Annual Financial Report

For the Years Ended June 30, 2013 and 2012

A MEMBER OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

MINNESOTA STATE UNIVERSITY
MOORHEAD

MINNESOTA STATE UNIVERSITY MOORHEAD

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

Prepared by:

Minnesota State University Moorhead
1104 7th Avenue South
Moorhead, MN 56563

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MINNESOTA STATE UNIVERSITY MOORHEAD

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

TABLE OF CONTENTS

INTRODUCTION

Page

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SUPPLEMENTARY SECTION

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INTRODUCTION

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MINNESOTA STATE UNIVERSITY
MOORHEAD

November 15, 2013

Minnesota State Colleges and Universities Board of Trustees
Steven J. Rosenstone, Chancellor
350 Wells Fargo Place
30 East 7th Street
St. Paul, MN 55101

Chancellor Rosenstone and the Board of Trustees:

I am pleased to present the financial statements for Minnesota State University Moorhead. The financial statements for fiscal year ended June 30, 2013 were prepared in accordance with GASB Statement No. 34, utilizing the business type activity reporting model.

To our readers, this audited financial statement report is the twelfth since the Minnesota Legislature created the Minnesota State Colleges and Universities effective July 1, 1995. The Minnesota State Colleges and Universities System combines all Minnesota public higher education institutions, other than the University of Minnesota campuses. Minnesota State Colleges and Universities is an independent state agency comprised of seven state universities and 25 two-year colleges, governed by a 15-member Board of Trustees.

Minnesota State University Moorhead is one of seven comprehensive Minnesota state universities established to provide the citizens of Minnesota access to quality educational programs at moderate cost. Minnesota State University Moorhead's primary responsibility is to provide baccalaureate programs to residents of northwest and west central Minnesota. Through tuition reciprocity agreements, the University also provides education to residents of several regional states and one province.

The University's mission states, "Minnesota State University Moorhead is a caring community promising all students the opportunity to discover their passions, the rigor to develop intellectually and the versatility to shape a changing world." Minnesota State University Moorhead provides more than 80 academic programs within its four colleges. The academic programs at the University are founded upon a common liberal studies experience and emphasize developing the unique talents of each student. The University provides baccalaureate-level programs in the liberal arts, natural and social sciences, teacher education, business and technology, the fine arts, and professional areas. It provides selected graduate programs in response to regional needs. The University encourages scholarly and creative endeavors that promote a connection between faculty and students as well as engaged learning opportunities. The University enhances the quality of life in the region with the professional, cultural, and recreational services offered by its students, faculty, and staff. For the 2012-2013 school year, the University's student population totaled about 8,200 students, a decrease from the previous year due to our focus on student success and our referral of many more student to our 2-year college partner, Minnesota State Community and Technical College. A significant decrease in the population of traditional-aged high school students was also a contributing factor.

MINNESOTA STATE UNIVERSITY
MOORHEAD

Minnesota State University Moorhead is affiliated with the Minnesota State University Moorhead Alumni Foundation, a separate, non-profit organization. The Foundation has its own directors, articles of incorporation, and bylaws. The Foundation maintains its own financial records and accounts, which were audited by Widmer Roel. The University maintains a formal agreement with the Foundation to provide staffing and other administrative support in exchange for student scholarships and grants that benefit the educational mission of the University.

Within the financial statements, which were audited by Kern, DeWenter, Viere, Ltd., you will find a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. The University ended fiscal year 2013 with total net position of $112.2 million. The change in net assets from operations during fiscal year 2013 was an increase of $7.9 million over fiscal year 2012. For a summary review and explanation of the financial statements please review the Management's Discussion and Analysis section of this report.

The responsibility for the accuracy, fairness and completeness of this report rests with the Facilities & Administration staff from Minnesota State University Moorhead and the Finance Division staff from the Office of the Chancellor.

