

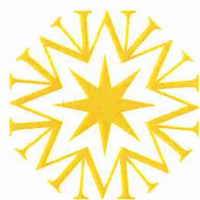


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Annual Financial Report

For the years ended June 30, 2003 and 2002



Minnesota
STATE COLLEGES
& UNIVERSITIES

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**MINNESOTA
STATE COLLEGES
AND UNIVERSITIES**

**ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2003 and 2002**

Prepared by:

Office of the Chancellor
Minnesota State Colleges and Universities
500 Wells Fargo Place
30 East 7th Street
St. Paul, Minnesota 55101

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MINNESOTA STATE COLLEGES AND UNIVERSITIES

**ANNUAL FINANCIAL REPORTS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002**

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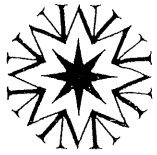
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INTRODUCTION



Minnesota
STATE COLLEGES
& UNIVERSITIES

December 5, 2003

Members of the Board of Trustees
Chancellor James H. McCormick

I am pleased to submit to you the audited financial report for the Minnesota State Colleges and Universities system for the fiscal year ended June 30, 2003. This report includes the consolidated financial statements and disclosures necessary to accurately present the financial condition and results of operations for the year. The consolidated financial statements are presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Also included are unaudited supplemental schedules containing institutional financial information and other information.

The Minnesota State Colleges and Universities system, which includes both two-year and four-year higher education institutions, is the seventh largest higher education system of its type in the United States. In 2003, the 33 member colleges and universities served 239,445 students in credit-based courses and an additional 129,998 in noncredit courses.

Measured another way, full-year-equivalent enrollment in 2003 was 132,586, which was a record high for the system. It was the third consecutive year of enrollment growth system wide and an increase of 5.0 percent over 2002.

The system comprises diverse institution types – state universities, which offer courses leading to bachelor's, master's and advanced degrees; community colleges, which offer career programs and programs designed to provide the first two years of a four-year baccalaureate degree; technical colleges, offering programs that lead directly to specific careers; and comprehensive community and technical colleges, combining the offerings of technical and community colleges in one two-year college. The system also includes a tribal and community college, the only combined tribal college and state community college in the United States.

The system has greatly expanded the number of programs and courses offered over the Internet. The colleges and universities offered 2,308 course sections and about 70 programs completely or predominantly online in 2003. Nearly 17,000 students took one or more courses online, a 35 percent increase over 2002 and a nine-fold increase over 2000.

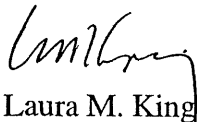
The colleges and universities within the system understand that they must be good stewards of the investment state taxpayers have made in the state's higher education infrastructure. In all, the system manages 819 buildings with a total of 24.5 million square feet – about one-third of property owned by the state of Minnesota.

Within the consolidated financial statements, which were audited by the firm of Deloitte & Touche, LLP, you will find the statements of net assets, the statements of revenue, expense, and changes in net assets and the 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.

This year we are also providing separately audited financial statements for the Revenue Fund, all state universities and five of our two year colleges. The expansion from six separately audited financial statements for FY2002 places 59% of the revenues of the Minnesota State Colleges and Universities System under separate stand alone audits. It is worth noting that the system wide audit opinion and the opinions for the twelve separate audits are each without qualification, a testimony to the efforts of each and every employee with responsibility for financial information at the fifty-three campuses and in the Office of the Chancellor.

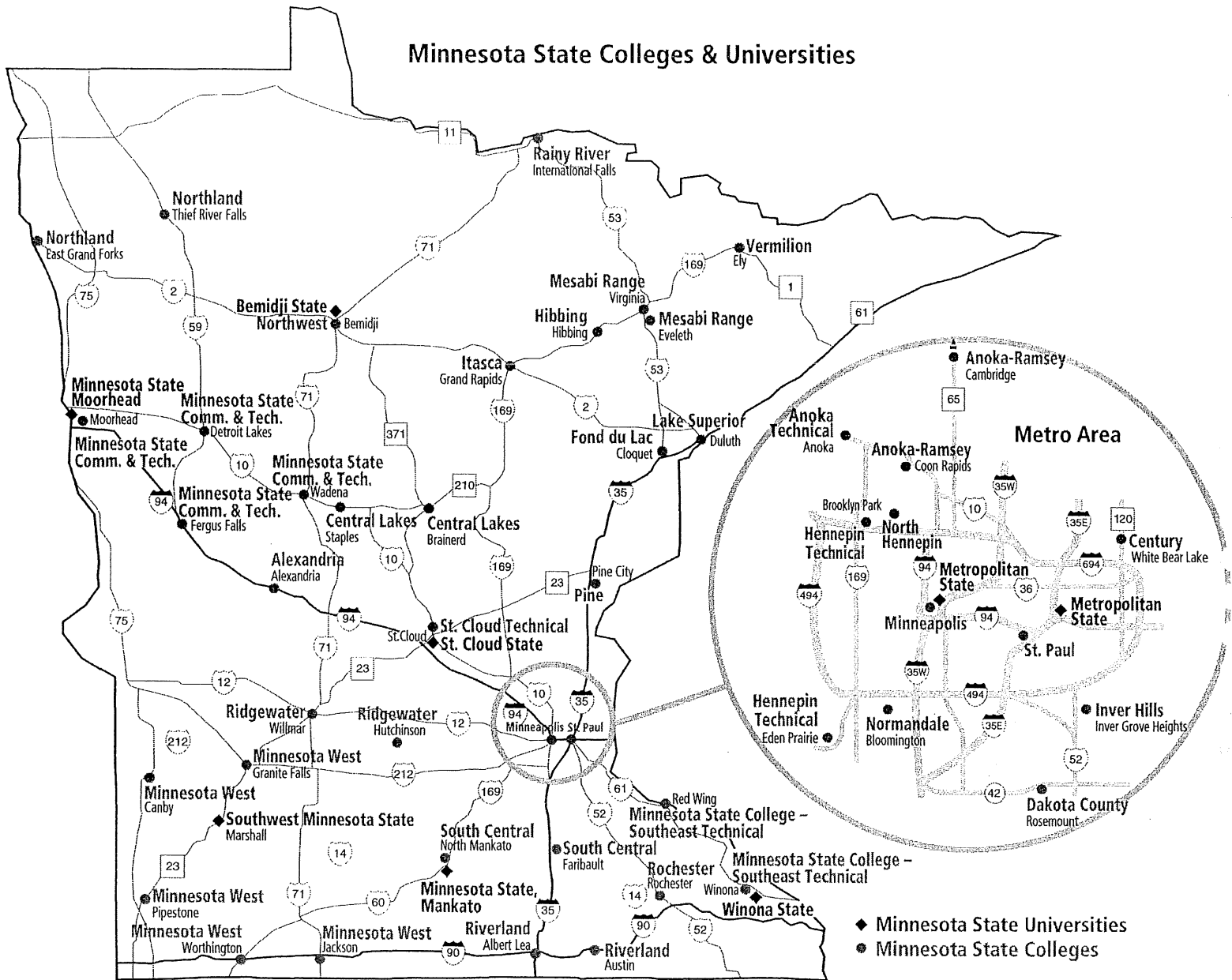
This report has been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The Finance Division is responsible for assuring the accuracy, reliability, fairness and completeness of the information presented in this report. We rely upon the administrative and finance staff at each college and university and the staff of the Office of Internal Audit in provision of that assurance. Many people assisted in this effort and are deserving of our appreciation.

Sincerely,



Laura M. King
Vice Chancellor – Chief Financial Officer

Minnesota State Colleges & Universities



TWO-YEAR COLLEGES

Alexandria Technical College
 Anoka Technical College
 Anoka-Ramsey Community College
 Central Lakes College
 Century College
 Dakota County Technical College
 Fond du Lac Tribal & Community College
 Hennepin Technical College
 Hibbing Community College
 Inver Hills Community College
 Itasca Community College *
 Lake Superior College
 Mesabi Range Community & Technical College*
 Minneapolis Community & Technical College
 Minnesota State College – Southeast Technical

Minnesota State Community & Technical College
 Minnesota West Community & Technical College
 Normandale Community College
 North Hennepin Community College
 Northland Community & Technical College
 Northwest Technical College**
 Pine Technical College
 Rainy River Community College*
 Ridgewater College
 Riverland Community College
 Rochester Community & Technical College
 St. Cloud Technical College
 Saint Paul College
 South Central Technical College
 Vermilion Community College*

STATE UNIVERSITIES

Bemidji State University
 Metropolitan State University
 Minnesota State University, Mankato
 Minnesota State University Moorhead
 St. Cloud State University
 Southwest Minnesota State University
 Winona State University

**Itasca, Mesabi Range, Rainy River and Vermilion make up the Northeast Higher Education District, a consortium of four state colleges.*

***Northwest Technical College at Bemidji is aligned with Bemidji State University*

Minnesota State Colleges and Universities

ALEXANDRIA TECHNICAL COLLEGE

Alexandria
Jan Mahoney, Acting President
1-888-234-1222
www.alextech.org

ANOKA-RAMSEY COMMUNITY COLLEGE

Cambridge, Coon Rapids
Patrick Johns, President
(763) 427-2600
www.anokaramsey.edu

ANOKA TECHNICAL COLLEGE

Anoka
Anne Weyandt, President
1-800-247-5588
www.ank.tec.mn.us

BEMIDJI STATE UNIVERSITY

Bemidji
Jon Quistgaard, President
1-877-236-4354
www.bemidjistate.edu

CENTRAL LAKES COLLEGE

Brainerd, Staples
Joseph Birmingham, President
1-800-933-0346
www.clcmn.edu

CENTURY COLLEGE

White Bear Lake
Larry Litecky, President
1-800-228-1978
www.century.mnscu.edu

DAKOTA COUNTY TECHNICAL COLLEGE

Rosemount
Ronald E. Thomas, President
1-877-937-3282
www.dctc.edu

FOND DU LAC TRIBAL & COMMUNITY COLLEGE

Cloquet
Donald Day, President
1-800-657-3712
www.fdlcc.edu

HENNEPIN TECHNICAL COLLEGE

Brooklyn Park, Eden Prairie
Sharon Grossbach, President
1-800-345-4655
www.htc.mnscu.edu

HIBBING COMMUNITY COLLEGE

Hibbing
Anthony Kuznik, President
1-800-224-4422
www.hcc.mnscu.edu

INVER HILLS COMMUNITY COLLEGE

Inver Grove Heights
Cheryl Frank, President
(651) 450-8503
www.inverhills.edu

ITASCA COMMUNITY COLLEGE*

Grand Rapids
Joe Sertich, President
1-800-996-6422
www.itascacc.edu

LAKE SUPERIOR COLLEGE

Duluth
Kathleen Nelson, President
1-800-432-2884
www.lsc.mnscu.edu

MESABI RANGE COMMUNITY & TECHNICAL COLLEGE*

Eveleth, Virginia
Joe Sertich, President
1-800-657-3860
www.mr.mnscu.edu

METROPOLITAN STATE UNIVERSITY

St. Paul, Minneapolis
Wilson Bradshaw, President
(651) 793-1300
www.metrostate.edu

MINNEAPOLIS COMMUNITY & TECHNICAL COLLEGE

Minneapolis
Phil Davis, President
1-800-247-0911
www.minneapolis.edu

MINNESOTA STATE COLLEGE - SOUTHEAST TECHNICAL

Red Wing, Winona
James Johnson, President
1-877-853-8324
www.southeastmn.edu

MINNESOTA STATE COMMUNITY & TECHNICAL COLLEGE

Detroit Lakes, Fergus Falls,
Moorhead, Wadena
Ken Peeders, President
1-800-492-4836
www.minnesota.edu

MINNESOTA STATE UNIVERSITY, MANKATO

Mankato
Richard Davenport, President
1-800-722-0544
www.mnsu.edu

MINNESOTA STATE UNIVERSITY MOORHEAD

Moorhead
Roland Barden, President
1-800-593-7246
go.mnstate.edu

MINNESOTA WEST COMMUNITY & TECHNICAL COLLEGE

Canby, Granite Falls, Jackson,
Pipestone, Worthington
1-800-658-2330
Ronald Wood, President
www.mnwest.mnscu.edu

NORMANDALE COMMUNITY COLLEGE

Bloomington
1-866-880-8740
Thomas Horak, President
www.normandale.mnscu.edu

NORTH HENNEPIN COMMUNITY COLLEGE

Brooklyn Park
1-800-818-0395
Ann Wynia, President
www.nhcc.edu

NORTHLAND COMMUNITY & TECHNICAL COLLEGE

East Grand Forks, Thief River Falls
Orley Gunderson, President
Toll-free: 1-800-959-6282
www.northlandcollege.edu

NORTHWEST TECHNICAL COLLEGE**

Bemidji
Jon Quistgaard, President
1-800-942-8324
www.ntcmn.edu

PINE TECHNICAL COLLEGE

Pine City
Robert Musgrove, President
1-800-521-7463
www.pinetech.edu

RAINY RIVER COMMUNITY COLLEGE*

International Falls
Joe Sertich, President
1-800-456-3996
www.rrcc.mnscu.edu

RIDGEWATER COLLEGE

Hutchinson, Willmar
Douglas Allen, President
1-800-722-1151
www.ridgewater.mnscu.edu

RIVERLAND COMMUNITY COLLEGE

Albert Lea, Austin
Terrence Leas, President
Toll-free: 1-800-247-5039
www.riverland.cc

ROCHESTER COMMUNITY AND TECHNICAL COLLEGE

Rochester
Don Supalla, President
1-800-247-1296
www.rctc.edu

ST. CLOUD STATE UNIVERSITY

St. Cloud
Roy Saigo, President
1-877-654-7278
www.stcloudstate.edu

ST. CLOUD TECHNICAL COLLEGE

St. Cloud
Joan Volkmuth, President
1-800-222-1009
www.sctc.edu

SAINT PAUL COLLEGE

St. Paul
Donovan Schwichtenberg,
President
1-800-227-6029
www.saintpaul.edu

SOUTH CENTRAL TECHNICAL COLLEGE

Faribault, Mankato
Keith Stover, President
1-800-722-9359
www.southcentral.edu

SOUTHWEST MINNESOTA STATE UNIVERSITY

Marshall
David Danahar, President
1-800-642-0684
www.southwestmsu.edu

VERMILION COMMUNITY COLLEGE*

Ely
Joe Sertich, President
1-800-657-3608
www.vcc.edu

WINONA STATE UNIVERSITY

Winona
Darrell Krueger, President
1-800-342-5978
www.winona.edu

2003-2004 Minnesota State Colleges and Universities Board of Trustees

Will Antell
Andrew Boss
Mary Choate
Daniel Coborn
Tyler Despins
Cheryl Dickson
Ivan Dusek
Clarence Hightower
Robert Hoffman, Vice Chair
Vincent Ijioma
Jim Luoma, Chair
Lew Moran
David Paskach
Ann Curme Shaw, Treasurer
Shaun Williams

2003-2004 Minnesota State Colleges and Universities System Officers

James H. McCormick, Chancellor

Linda Baer, Senior Vice Chancellor
Academic and Student Affairs

Laura M. King, Vice Chancellor
Chief Financial Officer

William Tschida, Vice Chancellor
Human Resources

Kenneth Niemi, Vice Chancellor
Chief Information Officer

Gail Olson, General Counsel

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The financial activity of Minnesota State Colleges and Universities is included in this report. It is comprised of 33 colleges and universities. The Revenue Fund activity is included in both this report and the separately issued *Revenue Fund Annual Financial Report*.

All financial activity of Minnesota State Colleges and Universities is included in the *Minnesota Comprehensive Annual Financial Report*. A separately issued schedule of expenditures of federal awards will be available at a later date.

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees of Minnesota
State Colleges and Universities

We have audited the accompanying consolidated financial statements of the business-type activities and the aggregate remaining fund information of the Minnesota State Colleges and Universities ("MnSCU") as of June 30, 2003 and 2002 and for the years then ended, which collectively comprise MnSCU's basic financial statements as listed in the table of contents. These consolidated financial statements are the responsibility of the management of MnSCU. Our responsibility is to express an opinion on the respective consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Bemidji State University; Minnesota State University, Moorhead; Northwest Technical College; Minnesota State University, Mankato; Saint Cloud State University; and Winona State University (collectively, the "Individual Universities"); which represent 40% of the consolidated assets and 40% of the consolidated revenues of MnSCU for fiscal year 2003 (39% and 40%, respectively, for fiscal year 2002). Those consolidated financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Individual Universities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to consolidated 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 audits to obtain reasonable assurance about whether the respective consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

As described in Note 1, MnSCU adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of MnSCU as of June 30, 2003 and 2002 and the respective changes in financial position and its cash flows where applicable thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying required supplementary information, such as management's discussion and analysis on pages 14 through 21, is not a required part of the basic financial statements but is supplementary information required by GASB. This required supplementary information is the responsibility of MnSCU's management. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the respective financial statements that collectively comprise MnSCU's basic financial statements. The accompanying introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of MnSCU's management. The accompanying supplementary information, such as the introductory section and supplemental information, has not been subjected to the auditing procedures applied by us and the other auditors in the audits of the financial statements of the business-type activities and the remaining fund information and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2003 on our consideration of MnSCU's internal control over financial reporting for fiscal year 2003 and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte + Touche LLP

December 5, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the consolidated financial position and activities of the Minnesota State Colleges and Universities System (the System) for the fiscal years ended June 30, 2003 and 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes, which follow this section.

The Minnesota State Colleges and Universities System, a state supported system, is the largest single provider of higher education in the state of Minnesota, as measured by the number of students, and is comprised of 33 state supported state universities, technical, community and consolidated colleges. The System serves approximately 235,000 students annually in credit-based courses, as measured by unduplicated headcount enrollment. An additional 130,000 students enroll in non-credit courses each year; many through the System's customized training services. The System employs about 19,000 full-time and part-time faculty and staff.

FINANCIAL HIGHLIGHTS

The System's financial position improved during fiscal year 2003 with net assets increasing by \$73.3 million, or 7.7 percent, on total revenues of nearly \$1.5 billion.

- Cash and cash equivalents (unrestricted) totaled \$391.5 million, an increase of \$29.7 million over fiscal 2002.
- State appropriation revenue (nonoperating) declined by \$9.4 million to \$592.8 million.
- Tuition and fee rates increased an average of 10 percent, which coupled with a 5 percent increase in fiscal year equivalent students, resulted in tuition and fee revenue increases (net of scholarship allowance) of \$53.9 million, or a 14.7 percent increase over fiscal year 2002.
- Cost of salaries and benefits increased by \$56.8 million, an increase of 6.8 percent, to a total of \$895.6 million, and constitute 65.2 percent of the System's total operating expenses, a 0.1 percent decrease compared to last year's percentage.
- The System continues to manage resources to increase the assets needed to help offset known state appropriation reductions for fiscal years 2004 and 2005.

