Normandale Community College's Partnership Center

NORMANDALE
COMMUNITY COLLEGE

Annual Financial Report

For the years ended
June 30, 2013
and 2012

MINNESOTA STATE COLLEGES AND UNIVERSITIES

A MEMBER OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

NORMANDALE COMMUNITY COLLEGE

A MEMBER OF THE
MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

Prepared by:

Normandale Community College
9700 France Ave. S.
Bloomington, MN 55431

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NORMANDALE COMMUNITY COLLEGE

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

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INTRODUCTION

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November 15, 2013

Dr. Steven J. Rosenstone, Chancellor
Minnesota State Colleges and Universities
Wells Fargo Place
30 7th Street E., Suite 350
St. Paul, MN 55101-7804

Dear Chancellor Rosenstone,

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

Within the financial statements, which were audited by the firm of Kern, Dewenter, Viere, Ltd., you will find the statements of net position, statements of revenue, expense and changes in net position, and statements of cash flows. For a summary review and explanation of the financial statements, please review the Management Discussion and Analysis section of this report. The management of the College is responsible for assuring the accuracy, reliability, fairness and completeness of the information in this report.

Normandale Community College is committed to providing an extraordinary education for all students; providing system leadership in support services; and being the partner of choice in transfer and community and workforce development. It is my pleasure to share a few successes we have experienced this past year that support the System's Strategic Framework.

Ensure Access to an Extraordinary Education for all Minnesotans

- Our partnerships with Minnesota State University, Mankato and Metropolitan State University continue to grow; over 450 partner students are currently taking classes at Normandale. Students have baccalaureate opportunities in Accounting, Business Administration, Computer Science, Dental Hygiene, and Nursing. We also support the Twin Cities Engineering program and masters degree opportunities in Accounting and Business Administration. To encourage these partnerships we have led a system-wide team to develop seamless student support services, and we have partnered with the system office to improve our infrastructure for data sharing. We are excited about the opportunity to expand the breadth and depth of these partnerships, and to create processes for academic program planning, marketing, support services, and data sharing that institutions across the system can replicate.
- Our assessment program continues to focus faculty on identifying and evaluating our learning outcomes. We dedicate over $100,000 annually to sustain coordinated assessment activities in Academic and Student Affairs. This year we completed articulation of learning outcomes for over 90 percent of our programs, and we are developing a toolkit for mapping course and program outcomes to the college's Core Learning Outcomes.
- Over 300 students, when filling out their Free Application for Federal Student Aid (FAFSA) forms, self-reported eligibility for food assistance; in an informal survey done by the Center for Experiential Education, over 25 percent self-reported being hungry at school and not having money for food. To respond to this need, the college partnered with Good in the 'Hood to create Campus Cupboard, an on-campus food shelf. In fiscal year 2013, the Cupboard served 517 unique students over 4,351 visits and engaged 54 student volunteers in 910 hours of service learning.

Normandale Community College
9700 France Avenue South
Bloomington, MN 55431-4399

www.normandale.edu
952.358.8200 Office
952.358.8101 Fax

- We redesigned several committees to provide more systematic oversight of placement, developmental education, new student experience, and satisfactory academic progress. The Student Success Council is currently working with several metro community colleges and Asmussen Research & Consulting LLC to study student progress through developmental education. The goal is to reduce time spent in remediation and to increase the number of students who successfully complete developmental coursework.
- We continue to participate in the Carnegie Statway/Quantway initiative to decrease the time to completion of college-level math. This year we launched the Accelerated Learning Program (ALP) in Reading and Composition to decrease the time to college-level in those areas as well.
- Normandale faculty and administrators continue to serve as active participants in the Minnesota Alliance for Nursing Education (MANE). We have secured program and individual course approvals through our AA&SC process, and we hosted two faculty institutes to educate system Nursing faculty about this curricular change. The new curriculum encourages a more programmatic approach to learning, so students revisit content at increasing levels of sophistication. The curriculum also encourages collaboration with general education courses as Nursing faculty identify needed general education competencies.
- We anticipate that our 2014-2017 Strategic Plan will focus on expanding more experiential and active learning across the curriculum. We continue to maintain a Faculty Development Center and instructional support staff to work with faculty in this effort. We are also redesigning our Team Learning structure to add five Center for Teaching and Learning (CTL) Division Leaders. This approach will increase faculty participation in organizing faculty development activities and improve the responsiveness of our training efforts.
- Several Normandale faculty were recognized recently for their outstanding work. Anne Byrd received the Gold Medallion award at the Region V Kennedy Center America College Theatre Festival for her contributions to theatre education. Dan Creed was a finalist for the Outstanding International Educator Award, and Robert Frame was a finalist for the Eugene Asher Distinguished Teaching Award for excellence in history education. Four faculty—Christopher Danielson, Susan Krook, David Lake, and Ben Maegi—were identified as 2013 Board of Trustees Outstanding Educators.
- We continue to support the system's Quality Matters initiative. We will complete five course reviews this year, and we will launch both a Quality Matters Users Group and a Desire2Learn Advanced Users Group to provide more peer support to our experienced online instructors. Our goal continues to be a course success rate that equals or exceeds the current success rate for face-to-face courses. In 2013, our average success rate was 68 percent for online and 81 percent for face-to-face.