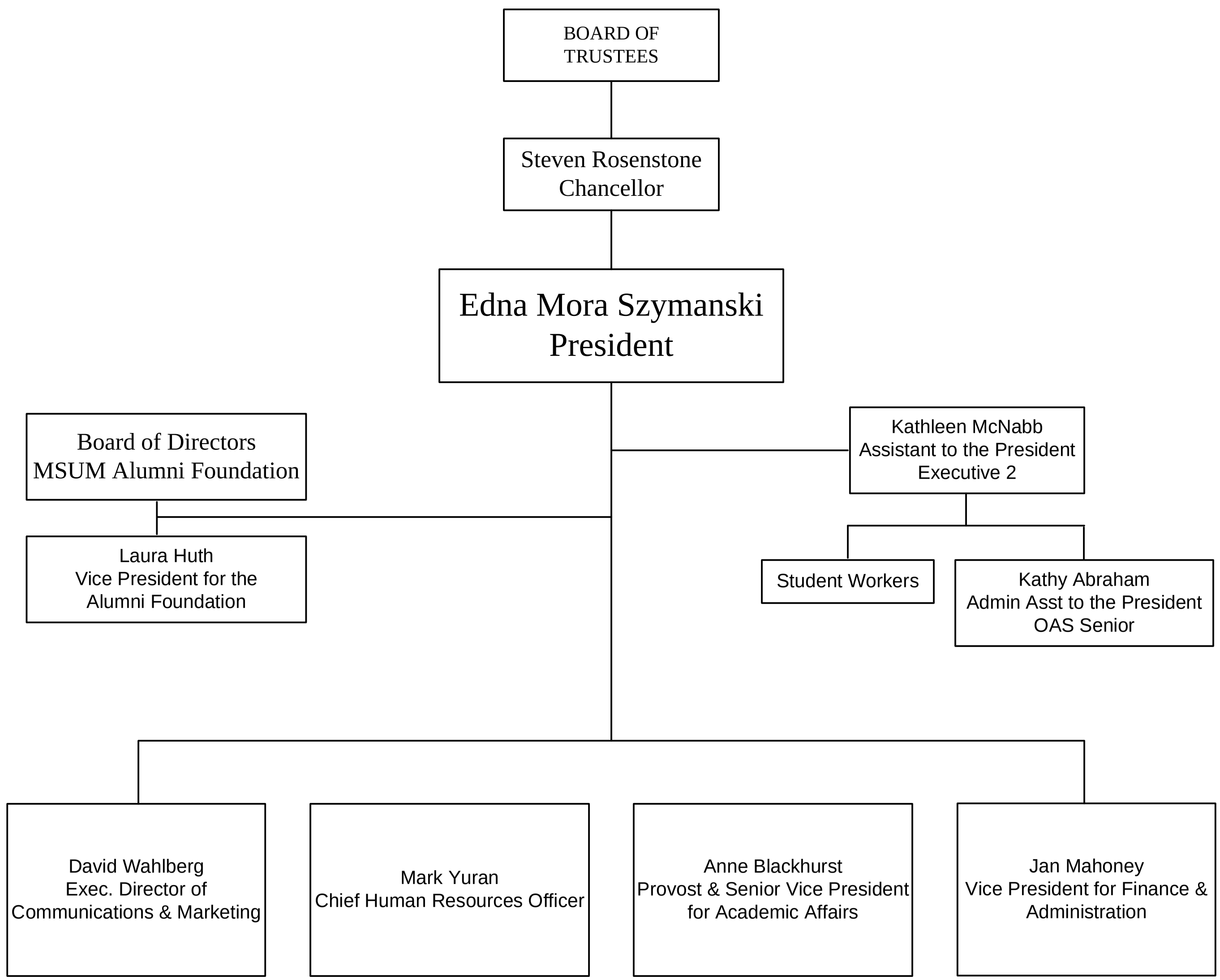
Sincerely,

Edna Mora Szymanski

Edna Mora Szymanski
President

Minnesota State University Moorhead

June 30, 2013



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

The University'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

KDV

Expert advice. When you need it.℠

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Minnesota State University Moorhead, 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 University's basic financial statements as presented.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.
We did not audit the financial statements of Minnesota State University Moorhead Alumni Foundation Inc., a component unit of the University, which statements reflect total assets of $ 24,179,000 and $ 21,150,000 at June 30, 2013 and 2012, respectively, and total revenues of $ 4,866,000 and $ 6,031,000, respectively, for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the reports of the other auditors. We conducted our audit 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 auditor's 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 University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota State University Moorhead, as of June 30, 2013 and 2012, and the respective changes in financial position and 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, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The accompanying introductory sections identified in the Table of Contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the University's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the University's internal control over financial reporting and compliance.

Kern, Dew

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
November 15, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

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

The University is one of 31 colleges and universities comprising the Minnesota State Colleges and Universities System, which 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. The three remaining trustees are students; one from a state university, a community college, and a technical college, each serving 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 University is a caring community promising all students the opportunity to discover their passions, the rigor to develop intellectually and the versatility to shape a changing world. In 2013, the University completed a five year strategic plan – "Fulfilling Our Promise". The plan places emphasis on partnering with business and community leaders to ensure we prepare graduates for the challenges and opportunities of the 21st century. Student success is at the heart of the plan and commits the university to ensuring that students have both the broad-based education and field-specific preparation necessary to succeed in their chosen careers, as well as opportunities to demonstrate their competence and gain practical experience.

Degrees offered include associate, bachelors, masters, specialist and applied doctorate. Undergraduate and graduate certificates are also offered. The largest programs at the university are elementary education, business administration, biosciences, social work and art/design. Pre-professional programs include chiropractic, dentistry, medicine, occupational therapy, optometry, physical therapy, physician's assistant and veterinary science. The university employs approximately 730 full time equivalent faculty and staff offering and supporting over 170 programs.

FINANCIAL HIGHLIGHTS

Total assets increased $13.5 million in fiscal year 2013 following a $1.2 million increase in fiscal year 2012. Total liabilities increased $5.6 million in fiscal year 2013 following a $4.4 million decrease in fiscal year 2012. These changes resulted in a net position at June 30, 2013 and June 30, 2012 of $112.2 million and $104.3 million, respectively. The major factor impacting the financial position has been an increase to building improvements.

USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. These financial statements are prepared in accordance with the generally accepted accounting principles (GAAP) as established by the Government Accounting Standards Board (GASB) through authoritative pronouncements. The University has included a summary of significant accounting policies in Note 1 to the financial statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net position categories.

STATEMENTS OF NET POSITION

The statements of net position present the financial outlook of the University at the end of the fiscal year and include all assets and liabilities of the University 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 University, while the change in net position is an indicator of whether the overall financial condition has improved or deteriorated 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 statement of revenues, expenses and changes in net position.

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

Summarized Statements of Net Position
(In Thousands)

	2013	2012	2011
Assets			
Current assets	$ 57,036	$ 52,804	$ 51,436
Current restricted assets	9,284	6,826	12,525
Noncurrent restricted assets	240	7,499	2,358
Noncurrent assets, net	117,244	103,201	102,857
Total assets	183,804	170,330	169,176
Liabilities			
Current liabilities	16,626	14,956	17,690
Noncurrent liabilities	54,970	51,060	52,754
Total liabilities	71,596	66,016	70,444
Net position			
Net investment in capital assets	75,396	68,647	67,103
Restricted expendable, bond covenants	17,698	15,908	12,296
Restricted expendable, other	4,750	5,510	4,892
Unrestricted	14,364	14,249	14,441
Total net position	$ 112,208	$ 104,314	$ 98,732

Current unrestricted assets consist primarily of cash and cash equivalents, investments and accounts receivable totaling $57.0 million at June 30, 2013, an increase of $4.20 million compared to fiscal year 2012. This increase is primarily due to an increase of $1.6 million from accounts receivables related to bond proceeds receivable at June 30, 2013, for project expenses already incurred in fiscal year 2013. A second reason for the increase is due to retroactive pay adjustments processed after June 30, 2013 for employment contract settlements approved in fiscal year 2013. Noncurrent assets of $117.2 million, represents the value of the land, buildings, construction in progress, equipment, library collections, and federal Perkins loans receivable. The total value for noncurrent assets is reduced by accumulated depreciation.

Current liabilities consist primarily of accounts payable, salaries and benefits payable, compensated absences, workers' compensation, current portion of long-term debt, and unearned revenue. Salaries and benefits payable totaled $6.2 million at June 30, 2013, an increase of $1.2 million compared to fiscal year 2012. Approximately $0.6 million of the increase is due to an adjustment between cash and salaries and benefits payable for benefit payments due to third party providers that were disbursed on July 1 versus the end of June in prior years. A second reason for the increase is due to retroactive pay adjustments processed after June 30, 2013 for employment contract settlements approved in fiscal year 2013. Unearned revenue consists of summer session tuition and grant receipts received, but not yet earned. At June 30, 2013, $2.0 million was being held as unearned revenue. Summer session began in May and ended in August, 2013, with its tuition revenue being allocated based on the number of session days in fiscal year 2013.