USING THE CONSOLIDATED FINANCIAL STATEMENTS

This annual report is prepared in accordance with applicable Governmental Accounting Standards Board (GASB) pronouncements including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement Nos. 35 *Basic Financial Statements – and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement No. 37 *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Disclosures (collectively, GASB Statement No. 35)*, all of which were implemented effective July 1, 2001.

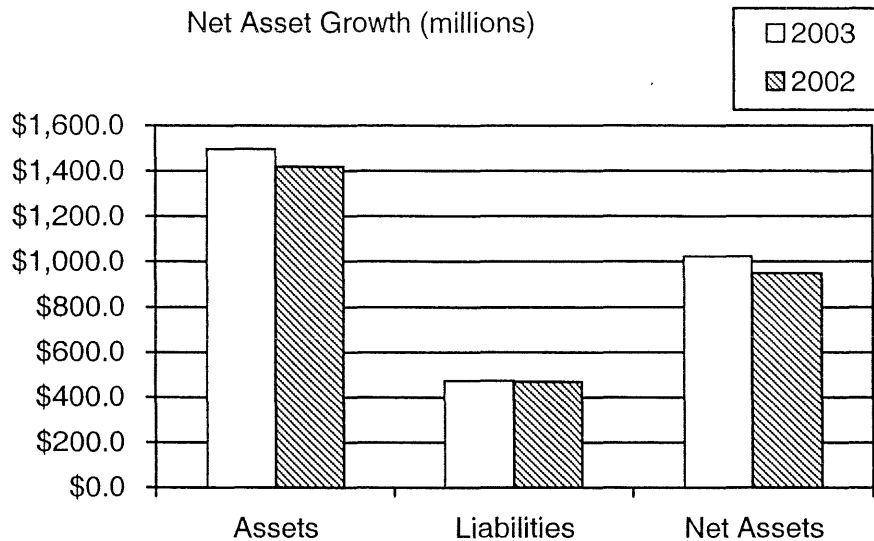
These statements establish standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a full accrual, consolidated basis to focus on the System as a whole, with resources classified for accounting and reporting purposes into three net asset categories. Minnesota State Colleges and Universities is considered a business type activity as defined by GASB Statement No. 34 and as recommended by the National Association of College and University Business Officers (NACUBO).

This annual report's financial report includes five financial statements as follows: the consolidated statement of net assets, the consolidated statement of revenues, expenses and changes in net assets, the consolidated statement of cash flows, the statement of net assets held for pension benefits, and the statement of changes in net assets held for pension benefits (the last two statements relate to the System's defined contribution retirement plan). These five financial statements are prepared in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). A summary of significant accounting policies followed by the System is included in note 1 to the financial statements.

CONSOLIDATED STATEMENTS OF NET ASSETS

The consolidated statement of net assets presents the financial position of the System at the end of the fiscal year and includes all assets and liabilities of the System. The difference between total assets and total liabilities (e.g., the point-in-time difference in value of what is owned compared to the value of what is owed) – net assets – is one indicator of the current financial condition of the System. The change in net assets is one indicator of whether the System's overall financial condition has improved or worsened during the year (e.g., has the value of the difference between what is owned and owed increased or decreased over the past year). Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the System's assets, liabilities and net assets at June 30, 2003 and 2002, respectively, along with a visual summary, follow (in thousands):

	2003	2002
Current assets	\$ 489,658	\$ 471,139
Current restricted assets	31,594	35,827
Noncurrent restricted assets	4,808	252
Noncurrent assets	33,290	33,437
Capital assets, net	937,163	877,749
Total assets	<u>1,496,513</u>	<u>1,418,404</u>
Current liabilities	186,786	209,246
Noncurrent liabilities	286,635	259,352
Total liabilities	<u>473,421</u>	<u>468,598</u>
Net assets	<u>\$ 1,023,092</u>	<u>\$ 949,806</u>



Current Assets consist primarily of cash, cash equivalents and investments (unrestricted), increased \$29.5 million over the year to a total of \$409 million at June 30, 2003. For the System as a whole, this represents approximately 3.8 months of fiscal 2003 operating expenses (excluding depreciation), an increase of 0.1 months over last year. Other current and noncurrent assets (excluding capital assets which are discussed separately) remained stable between years.

Current Liabilities consist primarily of salaries and accounts payable. Salaries payable at June 30, 2003 decreased from the prior year by \$10.0 million to a total of \$74.1 million. Included within the salary payable accrual is two months of earned salary for faculty who have elected to receive salaries over twelve months on a September 1 – August 31 year. Several of the fiscal years 2002 - 2003 union agreements were not finalized until after July 2002, and the retroactive impact through June 30, 2002 was accrued at that time. The subsequent payment of this June 30, 2002 accrual of about \$14 million is the main reason for the decrease in salaries payable which was partially offset by wage and salary increases in 2003.

Current and prior year increases in debt issuance for both general obligation bonds and revenue bonds, as detailed more fully in note 7, caused a combined increase in the current portion payable of \$2.8 million.

Net Assets represent the residual interest in the System's assets after deducting liabilities. Investment in capital assets, net of related debt, represents by far the largest portion of the System's net assets, which at June 30, 2003 and 2002, respectively, are summarized as follows (in thousands):

	2003	2002
Invested in capital assets, net of related debt	\$ 794,297	\$ 758,340
Restricted	99,382	78,568
Unrestricted	129,413	112,898
Total net assets	<u>\$1,023,092</u>	<u>\$ 949,806</u>

Invested in capital assets, net of related debt represents the System's capital assets net of both accumulated depreciation and the System's share of outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted represents net assets that have constraints placed on their use by external creditors, grantors, contributors, laws or regulations and consist primarily of those assets restricted for capital projects (at \$47.2 million, an increase of \$14.6 million over 2002), debt service on bonds and restrictions imposed by bond covenants (at \$19.4 million, an increase of \$6.6 million over 2002).

As a result of the System's implementation of GASB 34 for fiscal 2002, beginning assets and liabilities (at July 1, 2001), were adjusted to reflect the accrual basis of accounting. The cumulative affect of all adjustments resulted in an overall increase to net assets of \$499.8 million. See note 16 to the financial statements for additional details regarding these adjustments.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the System's academic programs and residential life is the development and renewal of its capital assets. The System continues to implement a long-range plan to modernize its complement of older facilities, balanced with new construction. Detail on current construction projects and the amounts committed for their completion is provided in note 14 to the financial statements.

Fiscal 2003 capital outlays totaled \$147.5 million (net of donated assets of \$2.1 million) and included \$99 million of new construction in progress. Capital outlays are primarily comprised of replacement and renovation of academic facilities and significant investments in equipment.

Bonds payable totaled \$159.3 million at June 30, 2003, a net increase of \$17.1 million from the prior year. Bond sale activity is highlighted in the table below (in thousands). Additional information on capital and debt activities and System debt service responsibilities can be found in note 7 of the financial statements.

	2003	2002
General Obligation bonds - <u>sold for System</u>	\$ 70,915	\$ 88,149
System's General Obligation bond <u>liability</u> related to above bond sale	\$ 23,638	\$ 29,382
Revenue Bonds	\$ —	\$ 36,275

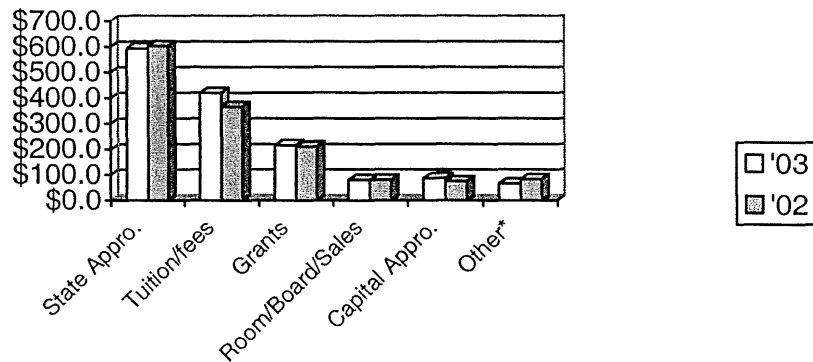
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The consolidated statement of revenues, expenses and changes in net assets presents the System's results of operations and the overall increase in net assets for the fiscal year. It is the difference between the year's revenue and expense activities that results in an overall increase or decrease to net value – see the discussion of net assets under the statement of net assets above. State appropriations, under GASB Statement No. 34, are considered nonoperating revenues. A summarized statement for the years ended June 30, 2003 and 2002 (in thousands), along with graphs highlighting major revenue and expense items, follow:

Operating revenue:	2003	2002
Student tuition and fees (net of scholarships)	\$ 419,643	\$ 365,722
Sales and services (net of scholarships)	41,243	40,328
Room and board (net of scholarships)	39,906	40,001
Grants	216,893	211,413
Other	26,903	24,765
Total operating revenue	<u>744,588</u>	<u>682,229</u>

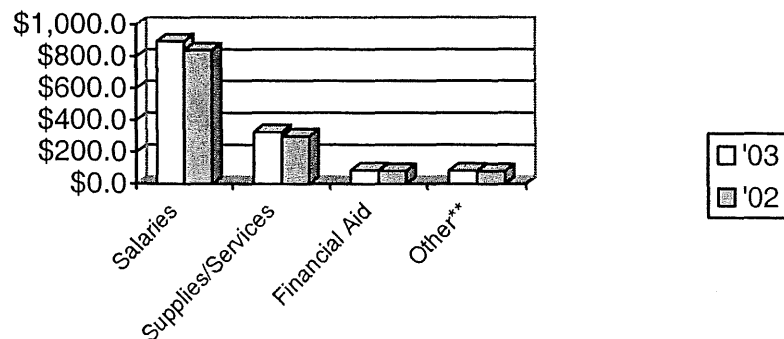
Nonoperating and other revenue:		
State appropriation	592,802	602,183
Capital appropriation	86,364	74,114
Private grants	19,879	28,300
Interest and other nonoperating revenue	19,550	30,392
Total nonoperating and other revenue	<u>718,595</u>	<u>734,989</u>
Total revenues	<u>1,463,183</u>	<u>1,417,218</u>
Operating expense:		
Salaries and benefits	895,635	838,815
Supplies, services and other	325,020	298,515
Depreciation and amortization	66,555	66,050
Financial aid, net of scholarship allowance	85,625	80,220
Total operating expense	<u>1,372,835</u>	<u>1,283,600</u>
Nonoperating and other expense:		
Interest and other nonoperating expense	17,062	13,514
Total expenses	<u>1,389,897</u>	<u>1,297,114</u>
Increase in net assets	73,286	120,104
Net assets, beginning of year	949,806	829,702
Net assets, end of year	<u>\$ 1,023,092</u>	<u>\$ 949,806</u>

Fiscal 2003 and 2002 Total Revenue (millions)



*includes other operating revenue, private grants, interest income and other nonoperating revenue

Fiscal 2003 and 2002 Total Expenses (millions)



**includes depreciation/amortization, interest expense and other nonoperating expenses

The \$53.9 million of increase in student tuition and fees resulted from the combination of a Systemwide average 10 percent increase in fiscal year 2003 tuition and fee rates coupled with an average increase in enrollment of 5 percent. The capital appropriation increased by \$12.3 million reflecting continued emphasis on development and renewal of capital assets, particularly buildings. Compensation expense increased \$56.8 million or 6.8 percent reflecting a mix of higher salary levels and significant increases in benefits' costs, particularly health insurance costs.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The consolidated statement of cash flows provides additional information about the System's financial results, by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2003 and 2002 follows (in thousands):

	2003	2002
Cash received from operations	\$ 750,497	\$ 790,683
Cash expended for operations	(1,299,735)	(1,308,872)
Net cash used in operating activities	(549,238)	(518,189)
Net cash provided by noncapital activities	605,198	623,092
Net cash provided by (used in) by capital and related financing activities	(36,411)	3,780
Net cash provided by investing activities	9,574	2,937
Net increase in cash and cash equivalents	29,123	111,620
Cash and cash equivalents, beginning of year	387,986	276,366
Cash and cash equivalents, end of year	\$ 417,109	\$ 387,986

The System's cash and cash equivalents increased \$29.1 million due in part to \$11.2 million of insurance proceeds from a fire at Southwest Minnesota State University coupled with the effect of tuition/fee increases net of operating expense increases for salaries and other items. The System's significant source of cash provided by noncapital financing activities, as defined by GASB Statement No. 34, is the state appropriation used to fund operating activities.

INVESTMENTS

All balances related to tuition revenues and most fees are held in the state treasury. These funds are invested as part of the state's investment pool by the State Board of Investment. Revenue Fund balances are invested separately under contract with the State Board of Investment. Under state statute the System's share of earnings on the state's investment pool is retained by the Office of the Chancellor and allocated to schools as part of the appropriation allocation process. Note 2 of the financial statements provides additional information on cash and investments.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Looking toward the future, the Minnesota State Colleges and Universities System ended the year in a strong financial position and expects to continue its level of excellence, and to sustain the levels of enrollment growth experienced. However, the System's ability to implement new programs to meet the needs of the state's workforce and to meet its ongoing operational needs is greatly dependent on the level of state support.

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MINNESOTA STATE COLLEGES & UNIVERSITIES
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002

	2003	2002
Operating Revenues		
Tuition	\$ 415,483,491	\$ 365,039,939
Less tuition scholarship allowance	(59,934,492)	(51,429,090)
Fees	74,822,504	62,653,815
Less fees scholarship allowance	(10,728,985)	(10,542,183)
Sales and service	50,550,828	45,957,760
Less sales and service scholarship allowance	(9,308,009)	(5,629,658)
Room and board	46,722,264	45,963,278
Less room and board scholarship allowance	(6,815,696)	(5,962,657)
Federal grants	161,351,823	142,865,833
State grants	55,541,599	68,547,131
Other income	26,902,919	24,765,667
Total operating revenues	<u>744,588,246</u>	<u>682,229,835</u>
Operating Expenses		
Salaries and benefits	895,635,110	838,814,949
Purchased services	151,048,644	129,775,370
Supplies	64,236,276	63,876,346
Repairs and maintenance	45,713,607	45,501,361
Depreciation and amortization	66,555,138	66,050,468
Financial aid	172,412,578	153,784,071
Less financial aid scholarship allowance	(86,787,182)	(73,563,588)
Other expense	64,021,615	59,362,091
Total operating expenses	<u>1,372,835,786</u>	<u>1,283,601,068</u>
Operating loss	<u>(628,247,540)</u>	<u>(601,371,233)</u>
Nonoperating Revenues (Expenses)		
State appropriations	592,802,000	602,183,000
Private grants	19,879,483	28,300,473
Securities lending income	245,836	434,515
Interest income	5,987,067	5,624,426
Interest expense	(8,482,677)	(4,792,943)
Grants to other organizations	(7,483,908)	(7,390,577)
Securities lending rebates/fees	(234,828)	(418,514)
Total nonoperating revenue	<u>602,712,973</u>	<u>623,940,380</u>
(Loss) Income Before Other Revenues, Expenses, Gains, or Losses	(25,534,567)	22,569,147
Capital appropriations	86,364,029	74,113,775
Donated capital assets	2,136,924	24,333,299
Insurance proceeds	11,180,564	-
Loss on disposal of capital assets	(860,875)	(911,948)
Increase in net assets	<u>73,286,075</u>	<u>120,104,273</u>
Total Net Assets - Beginning of Year Before Cumulative Effect of Change in Accounting Principles	949,805,965	329,917,177
Cumulative effect of change in accounting principles	-	499,784,515
Total Net Assets - Beginning of Year as Restated	<u>949,805,965</u>	<u>829,701,692</u>
Total Net Assets - End of Year	<u>\$ 1,023,092,040</u>	<u>\$ 949,805,965</u>

MINNESOTA STATE COLLEGES AND UNIVERSITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002

	2003	2002
Cash flows from operating activities		
Cash received from customers	\$ 523,171,134	\$ 573,947,746
Federal and state grants	220,201,569	210,512,516
Cash repayment of program loans	7,124,037	6,222,238
Cash payments of program loans	(7,876,209)	(6,135,879)
Financial aid disbursements	(85,625,396)	(155,571,152)
Cash paid to suppliers for goods or services	(304,581,803)	(334,414,202)
Cash payments to employees	(901,651,189)	(812,750,286)
Net cash flows used in operating activities	<u>(549,237,857)</u>	<u>(518,189,019)</u>
Cash flows from noncapital and related financing activities		
Appropriations	592,802,000	602,183,000
Private grants	19,879,483	28,300,473
Other nonoperating expenses	(7,483,908)	(7,390,577)
Net cash flows provided by noncapital and related financing activities	<u>605,197,575</u>	<u>623,092,896</u>
Cash flows from capital and related financing activities		
Capital appropriation	86,364,029	74,113,775
Proceeds from borrowing	28,995,647	56,342,578
Insurance proceeds	11,214,434	6,400,000
Proceeds from sale of capital assets	78,982	325,000
Bond premium	1,693,716	-
Repayment of bond principal	(6,492,037)	(9,700,029)
Interest paid	(8,482,677)	(4,792,943)
Debt service	(2,982,532)	-
Investment in capital assets	(146,800,651)	(118,908,419)
Net cash flows (used in) provided by capital and related financing activities	<u>(36,411,089)</u>	<u>3,779,962</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	26,811,775	6,562,851
Investment earnings, net	5,731,813	6,239,278
Purchase of investments	(22,969,426)	(9,865,516)
Net cash flows provided by investing activities	<u>9,574,162</u>	<u>2,936,613</u>
Net increase in cash and cash equivalents	29,122,791	111,620,452
Cash and cash equivalents, beginning of fiscal year	387,986,105	276,365,653
Cash and cash equivalents, end of fiscal year	<u>\$ 417,108,896</u>	<u>\$ 387,986,105</u>

The notes are an integral part of the consolidated financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002

Operating loss	\$ (628,247,540)	\$ (601,371,233)
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Adjustment to reconcile operating loss to
net cash flows used in operating activities

Depreciation and amortization	66,555,138	66,050,468
Loan principal repayments	7,124,037	6,222,238
Bad debt expense	2,689,095	2,905,304
Forgiven loans	792,343	536,694
Loans issued	(7,876,209)	(6,135,879)
Change in valuation of assets	17,447,029	-
Change in assets and liabilities		
Accounts receivable	(4,610,158)	(13,088,830)
Grants receivable	1,805,882	(900,448)
Inventory	(249,541)	485,210
Other assets	(242,871)	(885,702)
Accounts payable	2,987,743	6,319,889
Salaries payable	(10,578,266)	23,752,216
Compensated absences payable	4,213,037	2,210,184
Workers compensation liabilities	349,150	102,263
Capital contributions liabilities	(99,278)	(1,787,081)
Funds held in trust	(1,638,072)	495,115
Deferred revenues	644,774	(3,110,241)
Other	(304,150)	10,814
Net reconciling items to be added to operating loss	79,009,683	83,182,214
Net cash flow used in operating activities	<u>\$ (549,237,857)</u>	<u>\$ (518,189,019)</u>