Be the Partner of Choice to Meet Minnesota's Workforce and Community Needs

- To support student retention and completion, we've made a number of recent investments:
    - Over $50,000 additional investment in Supplemental Instruction to provide more targeted support to students in their courses. Use of SI has increased from 19 courses in fiscal year 2011 to 87 courses in fiscal year 2013. We also hired a permanent director to coordinate continued expansion of the program.
    - Over $100,000 to improve our first-semester experience for students, including a redesigned online orientation program, more technology support for counselors and advisors, expanded use of Student Success Mentors, and a redesign of spaces in the student services area to bring the Multicultural Center and the Veterans Center to a more central location.

    - Almost $30,000 in changing the culture to support student success. Initiatives included developing campus-wide customer service training, which was piloted last year in Admissions, Financial Aid, Records, the Business Office and our Information Desks. We implemented the StrengthsQuest assessment with our Pathways to College Success courses, creating a strengths-based approach to coaching students. We also sent a team to a conference on integrated student services with the intent of creating more seamless services for students.

- We continue to pursue grant opportunities that meet our mission of student success and community and workforce development.
    - A Minnesota Job Skills Partnership grant for $275,000 to provide customized training services to Andersen Corporation.
    - A $600,000 National Science Foundation grant to support Science, Technology, Engineering, and Math (STEM) scholarships. The college received $102,000 in year one, with an additional $500,000 to be awarded for years two through four.
    - A $15,000 grant to the Normandale Foundation from Delta Dental of Minnesota to develop an inter-professional community health worker/navigator program.
    - A $900,000 three-year grant from the U.S. Department of Health and Human Services to meet the Health IT training needs of rural Minnesota. Normandale Community College partnered with regional health care networks, other Minnesota State Colleges and Universities (MnSCU) institutions, and private companies in pursing this grant.
- We have seen decreases in our incoming adult populations and fall-to-fall retention of adult students decreased 4.4 percent. To better understand these dynamics, Normandale is partnering with the Center for Adult and Experiential Learning (CAEL) to do an audit of our programs and services to identify ways we can better support adult students on campus. Results will inform the implementation of our 2014-2017 Strategic Plan.

Deliver to Students, Employers, Communities, and Taxpayers the Highest Value / Most Affordable Option by Designing the Minnesota State Colleges and Universities System of the Future

- Normandale continues to participate in the Campus Service Coop for bank reconciliation and payroll. Human Resources is sponsoring a Luoma Action Project team to develop a strategic planning protocol to determine which human resource services to outsource to a service coop, which services to provide internally, and which services to host for other MnSCU institutions.
- We continue to reduce waste through process improvements. Current processes being reviewed and improved include job auditing, non-faculty searches, faculty transactions, and employee onboarding. A project team is developing a process to regularly identify high value process improvement opportunities; the team is also partnering with the Minnesota Department of Administration to provide Lean training to more employees.
- Normandale is part of a beta testing group for Maximizing Resources for Student Success, a project sponsored by the National Higher Education Benchmarking Institute, the National Center for Higher Education Management Systems (NCHEMS) and the American Institutes of Research (AIR) to benchmark costs associated with student success initiatives.
- We continue to maintain a Gold Rating on the Accountability Dashboard for our Composite Financial Index and our Facilities Condition Index. Current strategies include efficient staffing and facilities usage and leveraging the College's size for economies of scale.