Noncurrent liabilities include $7.8 million in other compensation benefits including compensated absences, the value of employee vacation/sick leave, and workers' compensation as of June 30, 2013. The remaining balance of the noncurrent liabilities is mainly represented by revenue and general obligation bonds payable, capital leases payable and capital contributions payable to the federal government for the capital used in the Perkins loan program.

At June 30, 2013, the University's net position increased by $7.9 million over fiscal year 2012. Net investment in capital assets, represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributed to the acquisition, construction, and/or improvement of the assets. Restricted net assets primarily include the amounts reserved for the University's capital projects, Perkins loans, faculty contracts, and bond covenants.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors necessary to assure the quality of the University's academic programs and residential life experience is the development and renewal of its capital assets. The University continues to provide good stewardship of university facilities through planning and execution of projects that address deferred maintenance in older facilities, modernizing interiors and, when existing buildings cannot meet special needs, adding new construction.

Revenue and general obligation bonds payable totaled $41.0 million at June 30, 2013, a $3.9 million increase over fiscal year 2012. These bonds are issued in order to finance construction and renovation of the student union and residence hall buildings.

Capital asset expenditures totaled $12.9 million, $10.5 million and $11.0 million in fiscal years 2013, 2012 and 2011, respectively. This significant financial commitment to capital asset development and renewal includes the projects described below. See Note 6 for additional information.

Utilizing resources provided through revenue bond, general obligation bond and University operating funds, the University executed and completed numerous repair, replacement and restoration projects. All improvement projects were managed within budget and as scheduled and they incorporated the use of sustainable design and energy efficient materials.

Major projects in fiscal year 2013:

West Snarr - $4.9 Million Renovation

Construction began in fiscal year 2013 on the remodel project for West Snarr Hall. This dormitory was built in 1962 and is part of the Snarr Hall Complex, an interconnected, active community including South, West, and East wings. West Snarr is a co-ed hall where mainly upperclass men and women reside. Expected completion date of this remodel project is 2014, with students occupying the dormitory hall for the 2014-2015 academic year. The updates to the building will feature new amenities, updated décor, and upgraded mechanical and HVAC systems to improve the student's living environment, reduce deferred maintenance costs and assist with retention.

Continued Remodel of Livingston Lord Library and Information Technology - $17.8 Million Remodel

The 2008 and 2010 legislatures funded $0.4 million and $2.5 million respectively for the design of a major renovation and a window/curtain wall upgrade for the Livingston Lord Library and Information Technology Center. An additional $14.9 million in capital funds were allocated in fiscal year 2011 for the major renovation. The final phase of this 2011 general obligation bond funded project began in 2012. The renovated building will merge traditional library functions with technology resources and instruction into a single combined facility. The result of this integration will be a single-stop service for students and faculty to meet all of their media, hardware/software, print resources, research and professional development needs. The project addresses $12.2 million in deferred maintenance and will greatly improve energy efficiency of the facility. Completion of this major renovation is expected in fiscal year 2014 .

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statements of revenues, expenses and changes in net position present the University's results of operations. Tuition revenue continued to rise due to an increase in the tuition rate. Net tuition, auxiliary, sales, and room and board revenue totaled $53.5 million, an increase of $1.9 million over fiscal year 2012, net of scholarship allowance of $14.2 million. The scholarship allowance is based on the actual application of federal, state and private grant monies being applied to student accounts. See Note 12 for additional information.

A summary of the statements of revenues, expenses, and changes in net position for fiscal years ended June 30, 2013, 2012 and 2011, respectively, follows:

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

	2013	2012	2011
Operating revenues and expenses			
Operating revenues	$ 54,526	$ 52,561	$ 51,660
Operating expenses	93,714	(90,735)	(95,159)
Operating loss	(39,188)	(38,174)	(43,499)
Nonoperating revenues and expenses	39,163	41,256	47,647
Income before other revenues, expenses, gains or losses	(25)	3,082	4,148
Other revenues, expenses, gains or losses	7,919	2,500	5,496
Change in net position	7,894	5,582	9,644
Net position, beginning of year	104,314	98,732	89,088
Net position, end of year	$ 112,208	$ 104,314	$ 98,732

FOUNDATION

The Minnesota State University Moorhead Alumni Foundation, Inc. is a component unit of Minnesota State University Moorhead. As such, the separately audited financial statements for the Foundation are included but shown separately from those of the University. The Foundation contributed $597,392, $468,829 and $465,762 to University scholarships for fiscal years 2013, 2012 and 2011, respectively.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Tuition and fees account for the greatest share of revenue to the University, consequently, enrollment management is critical to financial health and stability. Full year equivalent (FYE) student enrollment has declined by approximately 650 from fiscal year 2011 to 2013. Another decline of approximately 200 is expected in fiscal year 2014. The University plans to "right size" faculty and staff to match student enrollment while investing in enrollment growth strategies. Predictions for increases to enrollment are expected by fiscal year 2017, with moderate growth thereafter until reaching the 2007-2009 levels of approximately 6,500 FYE.

Budget planning for the next fiscal years will include parameters reflecting our current economy. Minnesota State Colleges and Universities' strategic framework and the University's "Fulfilling our Promise" will help inform priorities for future budget cycles.

Financial strategies will recognize the many economic challenges for our state, our system, our university and our students, now and into the future.

REQUESTS FOR INFORMATION

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

Karen Lester
Comptroller
Minnesota State University Moorhead
1104 South 7th Avenue
Moorhead, MN 56563

MINNESOTA STATE UNIVERSITY MOORHEAD
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2013 AND 2012
(IN THOUSANDS)