Non-Cash Transactions Investing, Capital, and Financing Activities

Capital assets purchased on account	\$ 10,304,127	\$ -
Buildings acquired by capital lease	3,940,000	-
Buildings capitalized under notes payable	3,118,288	-
Equipment acquired by capital leases	2,812,891	4,494,792
Donated assets	2,136,924	24,333,299
Note receivable related to property sold	-	500,500

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENTS OF FIDUCIARY NET ASSETS HELD FOR PENSION BENEFITS
MINNESOTA STATE COLLEGES AND UNIVERSITIES DEFINED CONTRIBUTION
RETIREMENT FUND
AS OF JUNE 30, 2003 AND JUNE 30, 2002

	2003	2002
Assets		
Cash and cash equivalents	\$ 372,252	\$ 500,952
Investment pools, at fair value		
Cash equivalent investments	31,499,024	23,565,000
Commercial paper	16,274	4,000
U.S. Treasury obligations	3,366,399	4,294,000
Mortgage backed	20,023,966	21,028,000
Corporate obligations	34,791,513	32,938,000
Foreign and other obligations	406,679	228,000
Corporate stocks	415,421,646	383,275,000
Other equity	8,084	19,000
Accrued interest and dividends	792,551	793,441
Security trades net payables	(1,323,300)	(822,000)
Securities lending collateral	10,138,881	9,331,767
Total Assets	<u>515,513,969</u>	<u>475,155,160</u>
Liabilities		
Accounts payable	-	108,995
Securities lending collateral	10,138,881	9,331,767
Total Liabilities	<u>10,138,881</u>	<u>9,440,762</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 505,375,088</u>	<u>\$ 465,714,398</u>

The notes are an integral part of the consolidated financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENTS OF FIDUCIARY CHANGES IN NET ASSETS HELD FOR PENSION BENEFITS
MINNESOTA STATE COLLEGES AND UNIVERSITIES DEFINED CONTRIBUTION
RETIREMENT FUND
FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002

	2003	2002
Additions:		
Contributions		
Employer	\$ 25,348,915	\$ 21,581,883
Member	21,709,220	18,384,676
Contributions from other sources	6,349,904	-
Total Contributions	<u>53,408,039</u>	<u>39,966,559</u>
Net Investment Gain (Loss)	<u>16,171,795</u>	<u>(54,804,304)</u>
Securities Lending Revenues (Expenses)		
Securities lending income	223,543	2,452,936
Borrower rebates	(156,121)	(1,705,328)
Management fees	(16,294)	(181,596)
Net Securities Lending Revenue	<u>51,128</u>	<u>566,012</u>
Total Net Investment Gain (Loss)	<u>16,222,923</u>	<u>(54,238,292)</u>
Other Additions	<u>85,144</u>	<u>2,895,626</u>
Total Additions (Deductions)	<u>69,716,106</u>	<u>(11,376,107)</u>
Deductions:		
Benefits and refunds paid to plan members	24,090,019	24,446,710
Administrative fees	1,783,596	1,740,117
Other deductions	4,181,801	-
Total Deductions	<u>30,055,416</u>	<u>26,186,827</u>
Net Increase (Decrease)	<u>39,660,690</u>	<u>(37,562,934)</u>
Net Assets Held in Trust for Pension Benefits, Beginning of Year	<u>465,714,398</u>	<u>503,277,331</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 505,375,088</u>	<u>\$ 465,714,398</u>

The notes are an integral part of the consolidated financial statements.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2003 and JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — The reporting policies of Minnesota State Colleges and Universities conform to generally accepted accounting principles (GAAP) in the U.S. as prescribed by the Governmental Accounting Standards Board (GASB). The statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows represent the financial activities of each institution and system-wide in total.

Financial Reporting Entity — Minnesota State Colleges and Universities is an agency of the state of Minnesota and receives appropriations from the state legislature, substantially all of which are used to fund general operations. Minnesota State Colleges and Universities' financial statements include 33 member colleges and universities, the Office of the Chancellor and system-wide activity. The operations of most student organizations, including the student senate, are included in the reporting entity because the Board of Trustees has certain fiduciary responsibilities for these resources. Organizations that are not financially accountable to Minnesota State Colleges and Universities, such as individual institution and system-wide foundations, are not included.

Fiduciary funds are omitted from inclusion in the net assets of Minnesota State Colleges and Universities. Separate statements are included for the Minnesota State Colleges and Universities Defined Contribution Retirement Fund.

Joint Ventures and Jointly Governed Organizations — A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility.

Minnesota State Colleges and Universities is a member of the Internet System for Education and Employment Knowledge (ISEEK), which includes the University of Minnesota and five state agencies. ISEEK is comprised of one appointee from each of the ISEEK parties. Minnesota State Colleges and Universities acts as the fiscal agent, but does not have an equity interest in ISEEK. During fiscal years 2003 and 2002, Minnesota State Colleges and Universities contributed \$776,203 and \$1,038,037, respectively, to ISEEK, which was recorded as an expense within the system-wide activity.

Minnesota State Colleges and Universities is the fiscal agent for the Minnesota Library Information Network (MnLINK), which is a statewide virtual library. MnLINK is funded with a state appropriation to the Minnesota Higher Education Services Office. Minnesota State Colleges and Universities provides the administrative staffing for MnLINK. During fiscal years 2003 and 2002, Minnesota State Colleges and Universities incurred expenses of \$398,556 and \$435,374, respectively, for MnLINK, which were reimbursed through interagency agreements.

Minnesota State Colleges and Universities is the fiscal agent for the Northwest Telecommunications Region (NETS). NETS is a higher education consortium established to deliver interactive television in northwest Minnesota.

During fiscal years 2003 and 2002, the NETS consortium received revenues of \$851,928 and \$953,098, respectively, with the primary sources being a Higher Education Services Office grant and membership dues. During fiscal years 2003 and 2002, Minnesota State Colleges and Universities incurred expenses for NETS of \$723,023 and \$1,181,774, respectively.

Minnesota State Colleges and Universities is the fiscal agent for the Project for Automated Library Services (PALS). PALS is a consortium of over 125 libraries and branches. Services are provided on a contractual basis to private college, state agency, public school and special libraries as well as the University of Minnesota and all Minnesota State Colleges and Universities' libraries. During fiscal years 2003 and 2002, PALS received revenues of \$3,380,387 and \$2,887,367, respectively, and incurred expenses of \$1,230,431 and \$3,339,116, respectively.

Minnesota State Colleges and Universities was a participant in a joint powers agreement with Yuwa Town, Akita, Japan for the operation of a higher education program in Akita Province. Minnesota State Colleges and Universities and Yuwa Town each appoint five members of the ten-member board. During fiscal years 2003 and 2002, Akita incurred costs of \$2,057,543 and \$2,430,722, respectively, and Minnesota State Colleges and Universities contributed state appropriations of \$360,000 and \$450,000, respectively. The balance of operating revenues came from the Japanese entity. The Akita campus was closed in March 2003.

Minnesota State Colleges and Universities jointly governs the Fond du Lac Tribal and Community College. The governing boards are the Minnesota State Colleges and Universities Board of Trustees and the Tribal College Board of Directors. The Tribal College reimburses the community college for certain expenses. The financial position and results of operations of the Tribal College are reported in the financial statements of the Fond du Lac Reservation. Revenues and expenses related to operations of the community college are included in the Minnesota State Colleges and Universities financial statements.

Rochester Community and Technical College is participating in a joint project with the city of Rochester, Minnesota for the construction and operation of the Rochester Regional Sports Complex. The complex consists of an 114,000 square foot sports facility with soccer and football fields; and baseball and softball diamonds. The college retains full ownership of the complex and shares the use of the complex with the city based on a joint-use agreement. Under the joint-use agreement, the city maintains the playfields and schedules usage. The city will share in the revenues generated by the sports facility and reimburse the college for a portion of the operating costs of the facility. During fiscal year 2003, the first year of operations, Minnesota State Colleges and Universities incurred net operating expenses of \$295,054, of which \$33,465 was reimbursed by the city. During fiscal year 2003, the city of Rochester approved spending an additional \$547,000 on the playfields.

Basis of Accounting — The basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. The accrual basis is used in preparation of all financial statements, including the fiduciary fund. Revenues are recognized when they are earned and expenses are recognized as they are incurred. Minnesota State Colleges and Universities reports as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis -for Public Colleges and Universities*;

Statement No. 37 *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Disclosures (collectively, GASB Statement No. 35)*.

Effective July 1, 2001, these statements established comprehensive, new financial reporting requirements for governmental colleges and universities. Under the new standards, the statements are prepared on a consolidated, entity-wide basis rather than the fund presentation displayed under the former accounting model. All significant interfund balances have been eliminated upon consolidation.

Minnesota State Colleges and Universities applies all applicable Financial Accounting Standards Board pronouncements issued prior to November 30, 1989, and GASB statements issued since that date.

Budgetary Accounting — Minnesota State Colleges and Universities' budgetary accounting, which is the basis for annual budgets and allocation of the state appropriation, differs from GAAP. Budgetary accounting includes all receipts and expenses up to the close of the books in September 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, and 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 annual allocation of the state appropriation to each of the Minnesota State Colleges and Universities.

Budgetary control is maintained at the campus level. Presidents have the authority and responsibility to administer the budget and can transfer money between programs within each institution without board approval. The budget of the campus can be legally amended by the authority of the Vice Chancellor/Chief Financial Officer.

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

Cash and Cash Equivalents — The cash balance represents cash in the state treasury and in 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 in the Revenue Fund for capital projects and debt service. The Revenue fund is used to account for the revenues, expenses and net assets 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. Each campus has at least one account 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 Minnesota State Colleges and Universities' balances in the treasury, except for the Revenue Fund, as part of a state investment pool. This asset is reported as a cash equivalent. Cash in the Revenue Fund is invested separately. The Revenue Fund contracts with the Minnesota State Board of Investment for investment management services. Investments are reported at fair value using quoted market prices. Restricted investments are investments held in the Revenue Fund for capital projects and debt service.

Inventories — Inventories are valued at cost using the actual cost, first-in-first-out, retail cost, and weighted average cost methods.

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

Prepaid Assets — Prepaid assets consist of deposits in the state of Minnesota Debt Service Fund for future general obligation bond payments and prepaid health insurance premiums.

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

Buildings	30-40 years
Building improvements	20 years
Equipment	3-20 years
Library collections	7 years

Equipment includes all items with an original cost of over \$2,000. Buildings and building improvements over \$100,000, as well as all land and library collection purchases, are capitalized.

Notes Payable — Notes payable consists of state Energy Efficiency Program loans granted by energy companies in order to improve energy efficiency in college and university buildings. All projects (loans) that were completed under Minnesota State Statute 16B.32, the state Retrofit Program and the state/Minnegasco Program are interest-free loans. Projects that are completed under section 16C.14, have interest factored into the loan payments. The interest rate is tied to the prime interest rate at the time of the project.

Funds Held in Trust — Funds held in trust are assets held for student organizations.

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

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, a copy which is available from the financial reporting director at the address listed at the end of the Management Discussion and Analysis section.

Operating Activities — Operating activities as reported in the statement of revenues, expenses and changes in net assets 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 expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, private grants and investment income.

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

Tuition, Fees, Room and Board, Sales and Services — Tuition, fees, room and board and book sales are reported net of scholarship allowances. Sales and services are also net of cost of goods sold of \$48,687,143 and \$45,269,727 for fiscal years 2003 and 2002, respectively.

Federal Grants — Minnesota State Colleges and Universities participates in several federal grant programs sponsored by the USDOE. The largest programs include Pell, TRIO, Carl D. Perkins, Federal Work Study, and Supplemental Educational Opportunity Grant (SEOG).

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.

Reclassifications — Certain prior year amounts have been reclassified to conform to current year's presentation. These reclassifications had no effect on net assets previously reported.

Change in Accounting Principle — Effective July, 2001, Minnesota State Colleges and Universities adopted GASB Statement No. 35. This statement establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net assets subject to externally-imposed stipulations. Net asset restrictions for Minnesota State Colleges and Universities are as follows:
 - Restricted for donations* — restricted per donor requests.
 - Restricted for loans* — capital contribution for Perkins loans.
 - Restricted for capital projects* — restricted for completion of capital projects.
 - Restricted for debt service* — legally restricted debt repayment.
 - Restricted for faculty contract obligations* — amounts for faculty development and travel as required by various faculty contracts.

Restricted for legislatively mandated programs — programs where appropriation laws restrict the use of the funds for various programs.
Restricted for bond covenants — revenue bond restrictions

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

The cumulative effect of adopting GASB Statement No. 35 was \$499,784,515. Minnesota State Colleges and Universities also adopted the National Association of College and University Business Officers (NACUBO) recommendation for changing the classification of refundable capital contributions in the student loan funds from net assets to noncurrent liabilities. NACUBO's recommendation evolved as an emerging issue related to the implementation of GASB Statement No. 35. See note 16 for additional information.

New Accounting Pronouncement — In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement is effective for the Minnesota State Colleges and Universities for the year ending June 30, 2004. This statement requires reporting for an organization that raises and holds economic resources for the direct benefit of a governmental unit as a component unit. The effect GASB Statement No. 39 will have on the fiscal year 2004 basic financial statements has not yet been determined.

In March 2003, the GASB issued Statement No 40, *Deposit and Investment Risk Disclosures*. This statement, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, is effective for Minnesota State Colleges and Universities for the year ending June 30, 2005. Minnesota State Colleges and Universities will be required to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. This statement also requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Minnesota State Colleges and Universities is also required to disclose its deposit and investment policies. Minnesota State Colleges and Universities has not yet determined the full impact of GASB Statement No. 40 on its basic financial statements.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement is effective for the Minnesota State Colleges and Universities for the year ending June 30, 2006. The effect GASB Statement No. 42 will have on the fiscal year 2006 basic financial statements has not yet been determined.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents — All balances related to the appropriation, tuition revenues and most fees are held in the state treasury. In addition, each campus has at least one local bank account. The activities handled through local banks include financial aid, student payroll, auxiliary and student activities.

Minnesota Statute, Section 9.031, 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 in amounts sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amount and the fair value of the collateral at any one date.

Minnesota State Colleges and Universities' cash balances increased significantly at the beginning of the fall and spring semesters. As a result, Minnesota State Colleges and Universities had insufficient collateral for several days in the fiscal year. During 2003 and 2002, the cumulative amounts of \$9,844,736 and \$13,404,952, respectively, were under-collateralized at various times, which represents the highest levels of under-collateralization at any one date.

Cash and cash equivalents are categorized to give an indication of the level of custodial credit risk. Category 1 includes cash and cash equivalents insured or collateralized with securities held by the state or its agent in Minnesota State Colleges and Universities' name. Category 2 includes cash and cash equivalents collateralized with securities held by the pledging financial institution's trust department or agent in Minnesota State Colleges and Universities' name. Category 3 includes uncollateralized cash and cash equivalents. The following tables summarize cash and cash equivalents, including amounts reported as restricted cash as of June 30:

Carrying Amount	Risk Category			2003 Total
	1	2	3	
Cash - in bank	\$ 23,859,138	\$ —	\$ 30,403	\$ 23,889,541
Repurchase agreements	7,457,651	—	—	7,457,651
Money markets	14,550,479	—	7,235	14,557,714
Total local cash and cash equivalents	45,867,268	—	37,638	45,904,906
Cash - treasury accounts	371,203,990	—	—	371,203,990
Total	<u>\$ 417,071,258</u>	<u>\$ —</u>	<u>\$ 37,638</u>	<u>\$ 417,108,896</u>

Carrying Amount	Risk Category			2002 Total
	1	2	3	
Cash - in bank	\$ 19,625,510	\$ —	\$ 450,229	\$ 20,075,739
Repurchase agreements	7,517,170	—	—	7,517,170
Money markets	13,992,678	—	488,132	14,480,810
Total local cash and cash equivalents	41,135,358	—	938,361	42,073,719
Cash - treasury accounts	345,912,386	—	—	345,912,386
Total	<u>\$ 387,047,744</u>	<u>\$ —</u>	<u>\$ 938,361</u>	<u>\$ 387,986,105</u>

Per Minnesota Statute, Section 9.031, during fiscal years 2003 and 2002, the cash in bank and money markets in category 3 should have carried collateral of \$57,941 and \$1,387,243, respectively, to be categorized in risk category 1.

At June 30, 2003 and 2002, the local bank balances were \$50,157,436 and \$47,820,861, respectively. These balances were adjusted by items in transit to arrive at the cash in bank balance.

The balance in the treasury, except for the Revenue Fund, is invested by the Minnesota State Board of Investment as part of the state investment pool. This cash is reported as a cash equivalent. The Revenue Fund contracts with the Minnesota State Board of Investment for investment management services of Revenue Fund cash.

Investments — Minnesota Statute, Section 11A.24, broadly restricts investment of cash in the state treasury to obligations and stocks of U.S. and Canadian governments, their agencies and their registered corporations, short-term obligations of specified high quality, restricted participation in venture capital, real estate or resource equity investments and restricted participation in registered mutual funds. Investments of cash in local bank accounts are limited by the same statute.

Investments are categorized to give an indication of the level of custodial credit risk. Category 1 includes securities insured, registered or held by Minnesota State Colleges and Universities or its agent in Minnesota State Colleges and Universities' name. Risk category 2 investments include uninsured and unregistered securities held by the pledging institution's trust department or agent in Minnesota State Colleges and Universities' name. Investments in risk category 3 include uninsured and unregistered securities held by the pledging institution's trust department or agent, but not in Minnesota State Colleges and Universities' name.

Restricted investments held in the Revenue Fund at June 30, 2003 and 2002, totaled \$5,999,029 and \$9,695,141, respectively. These investments consisted of treasury bills, commercial paper and FNMA securities. The following table summarizes investments, including restricted amounts, at June 30:

Investment Type	Risk Category			2003
	1	2	3	Fair Value
Certificates of deposit	\$ 3,810,717	\$ —	\$ 404,911	\$ 4,215,628
Money market mutual fund	931,438	—	—	931,438
Treasury bills	4,078,796	—	—	4,078,796
GNMA/FNMA	8,265,646	—	—	8,265,646
Bonds	390,593	—	—	390,593
Stocks	558,397	—	—	558,397
Commercial paper	1,844,973	—	—	1,844,973
Other investments	3,193,823	—	—	3,193,823
Total 2003	<u>\$ 23,074,383</u>	<u>\$ —</u>	<u>\$ 404,911</u>	<u>\$ 23,479,294</u>

Investment Type	Risk Category			2002
	1	2	3	Fair Value
Certificates of deposit	\$ 3,811,784	\$ —	\$ 781,677	\$ 4,593,461
Treasury bills	6,280,845	—	—	6,280,845
GNMA	2,851,618	—	—	2,851,618
Bonds	1,025,188	—	—	1,025,188
Mutual funds	616,822	—	—	616,822
Commercial paper	7,902,083	—	—	7,902,083
Other investments	4,051,628	—	—	4,051,628
Total 2002	<u>\$ 26,539,968</u>	<u>\$ —</u>	<u>\$ 781,677</u>	<u>\$ 27,321,645</u>

Per Minnesota Statute, Section 9.031, during fiscal years 2003 and 2002, the certificates of deposit in category 3 should have carried collateral of \$500,403 and \$894,630, respectively, to be categorized in risk category 1.