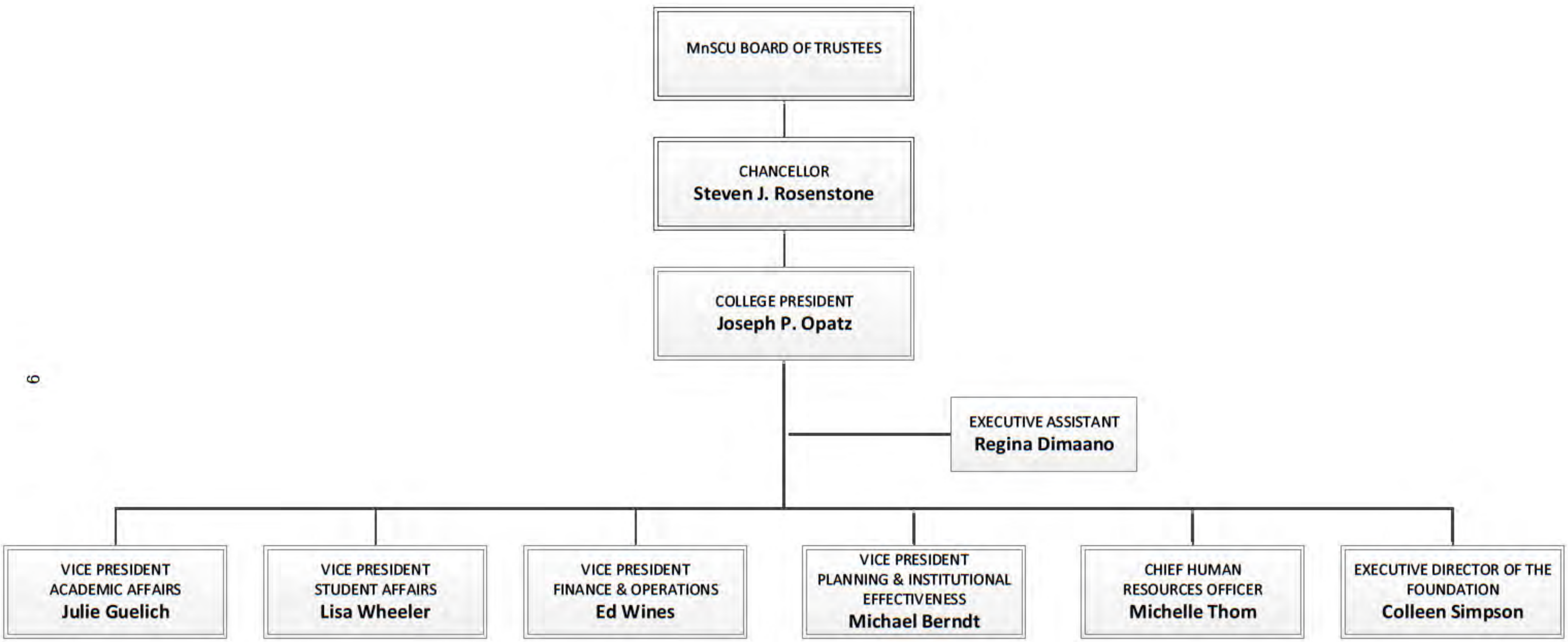
- We expanded the use of Right Now customer relations management software in several areas, including Planning, Institutional Research and Effectiveness; Human Resources; Building Services; the Business Office; and Marketing. Directing common inquiries to prepared response sets will free staff to focus on high-value activities.

We are proud of what we have accomplished at Normandale Community College this past year. I look forward to the transition in leadership knowing that we continue to be good stewards of our financial resources while continually reinvesting in programs and services that support our students and community.

Respectfully,

Joseph Opatz, PhD

Administrative Leadership Team Organizational Chart



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

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

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

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Normandale Community College, a campus of Minnesota State Colleges and Universities, as of and for the years ended June 30, 2013 and 2012, and the related Notes to the Financial Statements, which collectively comprise the College's basic financial statements as 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 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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KDV

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 the financial statements referred to above present fairly, in all material respects, the financial position of Normandale Community College, 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 College'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 College's internal control over financial reporting and compliance.

Kern, DeWenter

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

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

The College is a comprehensive public institution of higher learning with approximately 14,595 students of which 32 percent are students of color. The average age of the students on campus is 24 years old. Approximately 18 percent of our students represent the first generation in their family to attend college. The College employs approximately 576 full time equivalent staff and faculty members.

The College offers associate degrees and certificates and participates in the Minnesota Transfer Curriculum and is accredited by the Higher Learning Commission. The largest programs based on enrollment are liberal arts, nursing careers, business management, law enforcement, and engineering. Some of our nationally accredited programs include dental hygiene, nursing, business management, music, art, and theatre.

The College has over 70 different clubs and activities in areas such as honorary, drama and theater, music ensembles, cultural and social concerns, recreational sports and student government.

FINANCIAL HIGHLIGHTS

The College's financial position remained stable during fiscal year 2013. Assets totaled $138.1 million compared to liabilities of $56.1 million. Net position, which represents the residual interest in the College's assets after liabilities are deducted, is comprised of net investment in capital assets, of $48.2 million; restricted net position of $6.5 million and unrestricted net position of $27.3 million. Unrestricted cash, cash equivalents and investments increased by $1.2 million in fiscal year 2013.

Total operating revenues were flat in fiscal years 2013 and 2012, respectively. While gross tuition was up, scholarships and grants were up an equal amount. The College's state appropriation for operations decreased $0.2 million and $2.2 million in fiscal years 2013 and 2012, respectively. The College experienced an enrollment decline in fiscal year 2013 of 1.2 percent, compared to fiscal year 2012.

Total operating expenses increased by $1.5 million in fiscal year 2013 after decreasing $3.3 million in fiscal year 2012. The main expenses that increased were salaries and benefits, and purchased services.

Total net position increased $9.8 million for fiscal year 2013, due primarily to increases in the operating margin of $2.1 million and capital appropriations of $7.7 million.

USING THE FINANCIAL STATEMENTS

The College's financial report includes three financial statements; the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. The financial statements are prepared in accordance with applicable generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) through authoritative pronouncements.

STATEMENTS OF NET POSITION

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

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

(In Thousands)	2013	2012	2011
Current assets	$ 45,188	$ 43,401	$ 41,828
Current restricted assets	5,000	11,682	9,190
Noncurrent restricted assets	—	7,475	11,599
Capital assets, net	87,929	65,124	40,208
Total assets	138,117	127,682	102,825
Current liabilities	10,788	12,353	13,686
Noncurrent liabilities	45,322	43,107	28,578
Total liabilities	56,110	55,460	42,264
Net position	$ 82,007	$ 72,222	$ 60,561

Current unrestricted assets consist primarily of cash and cash equivalents totaling $38.4 million at June 30, 2013. Current restricted assets decreased by $6.7 million from June 30, 2012, primarily due to completion of the construction of capital projects funded with general obligation and revenue bond proceeds. The parking ramp was completed in August 2012 while the Partnership Center was completed in January 2013.