Assets	2013	2012
Current Assets		
Cash and cash equivalents	$ 46,693	$ 43,991
Investments	3,095	3,856
Grants receivable	293	290
Accounts receivable, net	3,848	1,648
Prepaid expense	1,691	1,733
Inventory	599	556
Student loans, net	677	600
Other assets	140	130
Total current assets	57,036	52,804
Current Restricted Assets		
Cash and cash equivalents	9,284	6,826
Total current restricted assets	9,284	6,826
Noncurrent Restricted Assets		
Other assets	-	8
Construction in progress	240	7,491
Total noncurrent restricted assets	240	7,499
Total restricted assets	9,524	14,325
Noncurrent Assets		
Student loans and other assets, net	5,242	5,288
Capital assets, net	112,002	97,913
Total noncurrent assets	117,244	103,201
Total Assets	183,804	170,330
Liabilities		
Current Liabilities		
Salaries and benefits payable	6,153	4,940
Accounts payable	1,462	2,531
Unearned revenue	2,089	2,029
Payable from restricted assets	1,925	974
Interest payable	252	254
Funds held for others	772	834
Current portion of long-term debt	2,448	2,268
Other compensation benefits	1,333	1,126
Other liabilities	82	-
Advances to other schools	110	-
Total current liabilities	16,626	14,956
Noncurrent Liabilities		
Noncurrent portion of long-term debt	41,639	38,025
Other compensation benefits	7,777	7,442
Capital contributions payable	5,554	5,593
Total noncurrent liabilities	54,970	51,060
Total Liabilities	71,596	66,016
Net Position		
Net investment in capital assets	75,396	68,647
Restricted expendable, bond covenants	17,698	15,908
Restricted expendable, other	4,750	5,510
Unrestricted	14,364	14,249
Total Net Position	$ 112,208	$ 104,314

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 1,834	$ 1,170
Investments	12,940	11,172
Pledges and contributions receivable, net	484	716
Other receivables	4	15
Total current assets	15,262	13,073
Noncurrent Assets		
Long-term pledges receivable	6,219	4,659
Property and equipment, net	2,698	3,418
Total noncurrent assets	8,917	8,077
Total Assets	$ 24,179	$ 21,150
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 59	$ 68
Interest payable	14	14
Annuities payable	32	47
Bonds payable/Notes payable	100	105
Total current liabilities	205	234
Noncurrent Liabilities		
Unitrust liabilities	1,291	207
Annuities payable	471	509
Bonds payable/Notes payable	3,019	3,120
Total noncurrent liabilities	4,781	3,836
Total Liabilities	4,986	4,070
Net Assets		
Unrestricted	982	1,471
Temporarily restricted	8,171	6,062
Permanently restricted	10,040	9,547
Total Net Assets	19,193	17,080
Total Liabilities and Net Assets	$ 24,179	$ 21,150

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY MOORHEAD
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	$ 31,601	$ 30,866
Fees, net	2,246	2,309
Sales and services, net	6,168	5,079
Restricted student payments, net	13,514	13,331
Other income	997	976
Total operating revenues	54,526	52,561
Operating Expenses		
Salaries and benefits	62,762	59,635
Purchased services	11,849	11,335
Supplies	6,864	8,555
Repairs and maintenance	1,465	1,741
Depreciation	5,789	5,206
Financial aid, net	561	605
Other expense	4,424	3,658
Total operating expenses	93,714	90,735
Operating loss	(39,188)	(38,174)
Nonoperating Revenues (Expenses)		
Appropriations	25,762	25,905
Federal grants	9,218	9,709
State grants	3,592	3,360
Private grants	1,848	3,613
Interest income	467	366
Interest expense	(1,724)	(1,697)
Total nonoperating revenues (expenses)	39,163	41,256
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(25)	3,082
Capital appropriations	7,904	2,398
Gain on disposal of capital assets	15	102
Change in net position	7,894	5,582
Total Net Position, Beginning of Year	104,314	98,732
Total Net Position, End of Year	$ 112,208	$ 104,314

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY MOORHEAD FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Support and Revenue					
Contributions	$ 1,164	$ 930	$ 493	$ 2,587	$ 4,771
Investment income	1	1,909	-	1,910	414
Program income	291	66	-	357	843
Special events	-	12	-	12	3
Net assets released from restrictions	808	(808)	-	-	-
Total support and revenue	2,264	2,109	493	4,866	6,031
Expenses					
Program services					
Program services	1,154	-	-	1,154	1,111
Scholarships	598	-	-	598	469
University activities	-	-	-	-	20
Total program services	1,752	-	-	1,752	1,600
Supporting services					
Interest expense				-	174
Management and general	441	-	-	441	450
Fundraising	560	-	-	560	95
Depreciation and amortization	-	-	-	-	135
Other expense	-	-	-	-	57
Total supporting services	1,001	-	-	1,001	911
Total expenses	2,753	-	-	2,753	2,511
Change in Net Assets	(489)	2,109	493	2,113	3,520
Net Assets, Beginning of Year	1,471	6,062	9,547	17,080	13,560
Net Assets, End of Year	$ 982	$ 8,171	$ 10,040	$ 19,193	$ 17,080

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY MOORHEAD
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	$ 53,840	$ 52,648
Cash repayment of program loans	753	640
Cash paid to suppliers for goods or services	(25,471)	(24,683)
Cash payments to employees	(61,007)	(61,400)
Financial aid disbursements	(600)	(611)
Cash payments of program loans	(946)	(1,003)
Net cash flows used in operating activities	(33,431)	(34,409)
Cash Flows from Noncapital Financing Activities		
Appropriations	25,762	25,905
Agency activity	(62)	(396)
Federal grants	9,337	10,219
State grants	3,592	3,360
Private grants	1,848	3,613
Loans to other schools	110	-
Net cash flows provided by noncapital financing activities	40,587	42,701
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(11,731)	(11,327)
Capital appropriation	7,904	2,398
Capital grants	(1,578)	(106)
Proceeds from sale of capital assets and insurance proceeds	31	(349)
Proceeds from borrowing	10,151	420
Proceeds from bond premium	979	213
Interest paid	(1,649)	(1,768)
Repayment of lease principal	(106)	(163)
Repayment of bond principal	(7,039)	(1,850)
Net cash flows used in capital and related financing activities	(3,038)	(12,532)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	2,054	1,647
Purchase of investments	(1,245)	(1,052)
Investment earnings	233	238
Net cash flows used in investing activities	1,042	833
Net Increase (Decrease) in Cash and Cash Equivalents	5,160	(3,407)
Cash and Cash Equivalents, Beginning of Year	50,817	54,224
Cash and Cash Equivalents, End of Year	$ 55,977	$ 50,817

The notes are an integral part of the financial statements.