Securities Lending Transactions — State statutes do not prohibit the state of Minnesota from participating in securities lending transactions. The Minnesota State Board of Investment has, by way of Custodial Trust Agreements, authorized State Street Bank and Trust Company ("State Street") and Wells Fargo Bank, Minnesota, N.A., ("Wells Fargo") to act as agents in lending the state of Minnesota's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal years 2003 and 2002, State Street and Wells Fargo lent, on behalf of the state of Minnesota, certain securities held by State Street and Wells Fargo as custodian and received cash (both U.S. and foreign currency) and securities issued or guaranteed by the U.S. government, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral.

Neither State Street nor Wells Fargo has the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100 percent of the fair value of the loaned securities.

The state of Minnesota did not impose any restrictions during the fiscal year on the amount of the loans that either State Street or Wells Fargo made on its behalf. State Street indemnified the state of Minnesota by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon.

Wells Fargo protects Minnesota by purchasing replacement securities or returning the cash collateral. No borrower failed to return loaned securities or pay distributions thereon during fiscal year 2003 or fiscal year 2002. In addition, there were no losses during fiscal year 2003 or fiscal year 2002 resulting from default of the borrowers, State Street or Wells Fargo.

The state of Minnesota had no credit risk from borrowers on June 30, 2003 and 2002. The following tables provide information related to the securities invested by Wells Fargo and State Street as of June 30, 2003 and 2002, respectively:

Securities Lending Analysis, June 30, 2003		
	Wells Fargo	State Street
Fair value of securities on loan	\$256,857,901	\$3,275,226,066
Collateral held	\$261,730,519	\$3,387,545,849
Average duration	21 days	70 days
Average weighted maturity	9 days	493 days

Security Lending Analysis, June 30, 2002		
	Wells Fargo	State Street
Fair value of securities on loan	\$547,122,619	\$3,268,957,488
Collateral held	\$553,508,488	\$3,357,511,244
Average duration	40 days	66 days
Average weighted maturity	40 days	423 days

During fiscal years 2003 and 2002, the state of Minnesota and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in the separately managed funds of the Minnesota State Board of Investment. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2003 and 2002, the state of Minnesota had no credit risk exposure to borrowers.

3. LOANS RECEIVABLE

Loans receivable balance is made up primarily of loans under the Federal Perkins Loan Program. The federal government provides the funding for the loans with amounts collected used for new loan advances. The Minnesota State Colleges and Universities loans collections unit and the colleges and universities are responsible for loan collections.

As of June 30, 2003 and 2002, the total loans receivable for this program totaled \$35,613,137 and \$35,674,298, respectively, less an allowance for uncollectible loans of \$2,323,259 and \$2,237,185, respectively.

4. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from students. At June 30, 2003 and 2002, the total accounts receivable balances were \$39,671,958 and \$41,785,198, respectively, less an allowance for uncollectible receivables of \$9,686,969 and \$13,844,589, respectively. The following table provides information related to accounts receivable balances at June 30:

	2003	2002
Tuition	\$21,348,724	\$ 22,389,136
Sales and service	5,147,486	5,682,051
Fees	4,256,863	4,988,176
Third party obligations	2,934,562	2,561,876
Other income	3,572,787	3,085,859
Room and board	1,945,406	3,078,100
Insurance proceeds	466,130	—
Total accounts receivable	39,671,958	41,785,198
Allowance for doubtful accounts	(9,686,969)	(13,844,589)
Total net accounts receivable	<u>\$29,984,989</u>	<u>\$ 27,940,609</u>

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

	2003	2002
Over 2 years	100%	80-100%
1-2 years	50%	30-50%
Less than 1 year	2%	2-10%

5. PREPAID ASSETS

Minnesota Statute, Section 16A.641, requires all state agencies to have on hand on December 1 of each fiscal year an amount sufficient to pay all general obligations bond principal and interest due and to become due, through July 1 in the second fiscal year.

Prepaid assets consists primarily of deposits in the state's Debt Service Fund for future general obligations bond payments. For fiscal years 2003 and 2002, Minnesota State Colleges and Universities' deposits were \$14,294,764 and \$11,269,735, respectively.

The remaining \$2,110,688 and \$1,618,863, in prepaid assets for fiscal years 2003 and 2002, respectively, represents a health insurance premium for faculty whose annual compensation is paid over the nine month academic year.

6. CAPITAL ASSETS

Fiscal year 2003 beginning balances have been adjusted to reflect corrections in the valuation of land, construction-in-progress, buildings, equipment and related depreciation for certain colleges and universities.

These adjustments are mainly the result of a stand alone audit of a college and represent an adjustment to the valuation of the assets reflected at the time the college joined the System in 1995. The net effect of the adjustments was recorded as other expense. A summary of the adjustments follows:

Year Ended June 30, 2003

Summary of Adjustments for Capital Assets	Beginning Balance as Previously Reported	Adjustments to Beginning Balance	Adjusted Beginning Balance
Capital assets, not depreciated:			
Land	\$ 50,239,555	\$ 6,111,404	\$ 56,350,959
Construction-in-progress	71,328,895	89,799	71,418,694
Total capital assets, not depreciated	<u>121,568,450</u>	<u>6,201,203</u>	<u>127,769,653</u>
Capital assets, depreciated:			
Buildings and improvements	1,360,864,455	(49,820,735)	1,311,043,720
Equipment	249,365,201	1,658,179	251,023,380
Library collections	42,731,207	—	42,731,207
Total capital assets, depreciated	<u>1,652,960,863</u>	<u>(48,162,556)</u>	<u>1,604,798,307</u>
Less accumulated depreciation:			
Buildings and improvements	717,064,415	(23,881,547)	693,182,868
Equipment	156,629,924	(632,777)	155,997,147
Library collections	23,404,771	—	23,404,771
Total accumulated depreciation	<u>897,099,110</u>	<u>(24,514,324)</u>	<u>872,584,786</u>
Total capital assets depreciated, net	<u>755,861,753</u>	<u>(23,648,232)</u>	<u>732,213,521</u>
Total capital assets, net	<u>\$ 877,430,203</u>	<u>\$ (17,447,029)</u>	<u>\$ 859,983,174</u>

Summaries of the changes in capital assets for fiscal years 2003 and 2002 follow. Equipment includes all items over \$2,000 which is consistent with the enterprise activities that were previously reported in the financial statements. However, it is a change from the threshold level previously reported in the general fixed asset account group.

	Adjusted Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	\$ 56,350,959	\$ 1,712,617	\$ —	\$ —	\$ 58,063,576
Construction-in-progress	71,418,694	98,969,470	—	(88,253,720)	82,134,444
Total capital assets, not depreciated	<u>127,769,653</u>	<u>100,682,087</u>	<u>—</u>	<u>(88,253,720)</u>	<u>140,198,020</u>
Capital assets, depreciated:					
Buildings and improvements	1,311,043,720	18,405,362	—	88,253,720	1,417,702,802
Equipment	251,023,380	23,861,727	15,915,842	—	258,969,265
Library collections	42,731,207	6,801,697	6,655,397	—	42,877,507
Total capital assets, depreciated	<u>1,604,798,307</u>	<u>49,068,786</u>	<u>22,571,239</u>	<u>88,253,720</u>	<u>1,719,549,574</u>
Less accumulated depreciation:					
Buildings and improvements	693,182,868	37,220,700	—	—	730,403,568
Equipment	155,997,147	23,209,077	14,220,437	—	164,985,787
Library collections	23,404,771	6,125,361	6,655,397	—	22,874,735
Total accumulated depreciation	<u>872,584,786</u>	<u>66,555,138</u>	<u>20,875,834</u>	<u>—</u>	<u>918,264,090</u>
Total capital assets depreciated, net	<u>732,213,521</u>	<u>(17,486,352)</u>	<u>1,695,405</u>	<u>88,253,720</u>	<u>801,285,484</u>
Total capital assets, net	<u>\$ 859,983,174</u>	<u>\$ 83,195,735</u>	<u>\$ 1,695,405</u>	<u>\$ —</u>	<u>\$ 941,483,504</u>

Year Ended June 30, 2002 (as previously reported)

For fiscal year 2002, adjusted beginning balances include the cumulative effect of the change in accounting principle, due to adoption of GASB Statement No. 35, for those assets that were previously reported in the general fixed asset account group and previously reported beginning balances for enterprise activity.

	Adjusted Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	\$ 47,920,000	\$ 2,319,555	\$ —	\$ —	\$ 50,239,555
Construction-in-progress	54,437,472	55,034,804	—	(38,143,381)	71,328,895
Total capital assets, not depreciated	<u>102,357,472</u>	<u>57,354,359</u>	<u>—</u>	<u>(38,143,381)</u>	<u>121,568,450</u>
Capital assets, depreciated:					
Buildings and improvements	1,278,907,946	47,354,187	3,541,059	38,143,381	1,360,864,455
Equipment	243,789,411	27,927,091	22,351,301	—	249,365,201
Library collections	43,331,389	6,292,545	6,892,727	—	42,731,207
Total capital assets, depreciated	<u>1,566,028,746</u>	<u>81,573,823</u>	<u>32,785,087</u>	<u>38,143,381</u>	<u>1,652,960,863</u>
Less accumulated depreciation:					
Buildings and improvements	682,847,492	36,643,771	2,426,848	—	717,064,415
Equipment	151,726,861	23,317,554	18,414,491	—	156,629,924
Library collections	24,193,041	6,104,457	6,892,727	—	23,404,771
Total accumulated depreciation	<u>858,767,394</u>	<u>66,065,782</u>	<u>27,734,066</u>	<u>—</u>	<u>897,099,110</u>
Total capital assets depreciated, net	<u>707,261,352</u>	<u>15,508,041</u>	<u>5,051,021</u>	<u>38,143,381</u>	<u>755,861,753</u>
Total capital assets, net	<u>\$ 809,618,824</u>	<u>\$ 72,862,400</u>	<u>\$ 5,051,021</u>	<u>\$ —</u>	<u>\$ 877,430,203</u>

7. LONG-TERM OBLIGATIONS

Summaries of the changes in long-term obligations for fiscal years 2003 and 2002 follow. For fiscal year 2002, adjusted beginning balances include the cumulative effect of change in accounting principle, due to the adoption of GASB Statement No. 35, for those liabilities that were previously reported in the general long-term account group and previously reported beginning balances for enterprise type activity. Amounts that are due within one year are reported in the current liability section of the statement of net assets.

Year Ended June 30, 2003

	Beginning Balance	Increases	Decreases	Ending Balance
Liabilities for:				
General obligation bonds	\$ 104,622,063	\$ 23,638,333	\$ 6,362,037	\$ 121,898,359
Bond premium	—	1,693,716	—	1,693,716
Revenue bonds	37,565,000	—	130,000	37,435,000
Compensated absences	88,895,495	4,213,037	—	93,108,532
Workers' compensation	4,391,990	4,805,407	4,456,257	4,741,140
Capital leases	6,680,060	6,752,891	2,446,930	10,986,021
Capital contributions payable	32,885,783	—	99,278	32,786,505
Notes payable	4,498,011	3,118,288	2,066,935	5,549,364
Total	<u>\$ 279,538,402</u>	<u>\$ 44,221,672</u>	<u>\$ 15,561,437</u>	<u>\$ 308,198,637</u>

Year Ended June 30, 2002

	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Liabilities for:				
General obligation bonds	\$ 80,746,319	\$29,382,000	\$ 5,506,256	\$ 104,622,063
Revenue bonds	1,410,000	36,275,000	120,000	37,565,000
Compensated absences	86,685,311	2,210,184	—	88,895,495
Workers' compensation	4,289,727	4,109,234	4,006,971	4,391,990
Capital leases	4,175,711	4,494,792	1,990,443	6,680,060
Capital contributions payable	34,672,864	—	1,787,081	32,885,783
Notes payable	6,581,341	—	2,083,330	4,498,011
Total	<u>\$ 218,561,273</u>	<u>\$76,471,210</u>	<u>\$ 15,494,081</u>	<u>\$ 279,538,402</u>

General Obligation Bonds Liability — The state of Minnesota sells general obligation bonds to finance most of Minnesota State Colleges and Universities' capital projects. The interest rate on these bonds ranges from 2.5 to 7 percent. 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. This debt obligation is allocated to the colleges and universities based upon the specific projects funded.

Bond Premium — Certain prior year bond issues were refunded in June of 2003. This refunding resulted in a premium of \$1,693,716, which will be amortized over the remaining life of the bonds refunded. Amortization will be calculated using the straight line method.

Revenue Bonds — The Revenue Fund is authorized by Minnesota Statute, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$100,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction and remodeling of buildings for dormitory, residence hall, student union and food service purposes at six of the state universities. In addition, the Mesabi Range/Vermillion Community College has issued revenue bonds through the state of Minnesota Higher Education Facility Authority. In fiscal year 2002, \$36,275,000 of revenue bonds were issued.

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

Workers' Compensation — The state of Minnesota Department of Employee Relations manages the self-insured workers' compensation claims activities. The reported liability for workers' compensation of \$4,741,140 and \$4,391,990 at June 30, 2003 and 2002, respectively, is based on claims filed for injuries to state employees occurring prior to the fiscal year end and is an undiscounted estimate of future payments.

Capital Leases — Liabilities for capital leases include those leases that meet the criteria in FASB Pronouncement No. 13 *Accounting for Leases*. See note 9 for additional information.

Capital Contributions — The liabilities of \$32,786,505 and \$32,885,783 at June 30, 2003 and 2002, respectively, represent the amount Minnesota State Colleges and Universities would owe the federal government if it were to discontinue the Perkins loan program.

Notes Payable — Notes payable consist of State Energy Efficiency Program loans granted by energy companies in order to improve energy efficiency in college and university buildings. All projects that were completed under Minnesota State Statute 16B.32, the state Retrofit Program and the state/Minnegasco Program are interest-free loans. Projects completed under 16C.14, have an interest component. The interest rate is tied to the prime interest rate at the time of the project. Long-term debt repayment schedules are as follows:

Fiscal Years	Notes Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2004	\$ 1,579,108	\$ 190,418	\$ 8,087,863	\$ 7,100,017
2005	962,607	163,449	8,098,019	5,830,057
2006	599,053	145,382	8,108,305	5,407,491
2007	446,960	127,468	8,274,531	4,970,442
2008	329,303	108,112	7,994,242	4,529,390
2009-2013	1,510,815	223,591	37,758,740	16,300,547
2014-2018	67,530	—	28,439,583	7,427,675
2019-2023	53,988	—	15,137,076	1,582,410
Total	<u>\$ 5,549,364</u>	<u>\$ 958,420</u>	<u>\$121,898,359</u>	<u>\$53,148,029</u>

Fiscal Years	Capital Leases		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2004	\$ 2,577,833	\$ 496,675	\$ 1,205,000	\$ 1,986,839
2005	1,540,664	396,736	1,265,000	1,923,108
2006	896,258	329,163	1,330,000	1,854,901
2007	730,984	292,385	1,525,000	1,783,023
2008	667,078	264,629	1,355,000	1,695,808
2009-2013	1,453,492	1,002,606	7,925,000	7,341,075
2014-2018	574,514	750,250	9,860,000	5,010,496
2019-2023	747,054	577,710	12,970,000	1,884,525
2024-2028	971,291	353,473	—	—
2029-2032	826,853	78,402	—	—
Total	<u>\$10,986,021</u>	<u>\$4,542,029</u>	<u>\$37,435,000</u>	<u>\$23,479,775</u>

8. ACCOUNTS PAYABLE

Accounts payable represents amounts due for goods and services received prior to the end of the fiscal year. The following is a summary of accounts payables at June 30, 2003 and 2002, respectively:

	2003	2002
Capital projects	\$14,190,371	\$ 9,695,999
Purchased services	12,615,005	16,023,901
Other payables	5,246,590	6,197,671
Supplies	4,974,559	4,094,020
Repairs and maintenance	3,734,880	3,447,920
Capital expenditures	3,244,420	2,612,776
Employee benefits	1,745,795	3,221,598
Financial aid	3,238,219	—
Inventory	736,431	1,444,642
Total accounts payable	<u>\$49,726,270</u>	<u>\$46,738,527</u>

9. LEASE AGREEMENTS

Operating Leases — Minnesota State Colleges and Universities is committed under various leases primarily for building space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the years ended June 30, 2003 and 2002, totaled \$12,281,797 and \$10,231,354 respectively, and are included in purchased services expense on the statement of revenues, expenses, and changes in net assets. Future minimum operating lease payments for existing lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 11,151,175
2005	5,320,332
2006	3,185,728
2007	2,031,628
2008	807,965
2009-2013	1,792,763
2014-2019	1,300,000
2020-2023	650,000
Total	<u>\$ 26,239,591</u>

Capital Leases — Minnesota State Colleges and Universities have entered into several capital lease agreements. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board Pronouncement No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. Current and noncurrent portions of the capital leases are reported separately.

- In fiscal year 2003, Minnesota State University Moorhead entered into a 30-year lease agreement with its foundation for the John Neumaier Hall Apartments.
- In fiscal year 2002, Minnesota State University, Mankato, signed a 30-year lease with its foundation for the Warren Building. Ownership of the building will be transferred to Minnesota State University, Mankato in fiscal year 2004.
- Winona State University leased a generator with a final payment occurring in fiscal year 2012.
- St. Cloud State University leased a flight simulator and other equipment with all final payments to be made by 2008.
- Several schools entered into leases for campus-wide telephone systems.

10. EMPLOYEE PENSION PLANS

Minnesota State Colleges and Universities participates in five retirement plans: the State Employees' Retirement Fund, administered by the Minnesota State Retirement System; the Teachers' Retirement Fund, administered by the Teachers' Retirement Association; the Public Employees' Retirement Fund, administered by the Public Employees' Retirement Association; the Minneapolis Teachers Retirement Fund administered by the Minneapolis Teachers Retirement Fund Association and the Minnesota State Colleges and Universities' Defined Contribution Retirement Plan.

State Employees Retirement Fund (SERF) —

Pension fund information is provided by the Minnesota State Retirement System (MSRS), who prepares and publishes their own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from MSRS 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 are 1.2 and 1.7 percent. Minnesota State Colleges and Universities, 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 Statute, Chapter 352. The funding requirements are 4 percent for both employer and employee. Actual contributions were 100 percent of required contributions. Required contributions for Minnesota State Colleges and Universities are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 6,272,615
2002	5,726,458
2001	5,327,967

Teachers Retirement Fund (TRF)

Pension fund information is provided by the Minnesota Teachers Retirement Association (TRA); who prepares and publishes their own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000.