Current liabilities consist primarily of accounts payable, salaries payable, current portion of long term debt, and unearned revenue. Payable from restricted assets decreased by $3.2 million between fiscal years 2013 and 2012. Salaries and benefits payable totaled $3.7 million at June 30, 2013, an increase of $0.7 million compared to fiscal year 2012. Approximately $0.5 million of the increase is due to an adjustment between cash and salaries payable for benefit payments due to third party providers not yet disbursed as of June 30, 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. Salaries payable also include approximately two months of earned salary for faculty payroll that have elected to receive salaries over twelve months on a September 1 – August 31 year.

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

(In Thousands)	2013	2012	2011
Net investment in capital assets	$ 48,184	$ 39,197	$ 30,391
Restricted	6,508	5,252	4,744
Unrestricted	27,315	27,773	25,426
Total net position	$ 82,007	$ 72,222	$ 60,561

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

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

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the College's academic programs and student life is the development and renewal of its capital assets. The College continues to implement its master facilities plan to modernize its complement of older facilities, balanced with new construction. Capital assets as of June 30, 2013 totaled $87.9 million, net of accumulated depreciation of $32.2 million.

Capital outlays totaled $17.8 million, a decrease of $5.4 million, due largely to the completion of the parking ramp and partnership center projects in fiscal year 2013. Capital expenditures are primarily comprised of recently completed new building, replacement and renovation of existing facilities, as well as investments in equipment. Current year capital asset additions were funded through revenue funds, general obligation capital bonds and institutional reserves intended for these projects.

Construction in progress, at June 30, 2013, decreased to $0.1 million from a previous year balance of $21.0 million. This is due to the completion of the parking ramp and partnership center projects in fiscal year 2013. The parking ramp was funded with revenue bond funds and institutional reserves, and the partnership center was funded with general obligation capital bond funds and institutional reserves. All proceeds from parking are restricted for debt service and operations. Additional information on capital and debt activities can be found in Notes 5 and 7 to the financial statements. Additional information on the construction in progress projects can be found in Note 15.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statements of revenues, expenses and changes in net position present the College's results of operations for the year. When viewing the full statements, users should note that GASB requires classification of state appropriations and federal and state grants as nonoperating revenue.

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

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

	2013	2012	2011
Operating revenue			
Student tuition, fees, and sales	$ 47,127	$ 46,631	$ 45,940
Less: scholarship allowances	(14,695)	(14,072)	(12,427)
Net student tuition, fees, and sales	32,432	32,559	33,513
Other	131	40	48
Total operating revenue	32,563	32,599	33,561
Nonoperating revenue:			
State appropriations	17,192	17,417	19,616
Capital appropriations	7,708	7,649	1,307
Grants and other	18,160	18,304	18,944
Total nonoperating revenue	43,060	43,370	39,867
Total revenues	75,623	75,969	73,428
Operating expense:			
Salaries and benefits	44,790	43,594	44,464
Supplies and services	11,456	11,741	13,227
Depreciation	3,349	2,611	2,242
Financial aid, net	1,510	1,440	2,293
Other	3,172	3,379	3,827
Total operating expense	64,277	62,765	66,053
Nonoperating expense:			
Interest expense and other	1,561	1,543	1,050
Total nonoperating expense	1,561	1,543	1,050
Total expenses	65,838	64,308	67,103
Change in net position	9,785	11,661	6,325
Net position, beginning of year	72,222	60,561	54,236
Net position, end of year	$ 82,007	$ 72,222	$ 60,561

Tuition and state appropriations are the primary sources of funding for the College's academic programs. Tuition revenue in fiscal year 2013 remained flat compared to fiscal year 2012 as a result of increased tuition rates offset by a slight decline in enrollment. Total state and capital appropriations decreased slightly in fiscal year 2013 by $0.2 million to $24.9 million. During fiscal year 2013, federal grants remained flat.

Resources expended for compensation increased $1.2 million to $44.8 million in fiscal year 2013, due to bargaining unit contract increases, mitigated by a slight reduction in full-time equivalent positions.   Resources expended for compensation were $43.6 million and $44.5 million in fiscal years 2012 and 2011, respectively.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College is well positioned to maintain its strong financial condition and level of excellence. Enrollment is expected to have modest increases in the near term and the College anticipates an increase in state appropriations for fiscal year 2015. The College's integrated planning and budgeting process better aligns its high quality educational programs and services for students with the available resources.

The College's innovations in the delivery of academic and support services, and continuing actions regarding the cost of delivering instruction and other services, keeps tuition costs low. The College also continues to explore service cooperative options as avenues to achieve this objective. All of these efforts have been undertaken so the College can continue to offer a broad array of affordable educational opportunities for all students, including underserved students.

