



**Minnesota**  
STATE COLLEGES  
& UNIVERSITIES

**Minnesota State Colleges and Universities**

# **Financial Report Summary**

**For the years ended June 30, 2012 and 2011**

**Audit Committee Meeting**

**January 15, 2013**



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# Presentation Overview

- Consolidated System-wide Results
- Summarized Revenue Fund and College and University Audit and Financial results
- ISEEK
- Resolution and Other Related Matters

# Minnesota State Colleges and Universities

Audit Presentation  
Audit Committee  
Year Ending June 30, 2012

January 15, 2013

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# Auditor's Responsibility

- Opinion on fairness of presentation of financials
- Audit Standards #104-111 Key controls
  - Design – Documentation
  - Operation – Walkthroughs
- Audit Standard #115 Control deficiencies observed: material/significant
- Generally Accepted Government Auditing Standards (GAGAS) aka: yellow book - compliance reporting

# Scope of the Audit

- System-wide audit encompasses the following
  - System office
  - 13 independently audited colleges/universities
  - 19 unaudited colleges (NHED treated as one college)
- Tolerable misstatement:
  - ◇ System-wide - \$9,000,000
  - ◇ Unaudited colleges - \$3,300,000
- Audit Standard #99 – Fraud Risk Discussion (Audit Planning)
  - Cross section of management and staff interviewed

# Scope of Audit (Continued)

- Substantive testing approach
  - Reliance on independent audits of the 13 college/univ's
  - Utilize assistance of Internal Audit staff for certain areas
  - Review and rely on Office of Legislative Auditor (Cash)
  - Substantive testing generally includes the system office and the 19 unaudited colleges
  - Rotating schedule of auditing procedures
    - ◇ For each audit area, we select 1/3 of the colleges for detail testing so that within a three year period all colleges will be touched.
    - ◇ In addition, each audit area has a different set of colleges so that each college is being touched in each year.

# 13 Campus/University Audits – by Auditor

- Kern DeWenter Viere
  - Hennepin Technical College
  - Winona State University
  - MSU Moorhead
  - MSU, Mankato
  - Normandale Community College
  - St. Cloud State University
- Baker Tilly
  - Bemidji State University
  - Century College
  - Minnesota State Community and Technical College
- CliftonLarsonAllen
  - Metropolitan State University
  - Minneapolis Community & Technical College
  - Rochester Community & Technical College
  - Southwest Minnesota State University

**“SNAP SHOT” RESULTS** – All Financial Statements are FAIRLY STATED -  
CLEAN OPINIONS, NO MATERIAL WEAKNESSES IN INTERNAL CONTROL AND  
NO REPORTED COMPLIANCE ISSUES

# Routine Communications

- NO significant difficulties encountered, but DELAY re: State Treasury Cash (SWIFT system)
- There were no
  - disagreements with Management.
  - consultations with other independent accountants.
  - issues discussed prior to engagement of independent auditors.
- Other Information accompanying the financial statements – auditor assumes no audit responsibility.



# Financial Statements – Audit Results

- Financial statement amounts – Fairly stated
- Opinion – Unqualified (clean)
- Compliance Reporting under Generally Accepted Government Auditing Standards – No findings

# Internal Control Findings

*Material Weaknesses* – deficiencies in internal control such that there is a reasonable possibility that a **material misstatement** would not be prevented or detected and corrected on a timely basis. **NONE**

*Significant Deficiencies* - deficiencies in internal control that are **less severe than material weaknesses**, yet important enough to merit attention by those charged with governance. **NONE**

*Prior Year Findings* **NONE**

**No reportable issues for 3<sup>rd</sup> consecutive year - COMMENDABLE**

# INSIGHTS AND OBSERVATIONS

AUDITORS'

*INSIGHTS*

*AND*

*OBSERVATIONS*

# CONTINUED EXCELLENT AUDIT RESULTS

- Management and Financial Reporting Team
  - Aware of their responsibility
  - Open to improvements
  - Cooperative with the audit process