The TRF is a cost sharing multiple employer defined benefit plan. Teachers and other related professionals may participate in TRF. 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 basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. Minnesota State Colleges and Universities, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund. Currently, TRF does not have an unfunded actuarial accrued liability.

The statutory authority for TRF is Minnesota Statute, Chapter 354. The funding requirements are 5 percent for both employer and employee. Actual contributions were 100 percent of required contributions. Required contributions for Minnesota State Colleges and Universities are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 10,657,322
2002	10,030,591
2001	10,450,806

Minneapolis Teachers' Retirement Fund (MTRA)

Pension fund information is provided by the Minneapolis Teachers' Retirement Fund Association who prepared and publishes their own annual report. Copies of the report may be obtained directly from the Minneapolis Teachers' Retirement Fund Association, 730 Second Avenue South Suite 815, Minneapolis, Minnesota 55402.

The MTRA is a single-employer defined benefit pension plan. The fund's membership consists of eligible employees of the Minneapolis Special School District No. 1, employees formerly employed by the district and the employees of the Association. 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 are 1.2 and 1.7 percent. Minnesota State Colleges and Universities, an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for MTRA is Minnesota Statute, Chapters 354A and 317A. The funding requirements are 8.14 percent for the employer and 5.5 percent for the employee for the coordinated plan and 12.14 percent for the employer and 8.5 percent for the employee for the basic plan. Actual contributions were 100 percent of required contributions. Required contributions for Minneapolis College are as follows:

<u>Fiscal Year</u>	<u>Employer</u>	<u>Employee</u>
2003	\$ 158,670	\$ 107,794
2002	170,455	115,406
2001	179,753	121,767

Public Employees Retirement Fund (PERF)

Pension fund information is provided by the Public Employees Retirement Association of Minnesota (PERA), who prepares and publishes their own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of the report may be obtained directly from PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103.

PERF is a cost sharing multiple employer defined benefit plan. Former employees of various governmental subdivisions including counties, cities, school districts and related organizations participate in the plan. The annuity formula is the greater of a step rate with a flat reduction for each month of early retirement or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for members is 1.2 and 1.7 percent. Minnesota State Colleges and Universities, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The statutory authority for PERF is Minnesota Statute, Chapter 353. The funding requirements for the period July 1 through December 31, 2001 were 4.75 percent for employees and 5.18 percent for employers. In January 2002, the rates increased to 5.1 percent for employees and 5.53 percent for employers. Actual contributions were 100 percent of required contributions. Required contributions for Minnesota State Colleges and Universities are as follows:

<u>Fiscal year</u>	<u>Employer</u>	<u>Employee</u>
2003	\$ 1,570,449	\$ 1,379,937
2002	1,513,019	1,323,307
2001	1,472,790	1,303,065

Minnesota State Colleges and Universities Defined Contribution Retirement Fund —

General Information — The Minnesota State Colleges and Universities Defined Contribution Retirement Fund includes two plans; an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). 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 MnSCU specific bargaining units. The plans cover unclassified teachers, librarians, administrators and certain other staff who have been employed full-time for a minimum of two academic years. The plans are mandatory for qualified employees and vesting occurs immediately.

The administrative agent of the two plans is Wells Fargo Bank, N.A. Separately issued financial statements can be obtained from Wells Fargo, Institutional Investments Group, Retirement Plan Services, Suite 300, 2700 Snelling Avenue North, Roseville, MN 55113.

I.R.A.P. —

Participation — Each employee who is in unclassified service is required to participate in TRA 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 faculty, the employer and employee statutory contribution rates are 6 and 4.5 percent, respectively. For administrators, the employer rate is 6 percent and the employee rate is 4 percent. The contributions are made under the authority of Minnesota Statute, Chapter 354B. Required contributions for Minnesota State Colleges and Universities are as follows:

<u>Fiscal Year</u>	<u>Employer</u>	<u>Employee</u>
2003	\$14,785,611	\$10,962,890
2002	12,498,172	9,279,052
2001	11,829,931	8,775,986

S.R.P. —

Participation — Each 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.

Contributions — Participants contribute to the SRP portion of the plan 5 percent of the eligible compensation are as follows:

Member Group	Eligible Compensation	Maximum Annual Contributions
Inter Faculty Organization (IFO)	\$ 6,000 to 51,000	\$ 2,250
Minnesota Community College Faculty Association (MCCFA)	6,000 to 50,000	2,200
Minnesota State University Association of Administrative and Service Faculty (MSUAASF)	6,000 to 48,000	2,100
Administrators	6,000 to 46,000	2,000
United Technical College Educators (UTCE)	6,000 to 38,000	1,600
Middle Management Association (MMA) Unclassified	6,000 to 30,000	1,200
Minnesota Association of Professional Employees (MAPE) Unclassified	6,000 to 30,000	1,200
Other Unclassified Members	6,000 to 30,000	1,200

During fiscal year 2003, the MCCFA and UTCE bargaining groups merged under the name Minnesota State College Faculty (MSCF). Eligible compensation and maximum contributions are based on the contracts of the original member groups so for purposes of this note, these amounts are presented under the former member group name.

Minnesota State Colleges and Universities match amounts equal to the contributions made by participants. The contributions are made under the authority of Minnesota Statute, Chapter 354B. Required contributions for Minnesota State Colleges and Universities are as follows:

Fiscal Year	Amount
2003	\$ 10,674,809
2002	9,083,711
2001	8,786,505

11. POSTRETIREMENT BENEFITS

The faculty contracts provided early retirement incentives for faculty meeting specific requirements. The specific circumstances usually pertain to faculty members hired before June 30, 1996, and require the faculty member to have served a specified number of years of service. The faculty member has the right to continue, at the employer's expense, health insurance benefits after separation. Certain faculty have the right to continue health insurance benefits until age 65.

The cost of health insurance benefits for retired employees during fiscal years 2003 and 2002 was \$2,603,352 and \$2,587,188, respectively. The number of retired faculty who received this benefit during fiscal years 2003 and 2002 was 537 and 694, respectively.

12. 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 risks through state of Minnesota insurance plans including the state of Minnesota Risk Management Fund, a self-insurance fund, and through purchased insurance coverage.

Automobile liability coverage is required by the state and is provided by the Risk Management Fund. Some colleges and universities also purchase optional physical damage coverage for their newest or most expensive vehicles.

While property and casualty coverage is required by Minnesota State Colleges and Universities' policy, colleges and universities may select optional coverage such as international accident, international liability, professional liability for employed physicians and student health services professional liability. The Risk Management Fund also provides these types of coverage.

	2003	2002
Institution deductible	\$2,500 to \$250,000	\$1,000 to \$100,000
Fund responsibility	Deductible to 2,500,000	Deductible to 500,000
Primary re-insurer coverage	2,500,001 to 50,000,000	500,001 to 25,000,000
Multiple re-insurers' coverage	50,000,001 to 300,000,000	25,000,001 to 400,000,000
Bodily injury and property damage per person	300,000	300,000
Bodily injury and property damage per occurrence	1,000,000	1,000,000
Annual maximum paid by fund, excess by reinsurer	7,500,000	3,500,000
Maintenance deductible for additional claims	25,000	10,000

Minnesota State Colleges and Universities retains the risk of loss. Minnesota State Colleges and Universities did not have any settlements in excess of coverage in the last three years.

The Risk Management Fund purchases other insurance on the open market for some campuses. These generally include student intern professional liability, dental clinics professional liability, aviation insurance and a variety of bonds.

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. 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 claims liability during the fiscal years ended June 30, 2003 and 2002:

	Beginning Liability	Net Additions and Changes	Payments	Ending Liability
Fiscal Year Ended 6/30/02	\$ 4,289,727	\$ 4,109,234	\$ 4,006,971	\$4,391,990
Fiscal Year Ended 6/30/03	\$ 4,391,990	\$ 4,805,407	\$ 4,456,257	\$4,741,140

13. 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 has three segments that meet the reporting requirements of GASB Statement No. 35.

Minnesota State Colleges and Universities issues revenue bonds to finance university dormitories and student unions. The Minnesota Higher Education Facilities Authority sold bonds to finance Mesabi Range/Vermilion Community College dormitories and modular housing.

Summary financial information for the Revenue Fund as of and for the year ended June 30, 2003 and 2002, respectively, follows:

	Revenue Fund	
	2003	2002
CONDENSED STATEMENTS OF NET ASSETS		
Assets		
Current assets	\$ 38,989,113	\$ 28,689,289
Restricted assets	36,401,456	36,079,283
Capital assets, net	80,631,679	72,643,993
Total assets	<u>156,022,248</u>	<u>137,412,565</u>
Liabilities		
Current liabilities	10,461,789	8,271,178
Noncurrent liabilities	40,629,321	37,636,290
Total liabilities	<u>51,091,110</u>	<u>45,907,468</u>
Net Assets		
Invested in capital assets, net of related debt	73,824,864	70,767,876
Restricted	2,993,274	1,804,282
Unrestricted	28,113,000	18,932,939
Total net assets	<u>\$ 104,931,138</u>	<u>\$ 91,505,097</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	\$ 59,249,615	\$ 54,870,726
Depreciation expenses	(5,695,242)	(5,574,515)
Other operating expenses	<u>(47,946,400)</u>	<u>(50,125,266)</u>
Net operating income	<u>5,607,973</u>	<u>(829,055)</u>
Nonoperating revenues (expenses)		
Interest income	1,356,019	1,093,424
Interest expense	(2,203,728)	(803,840)
Insurance proceeds	8,714,434	2,000,000
Gain on disposal of capital assets	<u>(48,657)</u>	<u>277,322</u>
Total nonoperating revenues	<u>7,818,068</u>	<u>2,566,906</u>
Change in net assets	13,426,041	1,737,851
Net assets, beginning of year	91,505,097	89,767,246
Net assets, end of year	<u>\$ 104,931,138</u>	<u>\$ 91,505,097</u>
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in)		
Operating activities	\$ 12,677,624	\$ 5,256,835
Investing activities	5,010,770	(2,825,501)
Capital and related financing activities	<u>(7,859,081)</u>	<u>33,358,605</u>
Net increase (decrease)	9,829,313	35,789,939
Cash, beginning of year	49,265,535	13,475,596
Cash, end of year	<u>\$ 59,094,848</u>	<u>\$ 49,265,535</u>

Summary financial information for the Mesabi Range/Vermilion Community College as of and for the year ended June 30, 2003 and 2002, respectively, follows:

	Mesabi Range/Vermilion			
	2003		2002	
	Residence Halls	Modular Housing	Residence Halls	Modular Housing
CONDENSED STATEMENTS OF NET ASSETS				
Assets				
Current assets	\$ 40,260	\$ 27,572	\$ 45,278	\$ 38,776
Restricted assets	445,540	146,861	443,719	144,507
Capital assets, net	1,504,194	862,150	1,575,675	890,835
Total assets	<u>1,989,994</u>	<u>1,036,583</u>	<u>2,064,672</u>	<u>1,074,118</u>
Liabilities				
Current liabilities	122,988	111,550	118,145	67,337
Noncurrent liabilities	445,000	575,000	535,000	625,000
Total liabilities	<u>567,988</u>	<u>686,550</u>	<u>653,145</u>	<u>692,337</u>
Net Assets				
Invested in capital assets, net of related debt	969,194	237,150	955,675	220,835
Restricted	445,540	146,861	443,719	144,507
Unrestricted	7,272	(33,978)	12,133	16,439
Total net assets	<u>1,422,006</u>	<u>350,033</u>	<u>1,411,527</u>	<u>381,781</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS				
Operating revenues	378,390	186,424	362,835	168,985
Depreciation expenses	(71,480)	(28,685)	(75,881)	(33,906)
Other operating expenses	(248,927)	(151,815)	(224,633)	(84,065)
Net operating income	<u>57,983</u>	<u>5,924</u>	<u>62,321</u>	<u>51,014</u>
Nonoperating revenues (expenses)				
Interest income	4,471	1,178	9,284	2,753
Interest expense	(51,975)	(38,850)	(59,360)	(41,400)
Total nonoperating expenses	<u>(47,504)</u>	<u>(37,672)</u>	<u>(50,076)</u>	<u>(38,647)</u>
Change in net assets	10,479	(31,748)	12,245	12,367
Net assets, beginning of year	1,411,527	381,781	1,399,282	369,414
Net assets, end of year	<u>1,422,006</u>	<u>350,033</u>	<u>1,411,527</u>	<u>381,781</u>
CONDENSED STATEMENTS OF CASH FLOWS				
Net cash provided by (used in)				
Operating activities	157,923	86,376	(7,762)	6,786
Investing activities	4,471	1,178	—	—
Capital and related financing activities	(140,800)	(85,200)	(80,000)	(40,000)
Net increase (decrease) in cash	21,594	2,354	(87,762)	(33,214)
Cash, beginning of year	443,719	144,507	531,481	177,721
Cash, end of year	<u>\$ 465,313</u>	<u>\$ 146,861</u>	<u>\$ 443,719</u>	<u>\$ 144,507</u>

14. COMMITMENTS

Minnesota State Colleges and Universities is involved in several ongoing projects as follows:

- Alexandria Technical College is constructing a technology building at an estimated program cost of \$9 million to be completed in February of 2004.
- Metropolitan State University is in the process of construction a new library at an estimated program cost of \$17 million. Completion is anticipated in early 2004.

- Minneapolis Community and Technical College is in phase two of a consolidation-remodeling project with Metropolitan State University at an estimated program cost of \$8.6 million. Completion is anticipated in March 2004.
- Minnesota State University Moorhead continued the construction of a new science building adjacent to the existing science building, Hagen Hall during fiscal year 2003. The total estimated cost of the construction project is \$20.6 million which is funded by general obligation bonds that have already been issued. The scheduled date for the new science building to open is in the summer of 2004.
- Minnesota State University Moorhead also has a \$3.5 million HVAC (heating, ventilation, and air-conditioning) project in Comstock Memorial Union funded by revenue bonds, to be completed in the fall of 2003.
- Normandale Community College has begun phase two of their science building construction. The project had an estimated cost of \$9.3 million and is to be completed in early 2004.
- North Hennepin Community College is completing an \$11 million renovation project for the general education building, opening in early 2004.
- Ridgewater College began construction on a \$1.8 million roofing project and is completing work on a \$7.2 million building addition to the Hutchinson campus. Both projects are scheduled to be finished in the fall of 2003.
- In fiscal year 2002, St. Cloud Housing and Redevelopment Authority issued \$16.5 million of revenue bonds for the St. Cloud State University Foundation (the Foundation) project. The project consists of constructing and equipping a new multipurpose stadium, demolishing the existing grandstands and renovating and equipping Selke Field, constructing and equipping an addition to and renovating and equipping Atwood Memorial Center and constructing and equipping a student fitness and recreational facility. The project started in fiscal year 2003, with an estimated completion date of 2005. The Foundation is leasing the property from St. Cloud State University (the University). The University entered into an agreement with the Foundation for the operation and maintenance of the facilities. Beginning in 2004, the University will pay the Foundation, from net revenues and student fees, the principal and interest payments due on the bonds.
- On January 4, 2002, the Food Service East building at Southwest Minnesota State University was destroyed by fire. Property, plant and equipment assets having a net book value of \$218,935, and which were destroyed by the fire, were expensed as of June 30, 2002. Southwest Minnesota State University incurred \$10,389,383 in site clean-up costs resulting from the fire through June 30, 2003. Total cost for clean-up, business interruption, and building and contents replacement are estimated to be \$19,797,725, of which \$17,614,434 has been recovered from the insurer through June 30, 2003. The University anticipates further recoveries for clean-up costs and business interruption in fiscal year 2004.
- Winona State University began construction of a new science facility in June 2002. The expected completion date is fall of 2004 at a program cost of \$30 million.

15. RELATED PARTY TRANSACTIONS

Minnesota State Colleges and Universities' institutions have financial relationships with their foundations that are considered related party transactions. These transactions include funding for scholarship awards and educational programs, donations, capital lease agreements, and reimbursement of administrative expenses incurred by the university or college on behalf of the foundation. A summary of the major cash amounts received by institutions follow:

	2003	2002
Bemidji State University	\$ 877,993	\$ 762,962
Metropolitan State University	1,320,000	308,180
Minnesota State University, Mankato	1,962,624	2,262,969
Minnesota State University Moorhead	522,400	270,884
St. Cloud State University	1,200,000	1,893,000
Southwest Minnesota State University	842,811	727,616
Winona State University	1,000,000	535,148

In fiscal year 2003, Minnesota State University Moorhead entered into a capital lease agreement with its foundation for John Neumaier Hall apartments for \$3,940,000. In fiscal year 2002, Minnesota State University Moorhead entered into capital leases with its foundation for the Hendrix Health Center for \$691,432 and Rush House for \$140,000.

In fiscal year 2002, the Minnesota State University, Mankato Foundation donated the Taylor Center to Minnesota State University, Mankato. The building had a fair market value of \$18,164,000.

16. CHANGE IN ACCOUNTING PRINCIPLE (Fiscal Year 2002)

Change in Accounting Principle — Effective June 30, 2001, Minnesota State Colleges and Universities implemented GASB Statement No. 35. This statement establishes standards for external financial reporting for public colleges and universities. Minnesota State Colleges and Universities is reporting as a business-type activity. Capital assets and long-term obligations, previously reported in general fixed assets and general long-term obligations account groups, are now reported in the statement of net assets. Other adjustments include the effect of the change from modified to full accrual accounting.

The cumulative effective adjustments resulted in the following increases and decreases.

Combined fund balance as previously reported		\$ 329,917,177
Buildings	521,619,358	
Equipment	88,746,431	
Construction in progress	54,437,472	
Land	47,920,000	
Library collections	19,138,348	
Other	(977,010)	
Workers' compensation payable	(4,114,727)	
Capital leases	(4,175,711)	
Energy loans payable	(6,483,319)	
Deferred revenue	(8,995,106)	
Accounts receivable, net	(14,167,203)	
Capital contribution liability for Perkins loans	(33,668,213)	
Bonds payable	(75,240,064)	
Compensated absences payable	(84,255,741)	
Total cumulative effect of change in accounting principle	<u>499,784,515</u>	
Combined fund balance, restated as net assets		<u>\$ 829,701,692</u>

17. SUBSEQUENT EVENTS (Unaudited)

On December 3, 2003, Minnesota State Colleges and Universities closed on a parcel of land adjacent to Minneapolis Community and Technical College from the Billy Graham Evangelistic Association. The property, which consists of four buildings and some surface parking, will be used by Minneapolis Community and Technical College and Metropolitan State University to expand their capacity to jointly offer educational programs in Minneapolis. The purchase price was \$11.2 million, which will be financed by a \$10 million capital bonding appropriation from the Minnesota Legislature in 2003, plus the anticipated cost savings from ending building lease agreements held by the two institutions. The purchase includes 214,000 square feet of office and other space.