REQUESTS FOR INFORMATION

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

Ed Wines, V.P. of Finance and Operations
Normandale Community College
9700 France Avenue South
Bloomington, MN 55431

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

Assets	2013	2012
Current Assets		
Cash and cash equivalents	$ 38,389	$ 37,287
Investments	1,453	1,351
Grants receivable	224	155
Accounts receivable, net	2,075	1,957
Prepaid expense	1,678	1,323
Inventory	1,094	1,103
Other assets	275	225
Total current assets	45,188	43,401
Current Restricted Assets		
Cash and cash equivalents	5,000	11,682
Total current restricted assets	5,000	11,682
Noncurrent Restricted Assets		
Construction in progress	-	7,475
Total noncurrent restricted assets	-	7,475
Total restricted assets	5,000	19,157
Noncurrent Assets		
Capital assets, net	87,929	65,124
Total noncurrent assets	87,929	65,124
Total Assets	138,117	127,682
Liabilities		
Current Liabilities		
Salaries and benefits payable	3,738	3,001
Accounts payable	1,203	1,382
Unearned revenue	2,497	2,209
Payable from restricted assets	26	3,213
Interest payable	260	266
Funds held for others	94	171
Current portion of long-term debt	2,212	1,575
Other compensation benefits	629	485
Other liabilities	72	51
Advances to other schools	57	-
Total current liabilities	10,788	12,353
Noncurrent Liabilities		
Noncurrent portion of long-term debt	40,401	38,512
Other compensation benefits	4,921	4,595
Total noncurrent liabilities	45,322	43,107
Total Liabilities	56,110	55,460
Net Position		
Net investment in capital assets	48,184	39,197
Restricted expendable, bond covenants	2,810	2,202
Restricted expendable, other	3,698	3,050
Unrestricted	27,315	27,773
Total Net Position	$ 82,007	$ 72,222

The notes are an integral part of the financial statements.

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

	2013	2012
Operating Revenues		
Tuition, net	$ 22,357	$ 22,654
Fees, net	1,790	1,844
Sales, net	4,827	5,185
Restricted student payments, net	3,458	2,876
Other income	131	40
Total operating revenues	32,563	32,599
Operating Expenses		
Salaries and benefits	44,790	43,594
Purchased services	5,453	4,846
Supplies	5,622	6,058
Repairs and maintenance	381	837
Depreciation	3,349	2,611
Financial aid, net	1,510	1,440
Other expense	3,172	3,379
Total operating expenses	64,277	62,765
Operating loss	(31,714)	(30,166)
Nonoperating Revenues (Expenses)		
Appropriations	17,192	17,417
Federal grants	14,541	14,537
State grants	3,320	2,788
Private grants	50	745
Interest income	249	234
Interest expense	(1,546)	(1,333)
Total nonoperating revenues (expenses)	33,806	34,388
Income Before Other Revenues, Expenses, Gains, or Losses	2,092	4,222
Capital appropriations	7,708	7,649
Loss on disposal of capital assets	(15)	(210)
Change in net position	9,785	11,661
Total Net Position, Beginning of Year	72,222	60,561
Total Net Position, End of Year	$ 82,007	$ 72,222

The notes are an integral part of the financial statements.

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

	2013	2012
Cash Flows from Operating Activities		
Cash received from customers	$ 32,733	$ 32,132
Cash paid to suppliers for goods or services	(15,039)	(15,181)
Cash payments for employees	(43,556)	(45,092)
Financial aid disbursements	(1,510)	(1,440)
Net cash flows used in operating activities	(27,372)	(29,581)
Cash Flows from Noncapital and Related Financing Activities		
Appropriations	17,192	17,417
Federal grants	14,471	14,745
State grants	3,320	2,788
Private grants	50	745
Agency activity	(77)	93
Loans from other schools	57	-
Net cash flows provided by noncapital financing activities	35,013	35,788
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(21,748)	(24,092)
Capital appropriation	7,708	7,649
Proceeds from sale of capital assets	27	9
Proceeds from issuance of debt	3,491	15,789
Proceeds from bond premium	725	236
Interest paid	(1,622)	(1,337)
Repayment of bond principal	(1,836)	(1,061)
Net cash flows used in capital and related financing activities	(13,255)	(2,807)
Cash Flows from Investing Activities		
Purchase of investments	-	(1,354)
Investment earnings	34	148
Net cash flows provided by (used in) investing activities	34	(1,206)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,580)	2,194
Cash and Cash Equivalents, Beginning of Year	48,969	46,775
Cash and Cash Equivalents, End of Year	$ 43,389	$ 48,969

The notes are an integral part of the financial statements.

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

	2013	2012
Operating Loss	$ (31,714)	$ (30,166)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	3,349	2,611
Change in assets and liabilities		
Inventory	8	(290)
Accounts receivable	(118)	(210)
Accounts payable	(142)	431
Salaries and benefits payable	737	(1,656)
Other compensation benefits	470	94
Unearned revenues	290	(256)
Other	(252)	(139)
Net reconciling items to be added to operating loss	4,342	585
Net cash flows used in operating activities	$ (27,372)	$ (29,581)
Non-Cash Investing, Capital, and Financing Activities		
Capital projects on account	$ 36	$ 3,259

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

Investments — The Minnesota State Board of Investment invests the College's balances in the state treasury, 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 allocated to the colleges and universities. The College also invests funds held for auxiliary and student activities in a brokerage account.

