSACTIONS

Metropolitan State University's Minneapolis Campus (MSU) is located at Minneapolis Community and Technical College (MCTC) and shares physical plant, institutional and academic support, and student services costs. In fiscal year 2013 and 2012, MCTC recorded expense reimbursement of $425,294 and $437,312 respectively, from MSU for shared costs.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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MINNEAPOLIS COMMUNITY AND TECHNICAL 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	$ —	$ 3,377	$ 3,377	0.00%	$ 31,976	10.56%
July 1, 2008	—	2,816	2,816	0.00	32,959	8.54
July 1, 2010	—	3,782	3,782	0.00	36,752	10.29
July 1, 2012	—	2,873	2,873	0.00	35,929	8.00

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SUPPLEMENTARY SECTION

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INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Minneapolis Community and Technical College (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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 the entity'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 15, 2013

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