The Board of Trustees approved ownership transfer of the parking ramp at Minneapolis Community and Technical College to Metropolitan State University and the Revenue Fund. This transfer is expected to be completed before December 31, 2003.

SUPPLEMENTARY SECTION

Supplementary Information for both System and Individual Institutions

Included in the supplementary section are both system level and individual institution reports.

The system level reports include the statement of net assets and statement of revenues, expenses and changes in net assets presented by fund type. These statements were prepared using full accrual accounting for all institutions, with the exception of the interfund activities which were not eliminated, and the scholarship allowances which were not applied to these statements. An adjustments column has been added to the end of the report to eliminate interfund activities and apply scholarship allowances to enable the reader to compare the supplementary statements to the audited statements. Scholarship allowances are not applied to these statements, therefore these statements do not conform to generally accepted accounting principles, (GAAP).

The reconciliation schedule shows a GAAP to budgetary reconciliation of net assets to fund balance for the General Fund. This reconciliation begins with total assets for all funds from the statement of net assets and reconciles it to the budgetary General Fund balance by eliminating all other fund types and GAAP adjustments. Differences between budgetary and GAAP include the effect of full accrual accounting (revenue recognized when earned and expense when incurred) vs. budgetary basis (revenue and expenses recognized when cash is received or expended). This reconciliation does not conform to GAAP.

This schedule is followed by a GAAP to budgetary reconciliation for each institution's General Fund utilizing the methodology described above. This reconciliation does not conform to GAAP.

The budgetary fund balance includes state grant revenue and budgetary restrictions which are eliminated. The remaining fund balance may be designated by the colleges and universities for board required reserves and specific programs.

Following the GAAP to budgetary reconciliation are the statements of net assets and statement of revenues, expenses and changes in net assets presented for each institution. These statements were also prepared using full accrual accounting for all institutions with the exception of the interfund activities which were not eliminated. An adjustments column has been added to the end of the report to eliminate interfund activities to enable the reader to compare the supplementary statements to the audited statements. These statements do not conform to GAAP.

FUND TYPES

Activities included in the fund types are as follows:

GENERAL FUND

- General operations
- Customized training
- State grants
- Capital projects
- Imprest cash

SPECIAL REVENUE

- Student activities
- Health services
- Intercollegiate activities
- Child care
- Federal grants
- Federal financial aid
- State financial aid
- Private gifts and grants
- Miscellaneous special revenues
- Private scholarships
- Endowments

ENTERPRISE

- Bookstore
- Computer store
- Food service
- Parking

REVENUE

- Residence halls
- Student union

AGENCY

- Custodial accounts
- Temporary accounts

MINNESOTA STATE COLLEGES & UNIVERSITIES
Consolidated Statement of Net Assets by Fund Type (Unaudited)
As of June 30, 2003

	General	Special Revenue	Enterprise
Assets			
Cash and cash equivalents	\$ 302,833,733	\$ 15,187,821	\$ 29,591,695
Investments	-	4,440,065	12,319,789
Interest receivable	184,223	2,075	132,215
Grants receivable	786,846	8,655,734	-
Accounts receivable	19,759,684	2,268,933	4,058,351
Loans receivable	-	-	33,289,878
Notes receivable	442,750	-	-
Prepaid assets	16,405,452	-	-
Inventory	-	7,939	8,133,283
Restricted assets	-	-	-
Other assets	299,691	232,921	697,576
Due from other funds	6,965,391	1,517,718	1,727,679
Advances from other funds	2,652,767	-	61,929
Securities lending collateral	12,074,425	301,414	178,907
Total current, restricted and noncurrent assets	<u>362,404,962</u>	<u>32,614,620</u>	<u>90,191,302</u>
Capital Assets			
Construction in progress	73,824,989	-	-
Equipment	249,141,839	-	6,086,376
Library collections	42,877,507	-	-
Buildings and improvements	1,233,664,980	-	4,331,723
Land	58,063,576	-	-
Less accumulated depreciation	<u>(807,867,039)</u>	<u>-</u>	<u>(3,958,446)</u>
Total capital assets	<u>849,705,852</u>	<u>-</u>	<u>6,459,653</u>
Total Assets	<u>\$ 1,212,110,814</u>	<u>\$ 32,614,620</u>	<u>\$ 96,650,955</u>

Subtotals and totals may not agree due to rounding.

Revenue	Agency	Sub-total	Eliminations & Reclassifications	GAAP Total
\$ 33,500,192	\$ 10,400,799	\$ 391,514,240	\$ -	\$ 391,514,240
-	720,411	17,480,265	-	17,480,265
64,403	-	382,916	-	382,916
-	-	9,442,580	-	9,442,580
1,411,541	2,486,480	29,984,989	-	29,984,989
-	-	33,289,878	-	33,289,878
-	-	442,750	-	442,750
-	-	16,405,452	-	16,405,452
-	-	8,141,222	-	8,141,222
36,401,456	-	36,401,456	-	36,401,456
-	371,847	1,602,035	-	1,602,035
1,939,769	1,424,748	13,575,305	(13,575,305)	-
2,200,000	-	4,914,696	(4,914,696)	-
2,073,209	-	14,627,955	-	14,627,955
<u>77,590,570</u>	<u>15,404,285</u>	<u>578,205,739</u>	<u>(18,490,001)</u>	<u>559,715,738</u>
3,623,136	-	77,448,125	-	77,448,125
3,741,050	-	258,969,265	-	258,969,265
-	-	42,877,507	-	42,877,507
179,706,099	-	1,417,702,802	-	1,417,702,802
-	-	58,063,576	-	58,063,576
(106,438,605)	-	(918,264,090)	-	(918,264,090)
<u>80,631,680</u>	<u>-</u>	<u>936,797,185</u>	<u>-</u>	<u>936,797,185</u>
<u>\$ 158,222,250</u>	<u>\$ 15,404,285</u>	<u>\$ 1,515,002,924</u>	<u>\$ (18,490,001)</u>	<u>\$ 1,496,512,923</u>

MINNESOTA STATE COLLEGES & UNIVERSITIES
Consolidated Statement of Net Assets by Fund Type (Unaudited)
As of June 30, 2003

	General	Special Revenue	Enterprise
Liabilities			
Salaries payable	\$ 70,712,863	\$ 2,241,566	\$ 608,842
Accounts payable	36,927,405	3,483,888	3,270,346
Deferred revenue	10,998,132	3,834,867	414,902
Funds held in trust	-	29,906	21,459
Notes payable	5,549,364	-	-
Capital lease payable	6,566,649	-	518,571
Compensated absences payable	87,489,212	1,715,546	1,240,259
Workers' compensation liabilities	4,741,140	-	-
Revenue bond payable	-	-	1,160,000
General obligation bonds payable	121,898,359	-	-
Bond premium payable	1,693,716	-	-
Capital contributions payable	-	-	32,786,505
Other liabilities	183,519	122,572	256,689
Payable to other funds	5,741,583	1,271,233	2,466,953
Advances to other funds	2,652,767	-	61,929
Securities lending collateral	12,074,426	301,413	178,907
Total Liabilities	<u>367,229,135</u>	<u>13,000,991</u>	<u>42,985,362</u>
Net Assets			
Invested in capital assets, net of related debt	715,691,481	-	4,781,084
Restricted			
Donations	-	9,209,054	-
Loans	-	-	4,176,641
Capital projects	35,538,195	-	-
Debt services	12,601,048	-	-
Faculty contract obligations	4,341,751	-	-
Legislatively mandated purposes	2,408,251	-	-
Bond covenants	-	-	-
Unrestricted	<u>74,300,953</u>	<u>10,404,575</u>	<u>44,707,868</u>
Total Net Assets	<u>\$ 844,881,679</u>	<u>\$ 19,613,629</u>	<u>\$ 53,665,593</u>

Subtotals and totals may not agree due to rounding.

Revenue	Agency	Sub-Total	Eliminations & Reclassifications	GAAP Total
\$ 526,277	\$ 60,337	\$ 74,149,885	\$ -	\$ 74,149,885
2,766,083	3,278,548	49,726,270	-	49,726,270
2,516,655	1,143,564	18,908,120	-	18,908,120
-	7,103,893	7,155,258	-	7,155,258
-	-	5,549,364	-	5,549,364
3,900,801	-	10,986,021	-	10,986,021
1,711,074	952,441	93,108,532	-	93,108,532
-	-	4,741,140	-	4,741,140
36,275,000	-	37,435,000	-	37,435,000
-	-	121,898,359	-	121,898,359
-	-	1,693,716	-	1,693,716
-	-	32,786,505	-	32,786,505
-	91,978	654,758	-	654,758
1,322,012	2,773,524	13,575,305	(13,575,305)	-
2,200,000	-	4,914,696	(4,914,696)	-
2,073,209	-	14,627,955	-	14,627,955
53,291,111	15,404,285	491,910,884	(18,490,001)	473,420,883
73,824,864	-	794,297,429	-	794,297,429
-	-	9,209,054	-	9,209,054
-	-	4,176,641	-	4,176,641
11,707,708	-	47,245,903	-	47,245,903
-	-	12,601,048	-	12,601,048
-	-	4,341,751	-	4,341,751
-	-	2,408,251	-	2,408,251
19,398,567	-	19,398,567	-	19,398,567
-	-	129,413,396	-	129,413,396
<u>\$ 104,931,139</u>	<u>\$ -</u>	<u>\$ 1,023,092,040</u>	<u>\$ -</u>	<u>\$ 1,023,092,040</u>

MINNESOTA STATE COLLEGES & UNIVERSITIES

Consolidated Statement of Revenues, Expenses and Changes in Net Assets by Fund Type (Unaudited)

For the year ended June 30, 2003

	General	Special Revenue
Operating Revenues		
Tuition	\$ 415,483,491	\$ -
Fees	35,773,593	20,430,317
Sales and service	7,364,155	11,407,571
Room and board	-	-
Federal grants	25,311	161,182,490
State grants	13,095,832	42,440,109
Other income	17,942,910	3,457,040
Total operating revenues	489,685,292	238,917,527
Operating Expenses		
Salaries and benefits	816,307,659	47,446,873
Purchased services	101,827,497	16,053,691
Supplies	52,209,614	6,736,504
Repairs and maintenance	34,650,988	3,803,444
Depreciation and amortization	60,009,638	5,165
Financial aid	4,500,548	166,320,798
Other expense	50,955,762	7,349,870
Total operating expenses	1,120,461,706	247,716,345
Operating income (loss)	(630,776,414)	(8,798,818)
Nonoperating Revenues (Expenses)		
State appropriations	592,802,000	-
Private grants	2,405,119	16,797,097
Securities lending income	245,836	-
Interest income	2,919,264	705,304
Interest expense	(6,063,276)	(45,491)
Grants to other organizations	(941,632)	(6,448,705)
Securities lending rebates/fees	(234,828)	-
Total nonoperating revenue (expenses)	591,132,483	11,008,205
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(39,643,931)	2,209,387
Capital appropriations	86,364,029	-
Donated capital assets	2,136,924	-
Transfers in	29,574,177	13,536,052
Transfers out	(31,770,915)	(13,827,279)
Insurance proceeds	1,202,689	-
Gain (loss) on disposal of capital assets	412,117	110,022
Change in net assets	48,275,090	2,028,182
Total Net Assets - Beginning of Year	796,606,589	17,585,447
Total Net Assets - End of Year	\$ 844,881,679	\$ 19,613,629

Subtotals and totals may not agree due to rounding.

Enterprise	Revenue Bond	Sub-total	Eliminations & Reclassifications	GAAP Total
\$ -	\$ -	\$ 415,483,491	\$ (59,934,492)	\$ 355,548,999
9,215,440	9,403,154	74,822,504	(10,728,985)	64,093,519
28,459,108	3,319,994	50,550,828	(9,308,009)	41,242,819
1,754,214	44,968,050	46,722,264	(6,815,696)	39,906,568
144,022	-	161,351,823	-	161,351,823
5,658	-	55,541,599	-	55,541,599
4,024,555	1,478,414	26,902,919	-	26,902,919
43,602,997	59,169,612	831,375,428	(86,787,182)	744,588,246
14,436,918	17,443,660	895,635,110	-	895,635,110
10,640,893	22,526,563	151,048,644	-	151,048,644
2,577,005	2,713,153	64,236,276	-	64,236,276
2,160,769	5,098,406	45,713,607	-	45,713,607
851,805	5,688,530	66,555,138	-	66,555,138
1,591,232	-	172,412,578	(86,787,182)	85,625,396
4,161,215	1,554,768	64,021,615	-	64,021,615
36,419,837	55,025,080	1,459,622,968	(86,787,182)	1,372,835,786
7,183,160	4,144,532	(628,247,540)	-	(628,247,540)
-	-	592,802,000	-	592,802,000
677,267	-	19,879,483	-	19,879,483
-	-	245,836	-	245,836
1,006,480	1,356,019	5,987,067	-	5,987,067
(170,183)	(2,203,727)	(8,482,677)	-	(8,482,677)
(93,571)	-	(7,483,908)	-	(7,483,908)
-	-	(234,828)	-	(234,828)
1,419,993	(847,708)	602,712,973	-	602,712,973
8,603,153	3,296,824	(25,534,567)	-	(25,534,567)
-	-	86,364,029	-	86,364,029
-	-	2,136,924	-	2,136,924
6,176,635	1,579,473	50,866,337	(50,866,337)	-
(5,238,707)	(29,436)	(50,866,337)	50,866,337	-
-	9,977,875	11,180,564	-	11,180,564
15,680	(1,398,694)	(860,875)	-	(860,875)
9,556,761	13,426,042	73,286,075	-	73,286,075
44,108,832	91,505,097	949,805,965	-	949,805,965
\$ 53,665,593	\$ 104,931,139	\$ 1,023,092,040	\$ -	\$ 1,023,092,040

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MINNESOTA STATE COLLEGES AND UNIVERSITIES
Consolidated Reconciliation of Net Assets to Budgetary Fund Balance
General Fund (Unaudited)
As of June 30, 2003

Total Net Assets	\$ 1,023,092,040
Less Restricted Assets	
Invested in capital assets, net	(794,297,429)
Restricted net assets	<u>(99,381,215)</u>
Total unrestricted net assets	<u>129,413,396</u>
Less Non-General Fund Unrestricted Net Assets	
Enterprise fund	(44,707,868)
Special Revenue fund	<u>(10,404,575)</u>
General fund - unrestricted net assets	74,300,953
GAAP Accruals Not Recognized in Budget	
Compensated absences	87,489,212
Other accruals, net	<u>8,296,016</u>
General fund - unrestricted budgetary fund balance	<u>170,086,181</u>
Less Budgetary Designations	
External programs	(3,131,710)
Faculty contract obligations	(4,341,751)
Prior year encumbrances	(10,303,096)
Board required reserve	(45,749,665)
Designated for programs	(72,848,654)
Planned for fiscal year 2004 budget	(18,208,482)
Planned for fiscal year 2005 budget	<u>(12,987,769)</u>
Undesignated Budgetary Fund Balance	<u>\$ 2,515,054</u>

MINNESOTA STATE COLLEGES AND UNIVERSITIES

Reconciliation of Net Assets to Budgetary Fund Balance - General Fund by Institution (Unaudited)

As of June 30, 2003

	Alexandria Technical College	Anoka-Ramsey Community College	Anoka Technical College
Total Net Assets	\$ 12,530,429	\$ 31,458,286	\$ 12,205,590
Less Restricted Assets			
Invested in capital assets, net	(11,154,443)	(21,149,344)	(13,002,880)
Restricted net assets	(364,891)	(1,342,946)	(450,713)
Total unrestricted net assets	<u>1,011,095</u>	<u>8,965,996</u>	<u>(1,248,003)</u>
Less Non-General Fund Unrestricted Net Assets			
Enterprise fund	(25,907)	(1,392,871)	(167,730)
Special Revenue fund	(103,201)	(130,980)	(30,445)
General fund - unrestricted net assets	<u>881,987</u>	<u>7,442,145</u>	<u>(1,446,178)</u>
GAAP Accruals Not Recognized in Budget			
Compensated absences	1,574,777	1,842,757	776,687
Other accruals, net	45,656	(175,787)	1,042,472
General fund - unrestricted budgetary fund balance	<u>2,502,420</u>	<u>9,109,115</u>	<u>372,981</u>
Less Budgetary Designations			
External programs	-	-	-
Faculty contract obligations	(8,727)	(126,237)	(36,275)
Prior year encumbrances	-	(56,763)	(23,848)
Board required reserve	(1,225,000)	(1,106,000)	(312,858)
Designated for programs	(972,080)	(7,412,400)	-
Planned for fiscal year 2004 budget	(214,760)	-	-
Planned for fiscal year 2005 budget	(65,730)	-	-
Undesignated Budgetary Fund Balance	<u>\$ 16,123</u>	<u>\$ 407,715</u>	<u>-</u>

Bemidji State University	Central Lakes College	Century College	Dakota County Technical College	Fergus Falls Community College
\$ 45,102,472	\$ 28,218,928	\$ 16,841,269	\$ 14,576,393	\$ 4,000,199
(33,596,101)	(24,488,454)	(13,977,155)	(9,311,477)	(2,947,776)
(7,782,050)	(740,375)	(264,488)	(287,853)	(136,398)
<u>3,724,321</u>	<u>2,990,099</u>	<u>2,599,626</u>	<u>4,977,063</u>	<u>916,025</u>
(771,286)	(537,097)	(2,370,223)	(761,950)	(601,629)
(444,560)	(40,046)	(79,503)	(460,315)	(14,122)
<u>2,508,475</u>	<u>2,412,956</u>	<u>149,900</u>	<u>3,754,798</u>	<u>300,274</u>
3,866,880	1,745,578	3,396,695	1,272,853	690,494
(223,632)	124,884	(195,905)	(372,791)	241,677
<u>6,151,723</u>	<u>4,283,418</u>	<u>3,350,690</u>	<u>4,654,860</u>	<u>1,232,445</u>
-	(260,167)	-	(28,070)	-
(330,026)	(8,005)	(17,873)	(20,540)	(5,533)
(127,704)	(43,000)	(381,639)	(239,082)	(393)
(800,000)	(1,201,226)	(1,200,000)	(526,378)	(229,375)
(3,387,024)	(1,312,030)	(251,178)	(2,678,008)	(444,036)
(742,235)	(1,233,990)	(1,500,000)	(322,326)	(553,108)
-	(225,000)	-	(840,456)	-
<u>\$ 764,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES

Reconciliation of Net Assets to Budgetary Fund Balance - General Fund by Institution (Unaudited)