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 market 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 retail average cost method.

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

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

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

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

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

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

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

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

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

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

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

Restricted Student Payments — Restricted student payments consist of fee revenue restricted for payment of revenue bonds. See Note 11 for additional information.

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

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

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

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

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

  Restricted for bond covenants — revenue bond restrictions.

  Restricted for other — includes restrictions for the following:

  Donations — restricted per donor requests.

  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	$ 23	$ 23
Capital Projects/debt service	3,675	3,011
Faculty contract obligations	—	16
Total	$ 3,698	$ 3,050

- *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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Minnesota Statutes, Section 118A.03, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. This statute further requires that such insurance and collateral shall be at least 10 percent greater than the amount on deposit.

The following table summarizes cash and cash equivalents, including amounts reported as restricted cash.

Cash and Cash Equivalents at June 30
(In Thousands)

Carrying Amount	2013	2012
Cash , in bank	$ 1,328	$ 1,624
Money markets	25	143
Cash, trustee- (US Bank)	2,228	4,289
Total local cash and cash equivalents	3,581	6,056
Total treasury cash accounts	39,808	42,913
Grand Total	$ 43,389	$ 48,969

At June 30, 2013 and 2012, the College's bank checking and money market balances were $1,533,171 and $1,780,852, respectively. These balances were adjusted by items in transit to arrive at the College's bank cash balance.

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

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

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

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

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

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

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

As of June 30, the College had the following investments and maturities:

The College has the following investments with Bremer Investment Management & Trust:

Year Ended June 30
(In Thousands)

Investment Type	2013 Fair Value	Weighted Maturity (Years)	2012 Fair Value	Weighted Maturity (Years)
U.S. agencies	$ 624	11.40	$ 552	14.22
Municipal obligations	829	3.06	799	3.61
Total fair value	$ 1,453		$ 1,351	
Portfolio weighted average maturity		6.64		7.95

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals. At June 30, 2013 and 2012, the total accounts receivable balances for the College were $3,358,600 and $3,033,076, respectively, less an allowance for uncollectible accounts of $1,283,195 and $1,075,740, respectively.

Summary of Accounts Receivable at June 30
(In Thousands)

	2013	2012
Tuition	$ 1,614	$ 1,761
Fees	453	421
Sales and services	594	251
Other	698	600
Total accounts receivable	3,359	3,033
Allowance for doubtful accounts	(1,284)	(1,076)
Net accounts receivable	$ 2,075	$ 1,957

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 $1,603,687 and $1,272,363 for fiscal years 2013 and 2012, respectively, which has been deposited in the state's Debt Service Fund for future general obligation bond payments. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand on December 1, of each year, an amount sufficient to pay all general obligation bond principal and interest due, and to become due, through July 1 of the second fiscal year. Additionally, the remainder of prepaid expense, $73,874 for fiscal year 2013 and $51,028 for fiscal year 2012, consists of prepaid funds for software maintenance.

5. CAPITAL ASSETS

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

Year Ended June 30, 2013
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 532	$ —	$ —	$ —	$ 532
Construction in progress	21,034	17,824	—	(38,715)	143
Total capital assets, not depreciated	21,566	17,824	—	(38,715)	675
Capital assets, depreciated:					
Buildings and improvements	76,100	—	16	38,715	114,799
Equipment	2,355	732	87	—	3,000
Library collections	1,765	181	258	—	1,688
Total capital assets, depreciated	80,220	913	361	38,715	119,487
Less accumulated depreciation:					
Buildings and improvements	26,685	2,865	14	—	29,536
Equipment	1,445	243	31	—	1,657
Library collections	1,057	241	258	—	1,040
Total accumulated depreciation	29,187	3,349	303	—	32,233
Total capital assets, depreciated, net	51,033	(2,436)	58	38,715	87,254
Total capital assets, net of depreciation	$ 72,599	$ 15,388	$ 58	$ —	$ 87,929

Year Ended June 30, 2012
(In Thousands)

Description	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	$ 532	$ —	$ —	$ —	$ 532
Construction in progress	12,501	23,261	—	(14,728)	21,034
Total capital assets, not depreciated	13,033	23,261	—	(14,728)	21,566
Capital assets, depreciated:					
Buildings and improvements	61,682	—	310	14,728	76,100
Equipment	2,281	167	93	—	2,355
Library collections	1,854	197	286	—	1,765
Total capital assets, depreciated	65,817	364	689	14,728	80,220
Less accumulated depreciation:					
Buildings and improvements	24,666	2,120	101	—	26,685
Equipment	1,286	239	80	—	1,445
Library collections	1,091	252	286	—	1,057
Total accumulated depreciation	27,043	2,611	467	—	29,187
Total capital assets, depreciated, net	38,774	(2,247)	222	14,728	51,033
Total capital assets, net of depreciation	$ 51,807	$ 21,014	$ 222	$ —	$ 72,599

6. ACCOUNTS PAYABLE

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

Summary of Accounts Payable at June 30
(In Thousands)

	2013	2012
Capital expenditures	$ 10	$ 46
Purchased services	366	516
Supplies	172	341
Employee salaries and benefits	152	125
Repairs and maintenance	340	81
Other	163	273
Total	$ 1,203	$ 1,382

In addition, as of June 30, 2013 and 2012, the College had payables from restricted assets in the amounts of $25,920 and $1,495,615, which were related to capital projects financed by general obligation bonds. Also as of June 30, 2013 and 2012, the College had payables from restricted assets in the amount of $0 and $1,717,253 which were related to capital projects in the Revenue Fund.