MINNESOTA STATE UNIVERSITY MOORHEAD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(IN THOUSANDS)

	2013	2012
Operating Loss	$ (39,188)	$ (38,174)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	5,789	5,206
Provision for loan defaults	40	27
Loan principal repayments	753	640
Loans issued	(946)	(1,003)
Loans forgiven	122	94
Change in assets and liabilities		
Inventory	(43)	15
Accounts receivable	(622)	250
Accounts payable	(1,066)	474
Salaries and benefits payable	1,213	(1,707)
Other compensation benefits	542	(58)
Capital contributions payable	(39)	(6)
Unearned revenues	(64)	(163)
Other liabilities	78	(4)
Net reconciling items to be added to operating loss	5,757	3,765
Net cash flow used in operating activities	$ (33,431)	$ (34,409)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 1,925	$ 974
Amortization of bond premium	(193)	(124)

MINNESOTA STATE UNIVERSITY MOORHEAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — The reporting policies of Minnesota State University Moorhead, 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 Minnesota State University Moorhead.

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. Minnesota State University Moorhead receives a portion of the Minnesota State Colleges and Universities' appropriation. The operations of most student organizations are included in the reporting entity because the Board of Trustees has certain fiduciary responsibilities for these resources.

Discretely presented component units are legally separate organizations that raise and hold economic resources for the direct benefit of a college or university in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* Minnesota State University Moorhead Alumni Foundation, Inc. is considered significant to the University and is included as a discretely presented component unit and separately identified in Note 18. Complete financial statements may be obtained from Minnesota State University Moorhead Alumni Foundation, Inc., 1104 Seventh Avenue South, Moorhead, MN 56563.

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 — University budgetary accounting, which is the basis for annual budgets and the allocation of state appropriations, differs from GAAP. University 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 University biennial budget request and allocation as part of the Minnesota State Colleges and Universities' total budget.

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

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

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

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

Restricted cash is cash held for capital projects and cash in the Revenue Fund for capital projects and debt service.

The Revenue Fund is used to account for the revenues, expenses, and 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, debt service, and most fees are in the state treasury. The University also has five accounts in two local banks. The activities handled through local banks include financial aid, student payroll, auxiliary, and student activities.

Investments — The Minnesota State Board of Investment invests the University's balances in the state treasury, except for the Revenue Fund, as part of a state investment pool. This asset is reported as a cash equivalent. Interest income earned on pooled investments is retained by the System Office and allocated to the colleges and universities.

Cash in the Revenue Fund is invested separately. The Fund contracts with the Minnesota State Board of Investment and U.S. Bank, N.A. for investment management services. Investments are reported at fair value. Restricted investments are investments held in the Revenue Fund for capital projects and debt service.

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

Inventories — Inventories are valued at cost using the first in, first out 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:

Asset Type	Useful Life
Buildings	30-40 years
Building improvements	15-20 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, 2009; $5,000 and over for items purchased between July 1, 2003 and June 30, 2009; 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, 2009, and $100,000 and over for projects started prior to July 1, 2009. All land and library collection purchases are capitalized regardless of amount spent.

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

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

Long Term Liabilities — The state of Minnesota appropriates for and sells general obligation bonds to support construction and renovation of the Minnesota State Colleges and Universities' facilities as approved through the state's capital budget process. The University is responsible for a portion of the debt service on the bonds sold for some University projects. The University may also enter into capital lease agreements for certain capital assets. Other long term liabilities include compensated absences, early termination, net other postemployment benefits, workers' compensation claims, notes payable, and capital contributions associated with Perkins Loan agreements with the United States Department of Education.

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 portion included herein. Details on the Revenue Fund bonds are available in the separately audited and issued Revenue Fund financial report. Copies are available from the Financial Reporting System Director, Wells Fargo Place, Minnesota State Colleges and Universities, 30 Seventh Street East, Suite 350, St. 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 University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues including state appropriations, federal, state and private grants.

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowances. See Note 12 for additional information.

Restricted Student Payments — Restricted student payments consist of room, board, sales, and fee revenue restricted for payment of revenue bonds, and are net of scholarship allowances. See Note 12 for additional information.

Federal Grants — Minnesota State University Moorhead participates in several federal grant programs. The largest programs include Pell, Supplemental Educational Opportunity Grant, Carl Perkins, 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 University 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 classified further 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 acquisition, construction or improvement of those assets.

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

Restricted for bond covenants — revenue bond restrictions.

Restricted for other — includes restrictions for the following:

Donations — restricted per donor requests.

Loans — University capital contributed for Perkins loans.

Capital projects/Debt service — restricted for completion of capital projects or bond debt payments

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

Net Position Restricted for Other
(In Thousands)

	2013	2012
Donations	$ 20	$ 20
Loans	631	635
Capital projects/Debt service	3,233	4,061
Faculty contract obligations	866	794
Total	$ 4,750	$ 5,510

- *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 $0.06 million of expense related to current year bond issuance costs.
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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 University has five accounts in two 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 ten percent greater than the amount on deposit.

The following tables summarize cash and cash equivalents:

Year Ended June 30 (In Thousands)		
Carrying Amount	2013	2012
Cash, in bank	$ 509	$ 647
Repurchase agreements	1,567	1,741
Cash, trustee account (US Bank)	8,588	2,223
Total local cash and cash equivalents	10,664	4,611
Total treasury cash accounts	45,313	46,206
Grand Total	$ 55,977	$ 50,817

At June 30, 2013 and 2012, the University's local bank balances were $1,950,460 and $2,179,214, respectively. These bank balances were adjusted by items in transit to arrive at the University's cash in bank balance.

The University's balance in the state treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment as part of the state investment pool. This asset is reported as a cash equivalent.

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

Investments — The Minnesota State Board of Investment manages the majority of the state's investments. All investments managed by the Minnesota 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 the 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 assets 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.

Custodial Credit Risk — Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the University 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 University'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.

At June 30, 2013 and 2012, Minnesota State University Moorhead had debt securities rated equivalent to *Standard and Poor's* AAA.

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 University's policy for reducing this risk of loss is to comply Board procedure 7.5.1 which recommends investments be diversified by type and issuer.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University 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.