As of June 30, 2003

	Fond du Lac Tribal & Community College	Hennepin Technical College	Hibbing Community College
Total Net Assets	\$ 9,458,043	\$ 20,298,190	\$ 27,514,505
Less Restricted Assets			
Invested in capital assets, net	(11,399,032)	(15,037,320)	(18,307,139)
Restricted net assets	(247,965)	(45,660)	(7,329,754)
Total unrestricted net assets	(2,188,954)	5,215,210	1,877,612
Less Non-General Fund Unrestricted Net Assets			
Enterprise fund	(348,915)	(709,036)	(462,853)
Special Revenue fund	165,649	(267,419)	(38,478)
General fund - unrestricted net assets	(2,372,220)	4,238,755	1,376,281
GAAP Accruals Not Recognized in Budget			
Compensated absences	324,710	2,424,969	1,047,226
Other accruals, net	2,527,675	1,020,937	(472,220)
General fund - unrestricted budgetary fund balance	480,165	7,684,661	1,951,287
Less Budgetary Designations			
External programs	-	(25,615)	(11,989)
Faculty contract obligations	-	(6,695)	(14,000)
Prior year encumbrances	-	(582,869)	-
Board required reserve	(405,145)	(1,471,922)	(1,000,298)
Designated for programs	-	(4,447,560)	(925,000)
Planned for fiscal year 2004 budget	(75,020)	(650,000)	-
Planned for fiscal year 2005 budget	-	(500,000)	-
Undesignated Budgetary Fund Balance	-	-	-

Inver Hills Community College	Lake Superior College	Metropolitan State University	Minneapolis Community & Technical College	Minnesota State College - Southeast Technical
\$ 16,924,521	\$ 29,605,969	\$ 38,935,081	\$ 55,810,806	\$ 9,893,520
(12,067,567)	(20,726,762)	(28,139,245)	(45,630,358)	(7,227,703)
(1,222,360)	(412,086)	(3,464,527)	(2,705,591)	(1,488,003)
<u>3,634,594</u>	<u>8,467,121</u>	<u>7,331,309</u>	<u>7,474,857</u>	<u>1,177,814</u>
(1,212,762)	(874,203)	(649,262)	(1,791,214)	(339,921)
(212,843)	(416,932)	(756,130)	(93,028)	(34,687)
<u>2,208,989</u>	<u>7,175,986</u>	<u>5,925,917</u>	<u>5,590,615</u>	<u>803,206</u>
1,682,658	1,575,816	2,106,623	2,656,451	888,900
(347,527)	(241,802)	155,579	(1,413,124)	(46,497)
<u>3,544,120</u>	<u>8,510,000</u>	<u>8,188,119</u>	<u>6,833,942</u>	<u>1,645,609</u>
-	-	-	-	-
(15,746)	(100,000)	(300,000)	(15,000)	(5,500)
(106,261)	(1,450,000)	(175,000)	(375,000)	(359,424)
(460,337)	(1,450,000)	(728,894)	(1,455,000)	(600,000)
(1,233,781)	(3,200,000)	(5,874,926)	(4,988,942)	-
(420,063)	(1,175,000)	(1,109,299)	-	(435,358)
(1,307,932)	(1,135,000)	-	-	(245,327)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES

Reconciliation of Net Assets to Budgetary Fund Balance - General Fund by Institution (Unaudited)

As of June 30, 2003

	Minnesota State University, Mankato	Minnesota State University Moorhead	Minnesota West Community & Technical College
Total Net Assets	\$ 106,567,613	\$ 39,550,214	\$ 4,454,553
Less Restricted Assets			
Invested in capital assets, net	(92,169,413)	(32,528,995)	(3,450,697)
Restricted net assets	(8,510,780)	(7,883,641)	(212,573)
Total unrestricted net assets	<u>5,887,420</u>	<u>(862,422)</u>	<u>791,283</u>
Less Non-General Fund Unrestricted Net Assets			
Enterprise fund	(2,552,880)	(3,210,908)	(426,262)
Special Revenue fund	<u>(1,311,964)</u>	<u>(458,743)</u>	<u>(197,262)</u>
General fund - unrestricted net assets	2,022,576	(4,532,073)	167,759
GAAP Accruals Not Recognized in Budget			
Compensated absences	8,826,642	5,496,074	1,832,383
Other accruals, net	<u>(270,857)</u>	<u>(88,482)</u>	<u>170,787</u>
General fund - unrestricted budgetary fund balance	<u>10,578,361</u>	<u>875,519</u>	<u>2,170,929</u>
Less Budgetary Designations			
External programs	-	-	-
Faculty contract obligations	(907,062)	(478,920)	(10,095)
Prior year encumbrances	(772,667)	-	(1,038)
Board required reserve	(3,821,105)	-	(632,119)
Designated for programs	(3,914,080)	(396,599)	(168,513)
Planned for fiscal year 2004 budget	(1,163,447)	-	(1,130,164)
Planned for fiscal year 2005 budget	<u>-</u>	<u>-</u>	<u>(229,000)</u>
Undesignated Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>

Normandale Community College	North Hennepin Community College	Northland Community & Technical College	Northwest Technical College	Pine Technical College
\$ 30,989,779	\$ 28,827,954	\$ 21,632,189	\$ 23,598,489	\$ 2,860,746
(21,578,453)	(22,040,542)	(18,917,075)	(18,561,039)	(3,874,226)
(1,012,502)	(1,300,493)	(2,159,064)	(681,431)	(66,414)
8,398,824	5,486,919	556,050	4,356,019	(1,079,894)
(3,526,127)	(2,566,536)	(442,504)	(1,015,410)	(39,944)
(292,042)	(435,559)	(117,603)	(81,369)	41,579
4,580,655	2,484,824	(4,057)	3,259,240	(1,078,259)
2,775,243	1,812,218	1,110,348	2,188,502	248,053
(31,403)	1,237,719	(88,353)	(695,558)	989,414
7,324,495	5,534,761	1,017,938	4,752,184	159,208
-	-	-	(248,053)	-
(36,620)	(17,965)	(8,703)	(22,462)	(1,229)
(132,714)	-	(22,095)	(92,545)	-
(1,700,000)	(947,500)	(683,512)	(1,784,475)	(157,979)
(3,756,333)	(1,352,280)	(125,188)	(706,336)	-
(865,857)	(304,000)	(108,000)	(962,789)	-
(832,971)	(2,727,600)	(70,440)	(935,524)	-
-	\$ 185,416	-	-	-

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES

Reconciliation of Net Assets to Budgetary Fund Balance - General Fund by Institution (Unaudited)

As of June 30, 2003

	Ridgewater College	Riverland Community College	Rochester Community & Technical College
Total Net Assets	\$ 21,417,063	\$ 12,960,207	\$ 50,975,750
Less Restricted Assets			
Invested in capital assets, net	(19,333,384)	(8,867,887)	(49,448,551)
Restricted net assets	(371,063)	(1,418,922)	(505,570)
Total unrestricted net assets	<u>1,712,616</u>	<u>2,673,398</u>	<u>1,021,629</u>
Less Non-General Fund Unrestricted Net Assets			
Enterprise fund	(1,097,299)	(682,822)	(3,322,254)
Special Revenue fund	(118,145)	(86,333)	(72,397)
General fund - unrestricted net assets	<u>497,172</u>	<u>1,904,243</u>	<u>(2,373,022)</u>
GAAP Accruals Not Recognized in Budget			
Compensated absences	2,375,460	1,423,460	2,276,294
Other accruals, net	64,328	77,120	4,007,315
General fund - unrestricted budgetary fund balance	<u>2,936,960</u>	<u>3,404,823</u>	<u>3,910,587</u>
Less Budgetary Designations			
External programs	-	-	-
Faculty contract obligations	(14,953)	(8,134)	(9,748)
Prior year encumbrances	(44,041)	-	(321,450)
Board required reserve	(1,730,868)	(1,086,032)	(1,114,485)
Designated for programs	(1,147,098)	(396,235)	(1,999,816)
Planned for fiscal year 2004 budget	-	(1,128,499)	(365,088)
Planned for fiscal year 2005 budget	-	(785,923)	(100,000)
Undesignated Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>

South Central Technical College	Southwest Minnesota State University	St. Cloud State University	St. Cloud Technical College	Saint Paul College	Winona State University
\$ 5,530,775	\$ 33,071,032	\$ 91,161,266	\$ 17,029,602	\$ 23,697,597	\$ 83,943,860
(3,097,147)	(18,706,951)	(76,170,354)	(11,661,533)	(15,023,593)	(69,333,875)
(886,655)	(13,382,246)	(14,343,897)	(700,227)	(4,161,021)	(7,955,996)
<u>1,546,973</u>	<u>981,835</u>	<u>647,015</u>	<u>4,667,842</u>	<u>4,512,983</u>	<u>6,653,989</u>
(469,760)	(651,719)	(2,119,901)	(732,622)	(895,368)	(3,599,384)
(93,308)	(228,945)	(1,527,253)	(183,718)	(92,996)	(1,717,839)
<u>983,905</u>	<u>101,171</u>	<u>(3,000,139)</u>	<u>3,751,502</u>	<u>3,524,619</u>	<u>1,336,766</u>
1,821,780	2,946,996	10,432,464	1,199,578	1,262,351	5,910,779
(157,032)	(96,347)	1,448,592	(85,624)	(825,790)	(85,376)
<u>2,648,653</u>	<u>2,951,820</u>	<u>8,880,917</u>	<u>4,865,456</u>	<u>3,961,180</u>	<u>7,162,169</u>
(63,121)	-	(38,491)	-	-	-
(12,917)	(265,070)	(1,079,097)	(11,905)	(20,681)	(389,504)
(250,000)	(444,507)	(2,377,041)	(216,417)	(480,532)	(253,696)
(1,576,283)	(605,000)	(3,250,000)	(945,190)	(690,375)	(2,000,000)
(616,332)	(1,106,233)	(750,000)	(2,161,944)	(2,351,637)	(4,518,969)
(130,000)	(355,432)	-	(430,000)	(417,955)	-
-	(175,578)	(1,386,288)	(1,100,000)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES

Reconciliation of Net Assets to Budgetary Fund Balance - General Fund by Institution (Unaudited)

As of June 30, 2003

	Northeast Higher Education District		
	Itasca Community College	Mesabi Range / Vermilion Community & Technical College	Rainy River Community College
Total Net Assets	\$ 8,311,655	\$ 9,076,995	\$ 3,114,032
Less Restricted Assets			
Invested in capital assets, net	(7,887,187)	(6,744,782)	(3,109,242)
Restricted net assets	(359,120)	(160,791)	(153,738)
Total unrestricted net assets	65,348	2,171,422	(148,948)
Less Non-General Fund Unrestricted Net Assets			
Enterprise fund	(470,581)	(1,623,181)	(121,346)
Special Revenue fund	(38,078)	(154,146)	20,306
General fund - unrestricted net assets	(443,311)	394,095	(249,988)
GAAP Accruals Not Recognized in Budget			
Compensated absences	679,060	853,288	237,252
Other accruals, net	528,948	1,321,862	104,549
General fund - unrestricted budgetary fund balance	764,697	2,569,245	91,813
Less Budgetary Designations			
External programs	(139,940)	(287,524)	(11,500.95)
Faculty contract obligations	(15,361)	(20,479)	(689)
Prior year encumbrances	(80,306)	(163,811)	(15,749)
Board required reserve	(152,320)	(1,000,408)	-
Designated for programs	(306,770)	(547,023)	(63,874)
Planned for fiscal year 2004 budget	(70,000)	(225,000)	-
Planned for fiscal year 2005 budget	-	(325,000)	-
Undesignated Budgetary Fund Balance	-	-	-

Northeast Higher Education District Total	Office of the Chancellor	System-wide	Total
\$ 20,502,682	\$ 4,709,968	\$ 26,236,498	\$ 1,023,092,040
(17,741,211)	(2,623,057)	(1,006,691)	(794,297,429)
(673,649)	(2,152,057)	(2,717,341)	(99,381,215)
<u>2,087,822</u>	<u>(65,146)</u>	<u>22,512,466</u>	<u>129,413,396</u>
(2,215,108)	-	(2,124,199)	(44,707,868)
(171,918)	-	(301,715)	(10,404,575)
<u>(299,204)</u>	<u>(65,146)</u>	<u>20,086,552</u>	<u>74,300,953</u>
1,769,600	3,865,189	41,727	87,489,212
1,955,359	2,496,421	(3,395,834)	8,296,016
<u>3,425,755</u>	<u>6,296,464</u>	<u>16,732,445</u>	<u>170,086,181</u>
(438,965)	(561,852)	(1,455,387)	(3,131,710)
(36,529)	-	-	(4,341,751)
(259,867)	(602,524)	(110,978)	(10,303,096)
(1,152,728)	-	(7,699,582)	(45,749,665)
(917,666)	(3,215,841)	(6,120,589)	(72,848,654)
(295,000)	(1,916,247)	(204,845)	(18,208,482)
(325,000)	-	-	(12,987,769)
<u>-</u>	<u>-</u>	<u>\$ 1,141,064</u>	<u>\$ 2,515,054</u>

Concluded

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Alexandria Technical College	Anoka-Ramsey Community College	Anoka Technical College
Assets			
Current Assets			
Cash and cash equivalents	\$ 6,028,750	\$ 13,261,790	\$ 608,944
Investments	-	673,215	-
Interest receivable	525	9,759	3,941
Grants receivable	188,250	534,834	190,985
Accounts receivable	270,304	384,206	451,401
Notes receivable	-	-	-
Prepaid assets	187,886	570,515	439,633
Inventory	-	454,841	105,405
Other assets	72,821	83,313	2,373
Due from other funds	-	-	-
Advances from other schools	-	-	-
Securities lending collateral	212,863	519,094	60,130
Total current assets	6,961,399	16,491,567	1,862,812
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	-	-	-
Noncurrent Assets			
Loans receivable	-	461,325	-
Notes receivable	-	-	-
Construction in progress	4,934,778	157,773	84,962
Library collections	235,730	706,787	260,181
Equipment	5,733,287	2,469,053	4,204,066
Buildings and improvements	10,937,789	33,861,454	25,230,977
Land	640,449	1,786,778	1,057,118
Less accumulated depreciation	(9,331,046)	(13,280,832)	(12,393,965)
Total noncurrent assets	13,150,987	26,162,338	18,443,339
Total Assets	\$ 20,112,386	\$ 42,653,905	\$ 20,306,151

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Alexandria Technical College	Anoka-Ramsey Community College	Anoka Technical College
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,416,640	\$ 1,577,151	\$ 916,038
Accounts payable	1,802,887	1,161,800	387,373
Deferred revenue	217,593	593,773	266,806
Funds held in trust	167,764	411,057	103,524
Notes payable	-	2,760	80,990
Capital lease payable	237,812	-	38,908
Compensated absences payable	128,881	137,546	53,926
Workers' compensation payable	17,996	4,231	15,188
Revenue bonds payable	-	-	-
General obligation bonds payable	96,172	322,026	255,175
Other liabilities	-	27,914	200
Payable to other schools	-	-	-
Advances to other schools	-	-	75,000
Securities lending collateral	212,863	519,094	60,130
Total current liabilities	4,298,608	4,757,352	2,253,258
Noncurrent Liabilities			
Notes payable	-	3,449	934,946
Capital lease payable	-	-	62,628
Compensated absences payable	1,570,779	1,762,813	739,712
Workers' compensation payable	50,010	11,759	42,204
Revenue bonds payable	-	-	-
General obligation bonds payable	1,662,560	4,223,435	4,067,813
Bond premium payable	-	-	-
Capital contributions payable	-	436,811	-
Total noncurrent liabilities	3,283,349	6,438,267	5,847,303
Total Liabilities	7,581,957	11,195,619	8,100,561
Net Assets			
Invested in Capital Assets, net of related debt	11,154,443	21,149,344	13,002,880
Restricted			
Donations	40,733	482,769	1,999
Loans	-	54,973	-
Capital project	9,237	55,130	-
Debt service	166,427	489,571	405,977
Faculty contracts obligations	8,727	126,237	36,275
Legislatively mandated programs	139,767	134,266	6,462
Bond covenants	-	-	-
Unrestricted	1,011,095	8,965,996	(1,248,003)
Total Net Assets	\$ 12,530,429	\$ 31,458,286	\$ 12,205,590

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Bemidji State University	Central Lakes College	Century College
Assets			
Current Assets			
Cash and cash equivalents	\$ 19,155,249	\$ 6,379,467	\$ 7,615,415
Investments	550,950	-	-
Interest receivable	8,436	13,469	3,011
Grants receivable	385,554	148,706	386,920
Accounts receivable	673,663	610,781	1,938,913
Notes receivable	-	-	-
Prepaid assets	612,989	725,959	316,278
Inventory	8,000	303,148	700,269
Other assets	82,182	41,016	44,921
Due from other funds	214,565	-	-
Advances from other schools	-	-	-
Securities lending collateral	677,201	258,825	298,329
Total current assets	<u>22,368,789</u>	<u>8,481,371</u>	<u>11,304,056</u>
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Assets			
Loans receivable	4,569,629	59,375	-
Notes receivable	-	-	-
Construction in progress	1,907,222	-	1,921,695
Library collections	2,853,075	157,156	1,164,133
Equipment	9,681,646	9,278,980	5,993,780
Buildings and improvements	75,690,529	43,640,862	30,261,976
Land	1,049,155	1,824,900	1,012,041
Less accumulated depreciation	(52,387,070)	(24,781,661)	(24,219,094)
Total noncurrent assets	<u>43,364,186</u>	<u>30,179,612</u>	<u>16,134,531</u>
Total Assets	<u>\$ 65,732,975</u>	<u>\$ 38,660,983</u>	<u>\$ 27,438,587</u>