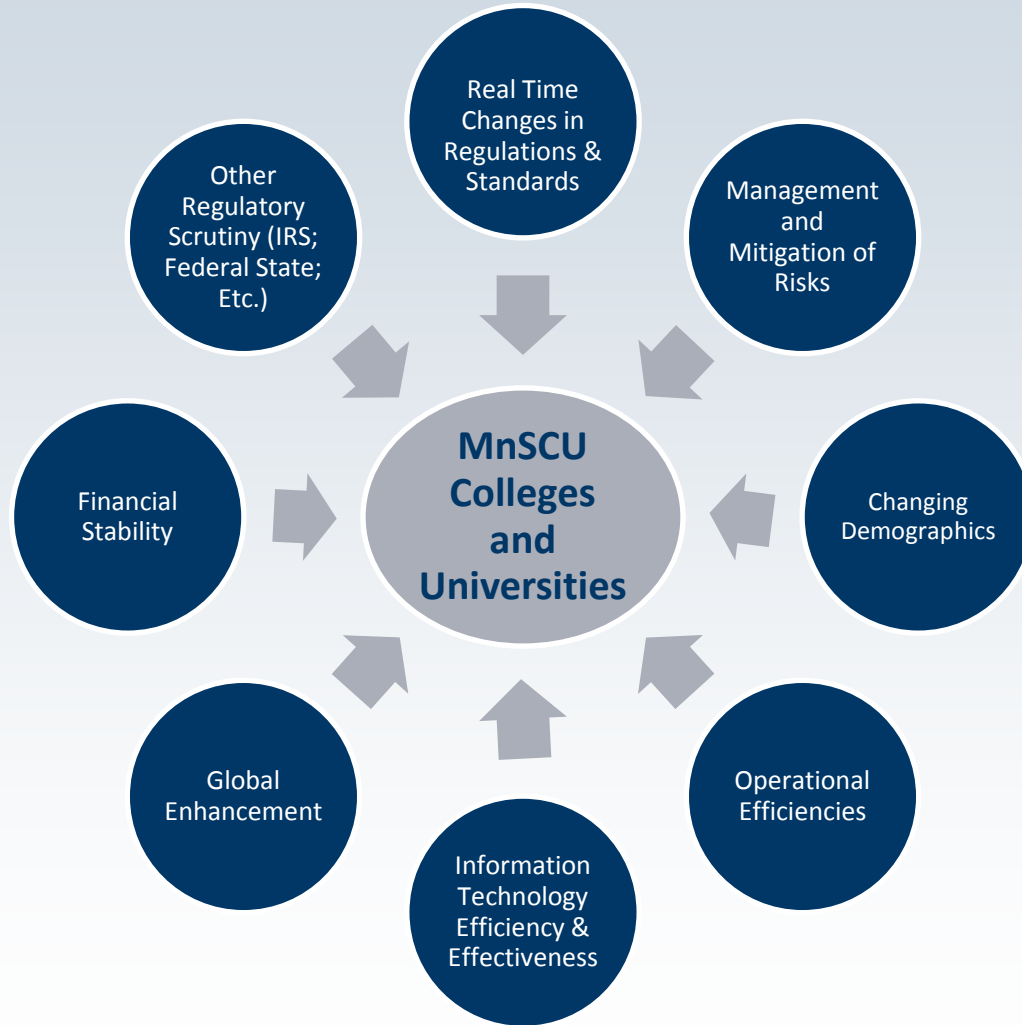
# DELAYS IN COMPLETION OF AUDIT PROCESS

- State Cash (SWIFT system) - Delays in finalizing of information resulted in increased demands on MnSCU Staff, Internal Audit, CPA audit firms
- **Mnscu's internally tracked cash DID NOT CHANGE in final result**