7. LONG TERM OBLIGATIONS

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

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

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 787	$ 725	$ 117	$ 1,395	$ —
General obligation bonds	12,134	3,491	938	14,687	1,113
Revenue bonds	27,166	—	635	26,531	1,099
Total long term debt	$ 40,087	$ 4,216	$ 1,690	$ 42,613	$ 2,212

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 635	$ 236	$ 84	$ 787	$ —
General obligation bonds	9,093	3,790	749	12,134	939
Revenue bonds	15,353	12,000	187	27,166	636
Total long term debt	$ 25,081	$ 16,026	$ 1,020	$ 40,087	$ 1,575

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

Year Ended June 30, 2013
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 4,061	$ 568	$ 426	$ 4,203	$ 464
Early termination benefits	47	81	47	81	81
Net other postemployment benefits	944	314	167	1,091	—
Workers' compensation	28	175	28	175	84
Total other compensation benefits	$ 5,080	$ 1,138	$ 668	$ 5,550	$ 629

Year Ended June 30, 2012
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 4,104	$ 408	$ 451	$ 4,061	$ 426
Early termination benefits	76	47	76	47	47
Net other postemployment benefits	748	422	226	944	—
Workers' compensation	58	20	50	28	12
Total other compensation benefits	$ 4,986	$ 897	$ 803	$ 5,080	$ 485

Bond Premium — In fiscal years 2013 and 2012, bonds were issued resulting in a premium of $725,099 and $236,411, respectively. Amortization is calculated using the straight line method and amortized over the remaining life of the bonds.

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

Revenue Bonds — The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for residence hall, food service, student union, and other revenue-producing and related facilities at the college. Revenue bonds currently outstanding have interest rates between 2.50 percent and 5.75 percent.

The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through fiscal year 2033. Annual principal and interest payments on the bonds are expected to require less than 58.39 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $37,436,057. Principal and interest paid for the current year and total customer net revenues were $1,689,268 and $3,665,000 respectively.

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

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

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

Workers' Compensation — The state of Minnesota Department of Management and Budget manages the self insured workers' compensation claims activities. The reported liability for workers' compensation of $175,014 and $28,433 at June 30, 2013 and 2012, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end and is an undiscounted estimate of future payments.

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

Long Term Debt Repayment Schedule
(In Thousands)

Fiscal Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	$ 1,113	$ 732	$ 1,099	$ 1,025
2015	1,113	607	1,146	989
2016	1,071	553	1,190	950
2017	1,032	500	1,150	909
2018	965	451	1,195	867
2019-2023	4,586	1,557	6,780	3,592
2024-2028	3,026	645	8,195	2,085
2029-2033	1,781	137	5,776	489
Total	$ 14,687	$ 5,182	$ 26,531	$ 10,906

8. EARLY TERMINATION BENEFITS

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

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

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	2	$ 81
2012	2	47

9. NET OTHER POSTEMPLOYMENT BENEFITS

The College provides health insurance benefits for certain retired employees under a single employer fully insured plan**,** as required by Minnesota Statute 471.61 subdivision 2B. Active employees who retire when eligible to receive a retirement benefit from a Minnesota public pension plan and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the health benefits program. Retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2012, there were approximately 24 retirees receiving health benefits from the health plan.

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

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

Components of the Annual OPEB Cost
(In Thousands)

	2013	2012
Annual required contribution (ARC)	$ 311	$ 420
Interest on net OPEB obligation	20	11
Adjustment to ARC	(17)	(9)
Annual OPEB cost	314	422
Contributions during the year	(167)	(226)
Increase in net OPEB obligation	147	196
Net OPEB obligation, beginning of year	944	748
Net OPEB obligation, end of year	$ 1,091	$ 944

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

For Year Ended June 30
(In Thousands)

	2013	2012
Beginning of year OPEB obligation	$ 944	$ 748
Annual OPEB cost	314	422
Employer contribution	(167)	(226)
Net OPEB obligation	$ 1,091	$ 944
Percentage contributed	53.18%	53.55%

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

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2012	—	$ 2,848	$ 2,848	0.00%	$ 33,496	8.50%

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

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

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

10. LEASE AGREEMENTS

Operating Leases — The College is committed under various leases primarily for office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2013 and 2012, totaled approximately $17,637 and $23,931, respectively. Future minimum lease payments for existing lease agreements is $17,637 in fiscal year 2014.