As of June 30, 2013 and 2012, Minnesota State University Moorhead had the following investments and maturities:

Year Ended June 30
(In Thousands)

Investment Type	2013 Fair Value	Weighted Maturity (In Years)	2012 Fair Value	Weighted Maturity (In Years)
U.S. agencies	$ 1,607	8.07	$ 1,633	12.85
Total	1,607		1,633	
Portfolio weighted average maturity		8.07		12.85
Certificates of deposit	1,488		2,223	
Total fair value	$ 3,095		$ 3,856	

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 University were $4,811,138 and $2,493,838, respectively, less an allowance for uncollectible receivables of $963,287 and $846,323, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2013	2012
Tuition	$ 1,227	$ 1,113
Fees	583	450
Room and board	554	542
Sales and services	66	57
Third party obligations	33	44
Capital projects	1,684	106
Other	664	182
Total accounts receivable	4,811	2,494
Allowance for uncollectible accounts	(963)	(846)
Net accounts receivable	$ 3,848	$ 1,648

The capital project related receivables of $1,684,155 and $106,220 at June30th 2013 and 2012 respectively, are for bond proceeds spent on capital projects, but not yet collected from the state of Minnesota.

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

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

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state's Debt Service Fund for future general obligation bond payments in the amounts of $1,539,600 and $1,614,356 for fiscal years 2013 and 2012, respectively. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand on December 1 of each year an amount sufficient to pay all general obligation bond principal and interest due, and to become due, through July 1 of the second fiscal year. Also, included in prepaid expense for fiscal years 2013 and 2012 was $151,069 and $118,416, respectively, stemming from prepaid software maintenance agreements and prepaid contractual support.

5. LOANS RECEIVABLE

The loans receivable balance consists of loans under the Federal Perkins Loan Program. The federal government provides most of the funding for the loans with amounts collected used for new loan advances. The University is responsible for loan collections. As of June 30, 2013 and 2012, the total loans receivable for this program were $6,335,360 and $6,263,290, respectively, less an allowance for uncollectible loans of $415,588 and $375,287, respectively.

6. CAPITAL ASSETS

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

Year Ended June 30, 2013
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 6,833	$ —	$ —	$ —	$ 6,833
Construction in progress	12,291	12,166	212	(15,136)	9,109
Total capital assets, not depreciated	19,124	12,166	212	(15,136)	15,942
Capital assets, depreciated:					
Buildings and improvements	153,711	—	—	15,136	168,847
Equipment	11,396	378	53	—	11,721
Library collections	2,471	310	354	—	2,427
Total capital assets, depreciated	167,578	688	407	15,136	182,995
Less accumulated depreciation:					
Buildings and improvements	70,758	5,023	—	—	75,781
Equipment	9,056	418	38	—	9,436
Library collections	1,484	348	354	—	1,478
Total accumulated depreciation	81,298	5,789	392	—	86,695
Total capital assets, depreciated, net	86,280	(5,101)	15	15,136	96,300
Total capital assets, net of depreciation	$ 105,404	$ 7,065	$ 227	$ —	$ 112,242

Year Ended June 30, 2012
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 6,833	$ —	$ —	$ —	$ 6,833
Construction in progress	4,648	8,923	—	(1,280)	12,291
Total capital assets, not depreciated	11,481	8,923	—	(1,280)	19,124
Capital assets, depreciated:					
Buildings and improvements	152,431	—	—	1,280	153,711
Equipment	10,408	1,235	247	—	11,396
Library collections	2,598	324	451	—	2,471
Total capital assets, depreciated	165,437	1,559	698	1,280	167,578
Less accumulated depreciation:					
Buildings and improvements	66,352	4,406	—	—	70,758
Equipment	8,824	447	215	—	9,056
Library collections	1,582	353	451	—	1,484
Total accumulated depreciation	76,758	5,206	666	—	81,298
Total capital assets, depreciated, net	88,679	(3,647)	32	1,280	86,280
Total capital assets, net of depreciation	$ 100,160	$ 5,276	$ 32	$ —	$ 105,404

7. ACCOUNTS PAYABLE

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

Summary of Accounts Payable at June 30
(In Thousands)

	2013	2012
Purchased services	$ 330	$ 551
Supplies	459	535
Repairs & maintenance	118	557
Inventory	92	44
Other	463	844
Total	$ 1,462	$ 2,531

In addition, as of June 30, 2013 and 2012, the University had payable from restricted assets in the amounts of $1,924,600 and $974,023, respectively, which were related to capital projects financed by general obligation bonds and revenue bonds.

8. 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)

Description	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,276	$ 979	$ 193	$ 2,062	$ —
Capital leases	3,225	—	106	3,119	103
General obligation bonds	13,892	2,772	1,007	15,657	1,146
Revenue bonds	21,900	7,379	6,030	23,249	1,199
Total long term debt	$ 40,293	$ 11,130	$ 7,336	$ 44,087	$ 2,448

Year Ended June 30, 2012
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 1,204	$ 213	$ 141	$ 1,276	$ —
Capital leases	3,388	—	163	3,225	105
General obligation bonds	14,475	420	1,003	13,892	1,007
Revenue bonds	22,679	—	779	21,900	1,156
Total long term debt	$ 41,746	$ 633	$ 2,086	$ 40,293	$ 2,268

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

Year Ended June 30, 2013
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 6,848	$ 1,182	$ 738	$ 7,292	$ 901
Early termination benefits	27	87	27	87	87
Net other postemployment benefits	890	368	246	1,012	—
Workers' compensation	803	15	99	719	345
Total other compensation benefits	$ 8,568	$ 1,652	$ 1,110	$ 9,110	$ 1,333

Year Ended June 30, 2012
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 6,815	$ 783	$ 750	$ 6,848	$ 738
Early termination benefits	132	27	132	27	27
Net other postemployment benefits	800	544	454	890	—
Workers' compensation	879	94	170	803	361
Total other compensation benefits	$ 8,626	$ 1,448	$ 1,506	$ 8,568	$ 1,126

Bond Premium — In fiscal years 2013 and 2012, bonds were issued resulting in premiums, of $2,062,005 and $1,276,408 at June 30, 2013 and 2012, respectively. Amortization is calculated using the straight line method and amortized over the remaining life of the bonds.

Capital Leases — Liabilities for capital leases include those leases that meet the criteria in FASB Accounting Standards Codification (ACS) 840, *Leases.* See Note 11 for additional information.

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

Revenue Bonds — The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction and remodeling of buildings for residence hall, food service, student union, and other revenue-producing and related facilities at the state universities. Revenue bonds currently outstanding have interest rates of 0.045 percent to 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 2034. Annual principal and interest payments on the bonds are expected to require less than 16.5 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $32.1 million.

Principal and interest paid for the current year and total customer net revenues were $2.1 million and $13.8 million, respectively.

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

Early Termination Benefits— Early termination benefits are the benefits received for discontinuing services earlier than planned. See Note 9 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 10 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 $719,243 and $803,292 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.