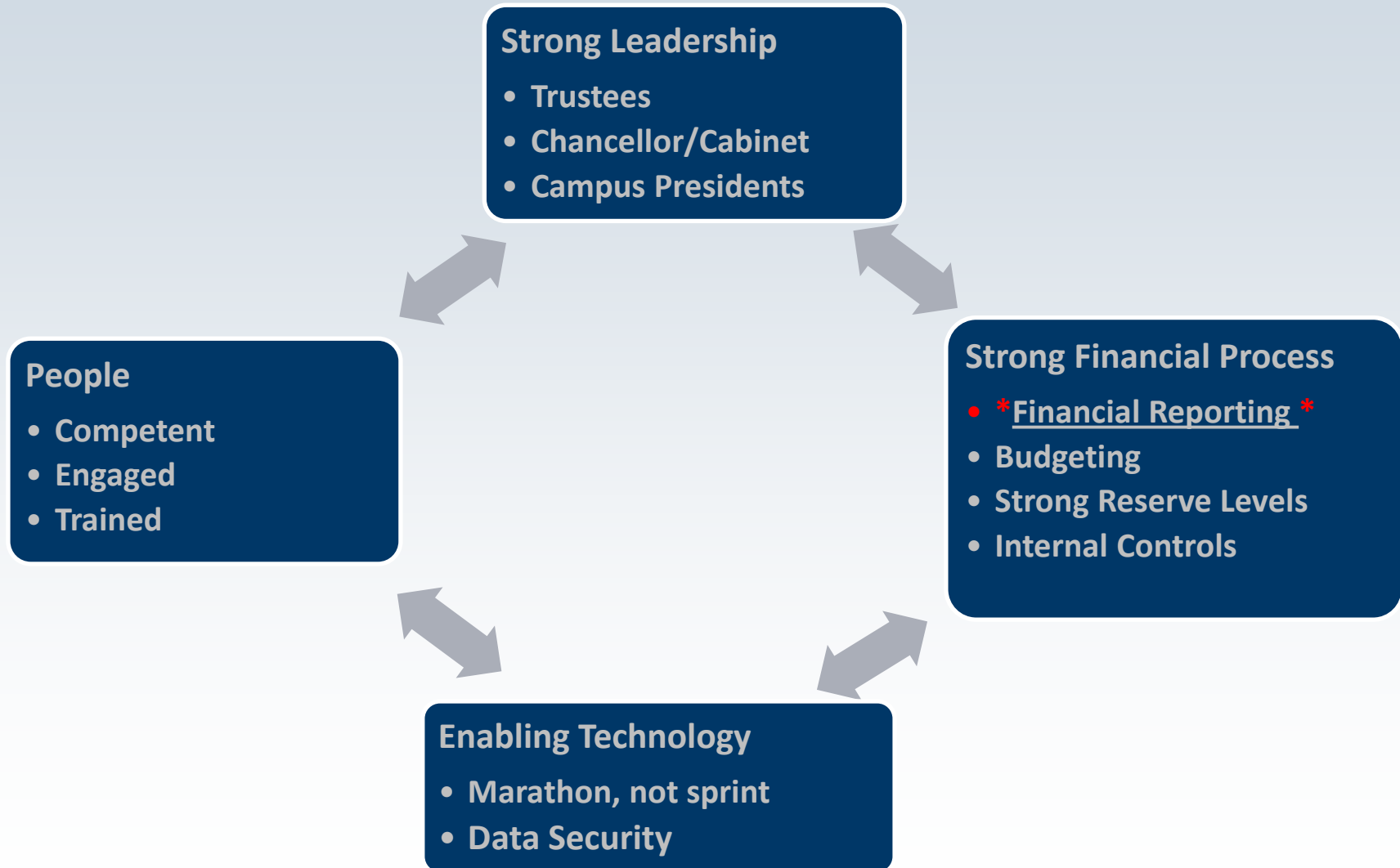
## ALL SHOULD BE COMMENDED FOR:

- LEVEL OF EFFORT
- QUALITY OF EFFORT
- COMMUNICATION
- PROFESSIONALISM
- PLANNING/COORDINATION

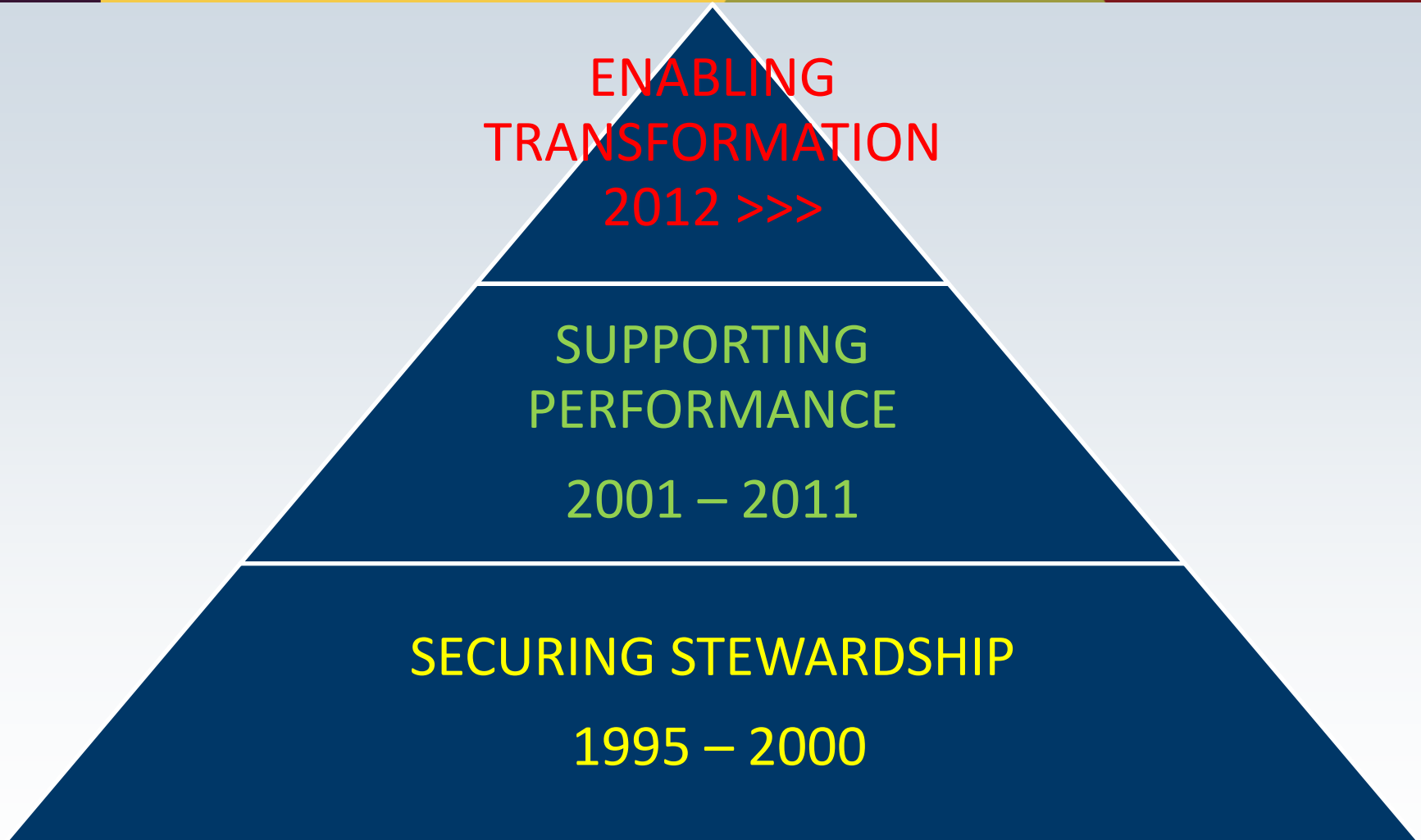
# Challenges



# Maintaining Strong & Stable Service Levels Through Economic Ups and Downs



# Levels of Financial Management — from Govt Finance Officers Association's "Financial Management (FM) Tool"

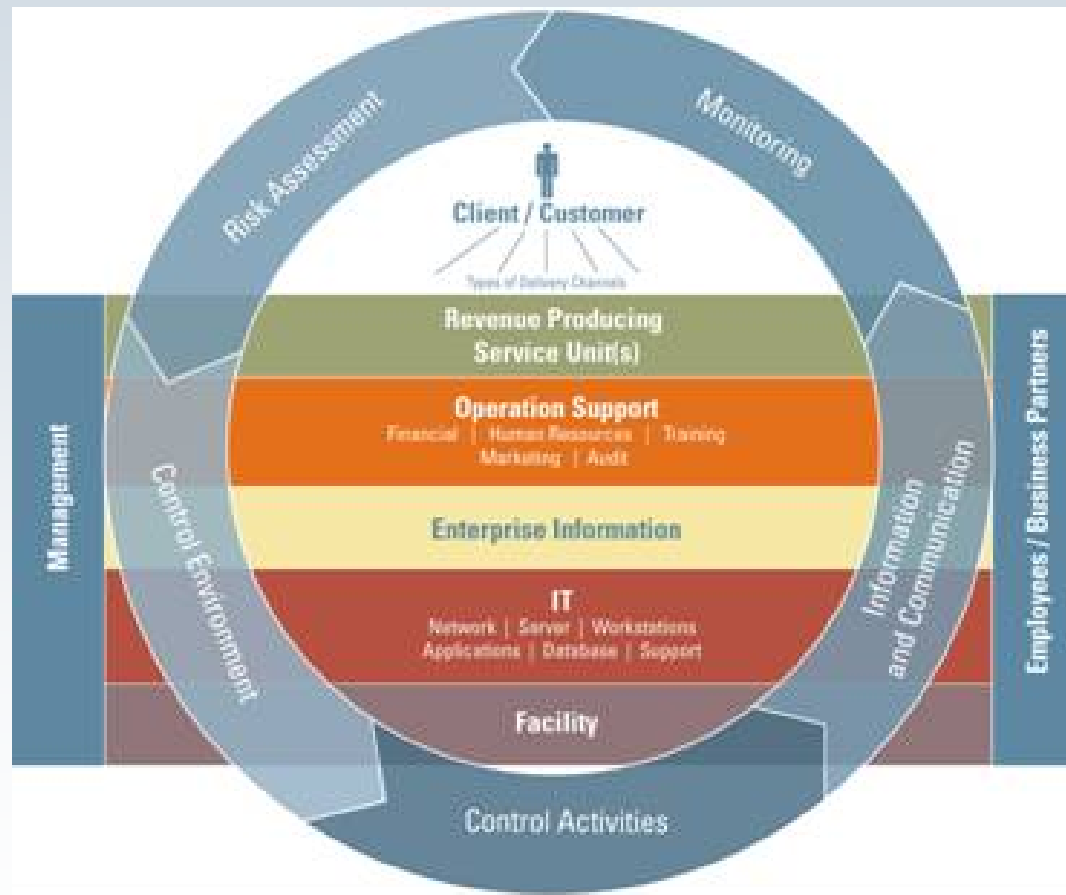




# STRONG FINANCIAL MANAGEMENT

- Mission of the organization can only be “focused on” and accomplished in an environment of financial stability.
- We encourage MnSCU to maintain an environment of strong financial management
  - System wide
  - Each campus, individually

# INTERNAL CONTROLS – Re-assess & Monitor



# Discussion/Questions

- AUDIT RESULTS
- RECOMMENDATIONS
- OTHER?



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# **Financial Performance Fiscal Year 2012 and 2011**

## **Consolidated Financial Statements**

**Audit Committee**

**Board of Trustees**

**January 15, 2013**



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# Sound Financial Management

- College and university budgets balanced after significant state appropriation reductions
- Budget reserves preserved – critical risk management strategy
- Continued investments in building improvements and infrastructure - which help retain current and attract new students



# Systemwide Assets, Liabilities and Net Assets

Assets, Liabilities and Net Assets (\$ in Thousands)			
<i>Fiscal Year</i>	<b>FY2012</b>	<b>FY2011</b>	<b>FY2010</b>
Total Assets	\$ 2,955,024	\$ 2,883,354	\$ 2,624,327
Total Liabilities	\$ 963,414	\$ 1,013,247	\$ 900,561
Total Net Assets	\$ 1,991,610	\$ 1,870,107	\$ 1,723,766

- Total assets increased each year mainly due to additional capital asset investments
- Total liabilities remained relatively stable over the three years



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# Systemwide Changes in Financial Position FY 2012 vs. FY 2011