11. 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	$ 34,807	$ (12,450)	$ 22,357	$ 34,642	$ (11,988)	$ 22,654
Fees	3,296	(1,506)	1,790	3,213	(1,369)	1,844
Sales	5,566	(739)	4,827	5,900	(715)	5,185
Restricted student payments	3,458	—	3,458	2,876	—	2,876
Total	$ 47,127	$ (14,695)	$ 32,432	$ 46,631	$ (14,072)	$ 32,559

12. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The following table provides 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	$ 4,322	$ 1,514	$ 3,211	$ 78	$ 9,125
Institutional support	2,935	974	3,606	52	7,567
Instruction	21,059	6,593	3,460	378	31,490
Public service	59	14	44	—	117
Research	—	—	3	—	3
Student services	5,049	1,464	1,486	87	8,086
Auxiliary enterprises	567	240	6,167	951	7,925
Scholarships & fellowships	—	—	1,510	—	1,510
Less interest expense	—	—	—	(1,546)	(1,546)
Total operating expenses	$ 33,991	$ 10,799	$ 19,487	$ —	$ 64,277

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

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 4,713	$ 1,509	$ 3,084	$ 63	$ 9,369
Institutional support	2,738	878	3,018	37	6,671
Instruction	20,338	6,178	3,623	277	30,416
Public service	124	20	243	1	388
Research	—	—	4	—	4
Student services	4,991	1,344	1,834	65	8,234
Auxiliary enterprises	520	241	5,925	890	7,576
Scholarships & fellowships	—	—	1,440	—	1,440
Less interest expense	—	—	—	(1,333)	(1,333)
Total operating expenses	$ 33,424	$ 10,170	$ 19,171	$ —	$ 62,765

13. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund (SERF)

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

The SERF is a cost sharing, multiple employer defined benefit plan. All classified employees are covered by this plan. A classified employee is one who serves in a civil service position. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of the members' average salary which is defined as the highest salary paid in five successive years of service. The College, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

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

Required contributions for the College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 373
2012	369
2011	379

Teachers Retirement Fund (TRF)

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

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

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

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

Required contributions for the College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 372
2012	327
2011	334

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

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

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

Individual Retirement Account Plan (IRAP)

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

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

Required contributions for the College were:

(In Thousands)		
Fiscal Year	Employer	Employee
2013	$ 1,125	$ 843
2012	1,058	799
2011	1,065	800

Supplemental Retirement Plan (SRP)

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

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

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

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

Required contributions for the College were:

(In Thousands)	
Fiscal Year	Amount
2013	$ 595
2012	550
2011	591

Voluntary Retirement Savings Plans

The College offers two voluntary programs to employees for retirement savings.

The Minnesota Deferred Compensation Plan is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes, Section 352.965. The plan is primarily composed of employee pre-tax and after-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2013, the plan had 135 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 89 participants.

14. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, and liabilities that are required by an external party to be accounted for separately.

Minnesota State Colleges and Universities issued revenue bonds to finance Normandale Community College's Student Union.

Normandale Community College Portion of the Revenue Fund
(In Thousands)

	2013	2012
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 3,249	$ 2,594
Current restricted assets	4,996	10,217
Noncurrent restricted assets	-	7,475
Noncurrent assets	25,443	14,369
Total assets	33,688	34,655
Liabilities		
Current liabilities	1,512	2,816
Noncurrent liabilities	25,645	26,408
Total liabilities	27,157	29,224
Net Position:		
Net investment in capital assets	1,592	1,490
Restricted	4,939	3,941
Total net position	$ 6,531	$ 5,431
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 3,664	$ 3,724
Operating expenses	(1,639)	(1,081)
Net operating income	2,025	2,643
Nonoperating revenues (expenses)	(925)	(859)
Change in net position	1,100	1,784
Net position, beginning of year	5,431	3,647
Net position, end of year	$ 6,531	$ 5,431
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	$ 2,704	$ 2,989
Investing activities	39	38
Capital and related financing activities	(7,338)	(1,569)
Net increase (decrease)	(4,595)	1,458
Cash, beginning of year	12,705	11,247
Cash, end of year	$ 8,110	$ 12,705

15. COMMITMENTS AND CONTINGENCIES

The College had two large outstanding projects that totaled $20,750,376 in construction in process at June 30, 2012. The Parking Ramp, estimated to cost $12 million, was completed in August 2012. The College had also incurred some construction costs for the Partnership Center, estimated to cost $23 million and was completed in January 2013.

16. RISK MANAGEMENT

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

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

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

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

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

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

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

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

(In Thousands)				
	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/13	$ 28	$ 175	$ 28	$ 175
Fiscal Year Ended 6/30/12	58	20	50	28

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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NORMANDALE COMMUNITY COLLEGE
SCHEDULE OF FUNDING PROGRESS FOR NET OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2010	—	$ 3,617	$ 3,617	0.00%	$ 34,443	10.50%
July 1, 2012	—	$ 2,848	$ 2,848	0.00%	$ 33,496	8.50%

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SUPPLEMENTARY SECTION

Expert advice. When you need it.℠

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
Normandale Community College
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 Normandale Community College, 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 College's basic financial statements and have issued our report thereon dated November 15, 2013.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

KDV

Compliance and Other Matters

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

Purpose of this Report

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