Capital Contributions — The liability of $5,554,461 and $5,592,828 at June 30, 2013 and 2012 represents the amount the University would owe the federal government if it were to discontinue the Perkins loan program. The decrease was $38,367 and $(6,416) for the fiscal years 2013 and 2012, respectively.

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

Long Term Debt Repayment Schedule
(In Thousands)

	Capital Leases		General Obligation Bonds		Revenue Bonds	
Fiscal Years	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 103	$ 162	$ 1,146	$ 779	$ 1,199	$ 916
2015	109	156	1,127	667	1,425	855
2016	114	151	1,121	611	1,467	803
2017	121	144	1,109	555	1,171	758
2018	127	138	1,109	499	1,196	718
2019-2023	747	578	5,410	1,684	6,675	2,856
2024-2028	971	353	3,404	560	5,835	1,531
2029-2033	827	78	1,231	86	3,960	422
2034-2038	—	—	—	—	321	5
Total	$ 3,119	$ 1,760	$ 15,657	$ 5,441	$ 23,249	$ 8,864

9. EARLY TERMINATION BENEFITS

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. The following is a description of the different benefit arrangements including the number of retired employees receiving the benefit and the amount of future liability as of the end of fiscal years 2013 and 2012.

Minnesota State University Association of Administrative Service Faculty (MSUAASF) contract — The MSUAASF contract allows 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 faculty as of the end of fiscal years 2013 and 2012 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2013	—	$ —
2012	2	14

Inter Faculty Organization (IFO) contract — The IFO contract allows faculty members who meet certain eligibility and combination of age and years of service requirements to receive an early termination 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 members as of the end of fiscal years 2013 and 2012 follow:

Fiscal Year	Number of Faculty	Future Liability (In Thousands)
2013	3	$ 87
2012	1	13

10. NET OTHER POSTEMPLOYMENT BENEFITS

The University 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 31 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 Post Employment 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 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)	$ 362	$ 537
Interest on net OPEB obligation	42	38
Adjustment to ARC	(36)	(31)
Annual OPEB Cost	368	544
Contributions during the year	(246)	(454)
Increase in net OPEB obligation	122	90
Net OPEB obligation, beginning of year	890	800
Net OPEB obligation, end of year	$ 1,012	$ 890

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

For Year Ended June 30 (In Thousands)	2013	2012
Beginning of year net OPEB obligation	$ 890	$ 800
Annual OPEB cost	368	544
Employer contribution	(246)	(454)
End of year net OPEB obligation	$ 1,012	$ 890
Percentage contributed	66.85%	83.46%

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 Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2012	$ —	$ 3,718	$ 3,718	0.00%	$ 45,640	8.15%

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.

11. LEASE AGREEMENTS

Operating Leases — Minnesota State University Moorhead is committed under various leases primarily for building space, including three leases with the University's Alumni Foundation, Inc.
These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2013 and 2012, totaled approximately $314,910 and $341,697, respectively. The University's minimum lease payments for existing lease agreements total $1.0 for future years.

Capital Leases — Included in the capital leases are two leases with the Foundation. In fiscal year 2003, the Foundation and the Revenue Fund entered into a $3,940,000, 30 year capital lease for John Neumaier Hall Apartments. As of June 30, 2013, related accumulated depreciation for the apartment building totaled $1,416,011. Also, in fiscal year 2003, the Foundation constructed the Hendrix Health Center on land owned by the University, while entering into a ten year capital lease for $525,000. The related accumulated depreciation for the Hendrix Health Center totaled $525,000 as of June 30, 2013.

The agreements meet the criteria of capital leases, as defined by FASB ASC 840, *Leases*, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The terms of the agreements provide options to purchase at any time during the lease period. Current and noncurrent portions are reported separately. See Note 8 for principal and interest payment schedules.

12. TUITION, FEES, AND SALES, NET

The following table provides information related to tuition, fees, and sales revenue:

For the Year Ended June 30
(In Thousands)

	2013			2012		
Description	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 45,073	$ (13,472)	$ 31,601	$ 44,518	$ (13,652)	$ 30,866
Fees	2,637	(391)	2,246	2,824	(515)	2,309
Sales	6,221	(53)	6,168	5,520	(441)	5,079
Restricted student payments	13,750	(236)	13,514	13,624	(293)	13,331
Total	$ 67,681	$ (14,152)	$ 53,529	$ 66,486	$ (14,901)	$ 51,585

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

For the Year Ended June 30, 2013
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 6,926	$ 2,189	$ 4,311	$ 250	$ 13,676
Institutional support	3,801	1,044	2,452	133	7,430
Instruction	25,741	8,527	5,906	941	41,115
Public service	209	69	159	8	445
Research	67	11	143	2	223
Student services	7,441	2,196	3,765	265	13,667
Auxiliary enterprises	3,502	1,039	13,655	125	18,321
Scholarships & fellowships	—	—	561	—	561
Less interest expense	—	—	—	(1,724)	(1,724)
Total operating expenses	$ 47,687	$ 15,075	$ 30,952	$ —	$ 93,714

For the Year Ended June 30, 2012
(In Thousands)

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 6,986	$ 2,018	$ 3,528	$ 257	$ 12,789
Institutional support	3,662	907	3,399	130	8,098
Instruction	24,271	7,760	3,386	912	36,329
Public service	332	80	225	12	649
Research	43	6	47	—	96
Student services	6,588	1,874	3,607	241	12,310
Auxiliary enterprises	3,609	1,499	16,303	145	21,556
Scholarships & fellowships	—	—	605	—	605
Less interest expense	—	—	—	(1,697)	(1,697)
Total operating expenses	$ 45,491	$ 14,144	$ 31,100	$ —	$ 90,735

14. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund (SERF)

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

The SERF is a cost sharing, multiple employer defined benefit plan. All classified employees are covered by this plan. A classified employee is one who serves in a civil service position. Normal retirement age is 65. 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 University, 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 Minnesota State University Moorhead were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 545
2012	536
2011	559

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. Normal retirement age is 65. 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 University, 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 Minnesota State University Moorhead were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 467
2012	403
2011	433

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

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

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

Individual Retirement Account Plan (IRAP)

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

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

Required contributions for Minnesota State University Moorhead were:

(In Thousands)		
Fiscal Year	Employer	Employee
2013	$ 1,512	$ 1,118
2012	1,397	1,042
2011	1,456	1,077

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	Maximum Annual Contributions
Administrators	6,000 to 60,000	2,700
Inter Faculty Organization	6,000 to 51,000	2,250
Middle Management Association Unclassified	6,000 to 40,000	1,700
Minnesota Association of Professional Employees Unclassified	6,000 to 40,000	1,700
Minnesota State College and Faculty Association	6,000 to 56,000	2,500
Minnesota State University Assiociation of Administrative & Service Faculty	6,000 to 50,000	2,200
Other Unclassified Members	6,000 to 40,000	1,700

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

Required contributions for Minnesota State University Moorhead were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 757
2012	749
2011	723

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 179 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 127 participants.