## Significant Changes in Assets, Liabilities and Net Assets (in Thousands)

<i>Total Assets Changes</i>	FY2012	FY2011
Capital assets, net of depreciation, including all construction in progress	\$ 90,607	\$ 97,082
Unrestricted cash	38,910	115,440
Other assets	(57,847)	46,505
<b>Total Assets Change</b>	<b>\$ 71,670</b>	<b>\$ 259,027</b>
<i>Total Liabilities Changes</i>		
Long-term debt	(12,494)	117,628
Salaries and benefits payable	(41,123)	5,267
Other liabilities	3,784	(10,209)
<b>Total Liabilities Change</b>	<b>\$ (49,833)</b>	<b>\$ 112,686</b>
<b>Total Net Assets Change</b>	<b>\$ 1 21,503</b>	<b>\$ 146,341</b>



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# Systemwide Revenues, Expenses and Net Assets

Revenues, Expenses and Net Assets (\$ in Thousands)	FY2012	FY2011	FY2010
Total Revenues	\$ 1,938,267	\$ 2,050,326	\$ 2,047,633
Total Expenses	( 1,816,764)	(1,903,985)	(1,867,992)
Change in Net Assets	\$ 121,503	\$ 146,341	\$ 179,641

- Total revenue decreased by over \$100 million due to a large reduction in state appropriation & grants
- Operating expenses were reduced in line with the revenue reduction, helping maintain an increase in net assets in fiscal year 2012





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# Components of Net Operating Revenue FY 2012 vs FY 2011

Revenue/(Expense) (in Thousands)	FY2012	Change	FY2011
Components and changes			
Revenue from students, net of financial aid	\$ 831,539	\$ (3,719)	\$ 835,258
State appropriation revenue	551,293	(62,089)	613,382
Federal and state grant revenue	443,485	(42,171)	485,656
Compensation expense	(1,203,159)	46,140	(1,249,299)
All other revenues/(expenses), net	(560,306)	49,089	( 609,395)
Net operating revenue	\$ 62,852	\$ (12,750)	\$ 75,602
Capital appropriation and other	58,651	(12,088)	70,739
Change in net assets	\$ 121,503	\$ (24,838)	\$ 146,341



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# FY2012 Financial Summary

- Significant state appropriation reduction in fiscal year 2012
- Enrollment levels decreased by 2.8% in fiscal year 2012
- Reductions in state appropriation and enrollment levels were countered by a managed decrease in operating expenses; resulting in relatively strong financial performance in fiscal year 2012
- Strong state and federal financial aid participation by students a continuing concern



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# Revenue Fund

- **Clifton LarsonAllen**      *Craig Poppenhagen*



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# College & University Audits

- **CliftonLarsonAllen** *Thomas Koop*
  - Metropolitan State University
  - Minneapolis Community & Technical College
  - Rochester Community & Technical College
  - Southwest Minnesota State University



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# College & University Audits

- **Kern DeWenter Viere, Ltd.**     *Steve Wischmann*
  - Hennepin Technical College
  - Minnesota State University, Mankato
  - Minnesota State University Moorhead
  - Normandale Community College
  - St. Cloud State University
  - Winona State University



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# College & University Audits

- **Baker Tilly Virchow Krause**      *Daryl DeKam*
  - Bemidji State University
  - Century College
  - Minnesota State Community and Technical College

# iSeek Audit Results

- Clean Opinion for June 30, 2010; 2011; and 2012
- Material Weakness for year ended June 30, 2012
  - Related to prior period adjustment for recognition of revenues in the incorrect period (FY 11 vs. FY12).
  - Materiality level at approximately ONLY \$20,000
- Process has been adjusted to recognize lower thresholds of materiality



# Recommended Motion

- **Committee Motion:**

- *The Audit Committee has reviewed the fiscal year 2012 audited financial statements and discussed them with representatives of management and the external auditing firms. The committee recommends that the Board of Trustees adopt the following motion:*

- **Recommended Motion:**

- *Based on the review and recommendation of the Audit Committee, the Board of Trustees approves the release of the fiscal year 2012 audited financial statements as submitted.*