15. 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 to be accounted for separately by an external party.

Minnesota State Colleges and Universities issues revenue bonds to finance the University's dormitories and student unions.

Minnesota State University Moorhead Portion of the Revenue Fund
(In Thousands)

		2013		2012
CONDENSED STATEMENTS OF NET POSITION				
Assets				
Current assets	$	18,621	$	17,032
Current restricted assets		9,284		6,621
Noncurrent restricted assets		240		7,499
Noncurrent assets		28,051		21,197
Total assets		56,196		52,349
Liabilities				
Current liabilities		2,297		2,839
Noncurrent liabilities		26,050		24,047
Total liabilities		28,347		26,886
Net Position				
Net Investment in capital assets		8,346		7,107
Restricted		19,503		18,356
Total net position	$	27,849	$	25,463
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION				
Operating revenues	$	13,821	$	13,676
Operating expenses		(10,572)		(10,022)
Net operating income		3,249		3,654
Nonoperating revenues (expenses)		(863)		(15)
Change in net position		2,386		3,639
Net position, beginning of year		25,463		21,824
Net position, end of year	$	27,849	$	25,463
CONDENSED STATEMENTS OF CASH FLOWS				
Net cash provided (used) by				
Operating activities	$	5,417	$	4,733
Capital and related financing activities		(636)		(7,775)
Noncapital and related financing activities		—		882
Investing activities		94		88
Net increase (decrease)		4,875		(2,072)
Cash, beginning of year		22,667		24,739
Cash, end of year	$	27,542	$	22,667

16. COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, the University has $9.1 million in construction in progress, of which $8.9 million is related to the renovation of Livingston Library. The estimated completion date of this project is June 30, 2014 with a total project cost of $12.1 million.

17. RISK MANAGEMENT

Minnesota State Colleges and Universities is exposed to various risks of loss related to tort; theft of, damage to, or destruction of asset; error or omissions; and employer obligations. Minnesota State Colleges and Universities manages these risks through state of 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. The University also purchased optional physical damage coverage. Property and casualty coverage is required by Minnesota State Colleges and Universities policy. The University also purchased optional professional liability for employed physicians, and student health services professional liability coverage.

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

Coverage Type	Amount
Institution deductible	$ 2,500 to $ 250,000
Fund responsibility	Deductible to $ 1,000,000
Primary reinsurance coverage	$ 1,000,001 to $ 25,000,000
Multiple reinsurance 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 University retains the risk of loss and did not have any settlements in excess of coverage in the last three years. The Minnesota Risk Management Fund purchased student intern professional liability on the open market for the University.

Minnesota State Colleges and Universities participates in the State Employee Group Insurance Plan, which provides life insurance, 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)				
Fiscal Years Ended	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
June 30, 2013	$ 803	$ 15	$ 99	$ 719
June 30, 2012	879	94	170	803

18. COMPONENT UNITS

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

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

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB ASC 958-205, *Presentations of Financial Statements.* Net assets, which are classified on the existence or absence of donor imposed restrictions, are classified and reported according to the following classes:

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

The University received from the Foundation $597,392 and $468,829 in restricted funds for fiscal years 2013 and 2012, respectively. These proceeds were used for scholarships. The University has lease agreements with the Foundation for rental properties owned by the Foundation. Information about the leases is found in Note 11.

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

Schedule of Investments at June 30
(In Thousands)

	2013	2012
Money market & certificate of deposit	$ 1,287	$ 1,252
Fixed income/bonds/US treasuries	655	165
Equity securities	10,928	9,116
Other investments	70	639
Total investments	$ 12,940	$ 11,172

Capital Assets— Summaries of the Foundation's capital assets for fiscal years 2013 and 2012 are:

Schedule of Capital Assets at June 30
(In Thousands)

Capital Assets	2013	2012
Capital assets, not depreciated:		
Land	$ 425	$ 425
Capital assets, depreciated:		
Building and improvements	3,940	4,577
Total accumulated depreciation	(1,667)	(1,584)
Total capital assets depreciated, net	2,273	2,993
Total capital assets, net	$ 2,698	$ 3,418

Long Term Obligations — The Foundation has a dormitory bond loan payable of $3,119,712. Future scheduled debt payments are as follows:

Year Ended June 30
(In Thousands)

2014	$ 100
2015	110
2016	114
2017	121
2018	127
Thereafter	2,547
Total	$ 3,119

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

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

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

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 1,638	$ 9,547	$ 11,185
Contributions	—	493	493
Investment income	1,429	—	1,429
Amounts appropriated for expenditures	(187)	—	(187)
Net assets, end of year	$ 2,880	$ 10,040	$ 12,920

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

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

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Net assets, beginning of year	$ 1,273	$ 7,822	$ 9,095
Contributions	—	1,725	1,725
Investment income	565	—	565
Amounts appropriated for expenditures	(200)	—	(200)
Net assets, end of year	$ 1,638	$ 9,547	$ 11,185

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

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MINNESOTA STATE UNIVERSITY MOORHEAD
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	$ —	$ 4,810	$ 4,810	0.00%	$ 45,516	10.57%
July 1, 2008	—	5,394	5,394	0.00	45,292	11.91
July 1, 2010	—	5,744	5,744	0.00	49,760	11.54
July 1, 2012	—	3,718	3,718	0.00	45,640	8.15

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SUPPLEMENTARY SECTION

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

Board of Trustees
Minnesota State University Moorhead
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 Minnesota State University Moorhead, a campus of Minnesota State Colleges and Universities, as of and for the year ending June 30, 2013, and the related Notes to the Financial Statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 15, 2013. Our report includes a reference to other auditors who audited the financial statements of Minnesota State University Moorhead Alumni Foundation, Inc., as described in our report on the University's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 University'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 result of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kern, Dell

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
November 15, 2013

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