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Bemidji State University	Central Lakes College	Century College
Liabilities			
Current Liabilities			
Salaries payable	\$ 3,292,617	\$ 1,548,718	\$ 2,638,012
Accounts payable	1,655,677	867,711	1,286,149
Deferred revenue	853,284	210,919	563,486
Funds held in trust	418,144	5,947	83,680
Notes payable	-	-	155,445
Capital lease payable	-	-	-
Compensated absences payable	307,432	131,234	228,560
Workers' compensation payable	7,520	1,894	18,853
Revenue bonds payable	-	-	-
General obligation bonds payable	351,268	479,358	139,118
Other liabilities	-	1,544	-
Payable to other schools	-	-	-
Advances to other schools	-	-	-
Securities lending collateral	677,201	258,825	298,329
Total current liabilities	<u>7,563,143</u>	<u>3,506,150</u>	<u>5,411,632</u>
Noncurrent Liabilities			
Notes payable	-	-	72,866
Capital lease payable	-	-	-
Compensated absences payable	3,945,023	1,719,681	3,270,483
Workers' compensation payable	20,898	5,265	52,390
Revenue bonds payable	-	-	-
General obligation bonds payable	4,847,188	5,152,425	1,789,947
Bond premium payable	-	-	-
Capital contributions payable	4,254,251	58,534	-
Total noncurrent liabilities	<u>13,067,360</u>	<u>6,935,905</u>	<u>5,185,686</u>
Total Liabilities	<u>20,630,503</u>	<u>10,442,055</u>	<u>10,597,318</u>
Net Assets			
Invested in Capital Assets, net of related debt	33,596,101	24,488,454	13,977,155
Restricted			
Donations	537,034	18,218	34,599
Loans	476,681	8,456	-
Capital project	3,425,933	20,145	-
Debt service	538,826	675,108	212,016
Faculty contracts obligations	330,026	8,005	17,873
Legislatively mandated programs	41,540	10,443	-
Bond covenants	2,432,010	-	-
Unrestricted	<u>3,724,321</u>	<u>2,990,099</u>	<u>2,599,626</u>
Total Net Assets	<u>\$ 45,102,472</u>	<u>\$ 28,218,928</u>	<u>\$ 16,841,269</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Dakota County Technical College	Fergus Falls Community College	Fond du Lac Tribal & Community College
Assets			
Current Assets			
Cash and cash equivalents	\$ 7,595,310	\$ 2,429,266	\$ 382,421
Investments	692,144	-	-
Interest receivable	2,975	1,344	4,585
Grants receivable	114,994	62,651	33,613
Accounts receivable	706,366	195,257	529,995
Notes receivable	-	-	-
Prepaid assets	67,689	119,570	258,471
Inventory	163,051	65,785	38,829
Other assets	35,422	668	22,045
Due from other funds	-	-	-
Advances from other schools	-	-	15,402
Securities lending collateral	303,322	72,985	41,749
Total current assets	<u>9,681,273</u>	<u>2,947,526</u>	<u>1,327,110</u>
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Assets			
Loans receivable	-	234,602	-
Notes receivable	-	-	-
Construction in progress	-	76,142	-
Library collections	548,083	271,786	266,148
Equipment	9,807,324	601,762	874,762
Buildings and improvements	26,408,900	6,545,321	15,569,690
Land	1,064,000	781,634	50,052
Less accumulated depreciation	<u>(28,236,421)</u>	<u>(4,726,185)</u>	<u>(3,444,753)</u>
Total noncurrent assets	<u>9,591,886</u>	<u>3,785,062</u>	<u>13,315,899</u>
Total Assets	<u>\$ 19,273,159</u>	<u>\$ 6,732,588</u>	<u>\$ 14,643,009</u>

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Dakota County Technical College	Fergus Falls Community College	Fond du Lac Tribal & Community College
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,219,104	\$ 557,389	\$ 455,057
Accounts payable	1,096,631	359,703	714,713
Deferred revenue	211,916	146,015	83,476
Funds held in trust	69,828	66,569	95,879
Notes payable	-	12,775	-
Capital lease payable	-	-	-
Compensated absences payable	150,778	65,163	16,702
Workers' compensation payable	28,766	-	3,990
Revenue bonds payable	-	-	-
General obligation bonds payable	25,960	59,321	180,927
Other liabilities	38,859	13,544	70
Payable to other schools	-	-	-
Advances to other schools	-	-	1,529,285
Securities lending collateral	303,322	72,985	41,749
Total current liabilities	<u>3,145,164</u>	<u>1,353,464</u>	<u>3,121,848</u>
Noncurrent Liabilities			
Notes payable	-	101,835	-
Capital lease payable	-	-	-
Compensated absences payable	1,217,217	632,145	316,089
Workers' compensation payable	79,936	-	11,089
Revenue bonds payable	-	-	-
General obligation bonds payable	254,449	428,753	1,735,940
Bond premium payable	-	-	-
Capital contributions payable	-	216,192	-
Total noncurrent liabilities	<u>1,551,602</u>	<u>1,378,925</u>	<u>2,063,118</u>
Total Liabilities	<u>4,696,766</u>	<u>2,732,389</u>	<u>5,184,966</u>
Net Assets			
Invested in Capital Assets, net of related debt	9,311,477	2,947,776	11,399,032
Restricted			
Donations	3,793	20,236	-
Loans	-	34,141	-
Capital project	97,052	-	-
Debt service	35,408	76,488	247,965
Faculty contracts obligations	20,540	5,533	-
Legislatively mandated programs	131,060	-	-
Bond covenants	-	-	-
Unrestricted	<u>4,977,063</u>	<u>916,025</u>	<u>(2,188,954)</u>
Total Net Assets	<u>\$ 14,576,393</u>	<u>\$ 4,000,199</u>	<u>\$ 9,458,043</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Hennepin Technical College	Hibbing Community College	Inver Hills Community College
Assets			
Current Assets			
Cash and cash equivalents	\$ 10,475,450	\$ 10,913,177	\$ 6,810,493
Investments	931,438	-	335,143
Interest receivable	-	8,728	7,138
Grants receivable	459,953	401,724	26,474
Accounts receivable	821,454	182,209	855,333
Notes receivable	-	77,000	-
Prepaid assets	-	538,701	401,118
Inventory	266,522	140,727	260,293
Other assets	2,283	18,220	143,753
Due from other funds	-	-	-
Advances from other schools	-	17,914	-
Securities lending collateral	492,162	161,624	235,728
Total current assets	<u>13,449,262</u>	<u>12,460,024</u>	<u>9,075,473</u>
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Assets			
Loans receivable	-	451,414	27,003
Notes receivable	-	365,750	-
Construction in progress	2,216,711	55,360	15,874
Library collections	460,360	323,389	684,540
Equipment	16,595,429	4,493,775	1,539,130
Buildings and improvements	30,780,799	31,620,343	22,932,079
Land	2,631,063	1,033,109	286,030
Less accumulated depreciation	<u>(37,647,042)</u>	<u>(13,682,971)</u>	<u>(9,974,537)</u>
Total noncurrent assets	<u>15,037,320</u>	<u>24,660,169</u>	<u>15,510,119</u>
Total Assets	<u>\$ 28,486,582</u>	<u>\$ 37,120,193</u>	<u>\$ 24,585,592</u>

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Hennepin Technical College	Hibbing Community College	Inver Hills Community College
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,843,356	\$ 1,086,390	\$ 1,212,819
Accounts payable	2,353,449	273,758	651,199
Deferred revenue	560,001	599,463	343,102
Funds held in trust	-	165,368	-
Notes payable	-	-	-
Capital lease payable	-	-	-
Compensated absences payable	170,617	73,586	126,946
Workers' compensation payable	113,914	29,071	2,214
Revenue bonds payable	-	-	-
General obligation bonds payable	-	319,077	190,107
Other liabilities	-	140,965	3,218
Payable to other schools	-	-	-
Advances to other schools	-	-	-
Securities lending collateral	492,162	161,625	235,728
Total current liabilities	<u>5,533,499</u>	<u>2,849,303</u>	<u>2,765,333</u>
Noncurrent Liabilities			
Notes payable	-	-	-
Capital lease payable	-	-	-
Compensated absences payable	2,338,344	1,019,631	1,628,241
Workers' compensation payable	316,549	80,786	6,154
Revenue bonds payable	-	-	-
General obligation bonds payable	-	5,216,789	3,225,443
Bond premium payable	-	-	-
Capital contributions payable	-	439,179	35,900
Total noncurrent liabilities	<u>2,654,893</u>	<u>6,756,385</u>	<u>4,895,738</u>
Total Liabilities	<u>8,188,392</u>	<u>9,605,688</u>	<u>7,661,071</u>
Net Assets			
Invested in Capital Assets, net of related debt	15,037,320	18,307,139	12,067,567
Restricted			
Donations	38,965	141,936	45,240
Loans	-	83,549	76,926
Capital project	-	6,393,448	762,929
Debt service	-	526,927	319,309
Faculty contracts obligations	6,695	14,000	15,746
Legislatively mandated programs	-	169,894	2,210
Bond covenants	-	-	-
Unrestricted	<u>5,215,210</u>	<u>1,877,612</u>	<u>3,634,594</u>
Total Net Assets	<u>\$ 20,298,190</u>	<u>\$ 27,514,505</u>	<u>\$ 16,924,521</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Lake Superior College	Metropolitan State University	Minneapolis Community & Technical College
Assets			
Current Assets			
Cash and cash equivalents	\$ 11,601,599	\$ 17,829,896	\$ 15,242,543
Investments	-	100,315	-
Interest receivable	5,888	12,648	2,788
Grants receivable	118,583	150,216	617,515
Accounts receivable	672,498	1,053,950	2,212,766
Notes receivable	-	-	-
Prepaid assets	356,683	896,443	458,384
Inventory	180,526	-	603,366
Other assets	34,310	10,073	33,157
Due from other funds	-	-	-
Advances from other schools	823	-	-
Securities lending collateral	470,707	607,300	462,312
Total current assets	13,441,617	20,660,841	19,632,831
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	-	-	-
Noncurrent Assets			
Loans receivable	-	-	-
Notes receivable	-	-	-
Construction in progress	163,175	7,365,758	1,561,912
Library collections	140,412	903,407	1,082,740
Equipment	4,052,501	2,684,384	14,507,035
Buildings and improvements	36,298,736	29,364,075	84,913,877
Land	23,800	2,809,257	9,661,758
Less accumulated depreciation	(17,425,053)	(6,816,035)	(60,890,899)
Total noncurrent assets	23,253,571	36,310,846	50,836,423
Total Assets	\$ 36,695,188	\$ 56,971,687	\$ 70,469,254

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Lake Superior College	Metropolitan State University	Minneapolis Community & Technical College
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,486,185	\$ 1,798,631	\$ 2,472,786
Accounts payable	604,293	4,125,691	2,307,349
Deferred revenue	200,457	1,098,717	918,419
Funds held in trust	63,302	26,167	203,419
Notes payable	-	-	1,330
Capital lease payable	-	-	-
Compensated absences payable	137,504	108,296	226,944
Workers' compensation payable	23,517	17,094	33,331
Revenue bonds payable	-	-	-
General obligation bonds payable	202,576	587,825	270,977
Other liabilities	-	3,146	-
Payable to other schools	-	-	-
Advances to other schools	-	-	-
Securities lending collateral	470,707	607,300	462,312
Total current liabilities	<u>3,188,541</u>	<u>8,372,867</u>	<u>6,896,867</u>
Noncurrent Liabilities			
Notes payable	-	-	-
Capital lease payable	-	-	-
Compensated absences payable	1,511,097	2,032,461	2,735,201
Workers' compensation payable	65,348	47,502	92,622
Revenue bonds payable	-	-	-
General obligation bonds payable	2,324,233	7,583,776	4,933,758
Bond premium payable	-	-	-
Capital contributions payable	-	-	-
Total noncurrent liabilities	<u>3,900,678</u>	<u>9,663,739</u>	<u>7,761,581</u>
Total Liabilities	<u>7,089,219</u>	<u>18,036,606</u>	<u>14,658,448</u>
Net Assets			
Invested in Capital Assets, net of related debt	20,726,762	28,139,245	45,630,358
Restricted			
Donations	22,217	779,671	304,215
Loans	-	-	-
Capital project	-	1,248,347	1,926,762
Debt service	289,869	896,443	458,384
Faculty contracts obligations	100,000	300,000	15,000
Legislatively mandated programs	-	40,066	1,230
Bond covenants	-	200,000	-
Unrestricted	<u>8,467,121</u>	<u>7,331,309</u>	<u>7,474,857</u>
Total Net Assets	<u>\$ 29,605,969</u>	<u>\$ 38,935,081</u>	<u>\$ 55,810,806</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Minnesota State College - Southeast Technical	Minnesota State University, Mankato	Minnesota State University Moorhead
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,376,887	\$ 29,104,138	\$ 15,849,497
Investments	-	2,573,829	2,699,819
Interest receivable	2,708	43,067	39,989
Grants receivable	99,265	1,096,905	231,595
Accounts receivable	193,704	1,800,498	1,247,615
Notes receivable	-	-	-
Prepaid assets	158,722	631,014	577,487
Inventory	79,902	23,254	680,058
Other assets	-	191,617	128,225
Due from other funds	-	242,929	143,839
Advances from other schools	-	-	-
Securities lending collateral	125,403	1,233,475	453,381
Total current assets	5,036,591	36,940,726	22,051,505
Restricted Assets			
Cash	-	15,672,525	2,149,549
Investments	-	3,109,042	627,992
Other assets	-	62,989	12,882
Construction in progress	-	248,628	1,932,962
Total restricted assets	-	19,093,184	4,723,385
Noncurrent Assets			
Loans receivable	-	6,620,712	5,454,737
Notes receivable	-	-	-
Construction in progress	321,437	555,307	4,866,035
Library collections	109,422	8,447,228	2,909,518
Equipment	4,014,644	26,404,835	8,932,763
Buildings and improvements	17,803,140	152,994,334	67,364,025
Land	654,802	910,695	6,759,173
Less accumulated depreciation	(14,237,749)	(91,139,535)	(48,907,607)
Total noncurrent assets	8,665,696	104,793,576	47,378,644
Total Assets	\$ 13,702,287	\$ 160,827,486	\$ 74,153,534

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Minnesota State College - Southeast Technical	Minnesota State University, Mankato	Minnesota State University Moorhead
Liabilities			
Current Liabilities			
Salaries payable	\$ 763,799	\$ 7,565,963	\$ 4,785,740
Accounts payable	380,137	3,643,420	2,439,415
Deferred revenue	127,782	1,551,511	1,361,124
Funds held in trust	2,342	199,181	411,909
Notes payable	29,882	170,881	278,725
Capital lease payable	-	639,791	230,742
Compensated absences payable	43,900	880,324	479,305
Workers' compensation payable	6,431	25,740	42,919
Revenue bonds payable	-	552,222	118,726
General obligation bonds payable	115,501	292,005	282,628
Other liabilities	4,960	47,103	50,624
Payable to other schools	-	-	-
Advances to other schools	-	-	-
Securities lending collateral	125,403	1,233,475	453,381
Total current liabilities	<u>1,600,137</u>	<u>16,801,616</u>	<u>10,935,238</u>
Noncurrent Liabilities			
Notes payable	19,387	47,298	120,313
Capital lease payable	-	-	4,471,881
Compensated absences payable	898,149	8,670,156	5,407,564
Workers' compensation payable	17,871	71,527	119,264
Revenue bonds payable	-	18,368,063	3,744,117
General obligation bonds payable	1,273,223	3,528,189	4,447,907
Bond premium payable	-	-	-
Capital contributions payable	-	6,773,024	5,357,036
Total noncurrent liabilities	<u>2,208,630</u>	<u>37,458,257</u>	<u>23,668,082</u>
Total Liabilities	<u>3,808,767</u>	<u>54,259,873</u>	<u>34,603,320</u>
Net Assets			
Invested in Capital Assets, net of related debt	7,227,703	92,169,413	32,528,995
Restricted			
Donations	3,186	1,246,006	96,862
Loans	-	783,362	603,820
Capital project	1,249,239	1,498,187	4,372,834
Debt service	153,356	423,090	468,316
Faculty contracts obligations	5,500	907,062	478,920
Legislatively mandated programs	76,722	100,181	10,502
Bond covenants	-	3,552,892	1,852,387
Unrestricted	<u>1,177,814</u>	<u>5,887,420</u>	<u>(862,422)</u>
Total Net Assets	<u>\$ 9,893,520</u>	<u>\$ 106,567,613</u>	<u>\$ 39,550,214</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Minnesota West Community & Technical College	Normandale Community College	North Hennepin Community College
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,573,272	\$ 13,612,400	\$ 10,982,594
Investments	-	1,281,701	731,766
Interest receivable	1,072	7,742	12,318
Grants receivable	116,820	235,223	262,474
Accounts receivable	341,043	715,572	685,149
Notes receivable	-	-	-
Prepaid assets	93,707	824,049	946,076
Inventory	247,522	475,262	368,373
Other assets	3,773	227,900	39,832
Due from other funds	-	-	-
Advances from other schools	-	-	-
Securities lending collateral	175,974	461,901	341,086
Total current assets	5,553,183	17,841,750	14,369,668
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	-	-	-
Noncurrent Assets			
Loans receivable	213,702	868,396	1,229,925
Notes receivable	-	-	-
Construction in progress	314,429	4,452,014	8,176,776
Library collections	448,809	1,578,168	633,390
Equipment	6,747,894	3,573,165	2,340,126
Buildings and improvements	25,868,310	35,517,468	31,155,393
Land	275,050	532,424	1,103,969
Less accumulated depreciation	(28,452,875)	(16,768,724)	(12,493,874)
Total noncurrent assets	5,415,319	29,752,911	32,145,705
Total Assets	\$ 10,968,502	\$ 47,594,661	\$ 46,515,373

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Minnesota West Community & Technical College	Normandale Community College	North Hennepin Community College
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,430,623	\$ 2,310,497	\$ 1,417,148
Accounts payable	817,486	1,453,676	2,054,780
Deferred revenue	118,752	1,006,414	633,960
Funds held in trust	71,823	191,257	127,553
Notes payable	141,225	-	26,019
Capital lease payable	-	8,168	-
Compensated absences payable	116,643	153,859	137,663
Workers' compensation payable	10,242	13,078	215,778
Revenue bonds payable	-	-	-
General obligation bonds payable	51,236	435,762	524,477
Other liabilities	5,409	84,480	651
Payable to other schools	-	-	-
Advances to other schools	-	-	-
Securities lending collateral	175,974	461,901	341,086
Total current liabilities	<u>2,939,413</u>	<u>6,119,092</u>	<u>5,479,115</u>
Noncurrent Liabilities			
Notes payable	1,101,923	-	-
Capital lease payable	-	-	-
Compensated absences payable	1,778,910	2,717,187	1,749,458
Workers' compensation payable	28,461	36,340	599,616
Revenue bonds payable	-	-	-
General obligation bonds payable	456,536	6,862,132	8,324,742
Bond premium payable	-	-	-
Capital contributions payable	208,706	870,131	1,534,488
Total noncurrent liabilities	<u>3,574,536</u>	<u>10,485,790</u>	<u>12,208,304</u>
Total Liabilities	<u>6,513,949</u>	<u>16,604,882</u>	<u>17,687,419</u>
Net Assets			
Invested in Capital Assets, net of related debt	3,450,697	21,578,453	22,040,542
Restricted			
Donations	112,494	-	1,635
Loans	23,261	187,687	279,260
Capital project	-	-	-
Debt service	60,066	713,816	850,335
Faculty contracts obligations	10,095	36,620	17,965
Legislatively mandated programs	6,657	74,379	151,298
Bond covenants	-	-	-
Unrestricted	<u>791,283</u>	<u>8,398,824</u>	<u>5,486,919</u>
Total Net Assets	<u>\$ 4,454,553</u>	<u>\$ 30,989,779</u>	<u>\$ 28,827,954</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Northland Community & Technical College	Northwest Technical College	Pine Technical College
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,501,964	\$ 8,891,966	\$ 162,983
Investments	-	271,747	-
Interest receivable	3,854	3,475	782
Grants receivable	43,668	592,514	14,854
Accounts receivable	367,846	1,406,162	456,648
Notes receivable	-	-	-
Prepaid assets	329,351	272,387	51,753
Inventory	57,154	473,350	33,762
Other assets	3,833	500	2,243
Due from other funds	-	-	-
Advances from other schools	-	-	-
Securities lending collateral	81,055	365,150	12,863
Total current assets	<u>5,388,725</u>	<u>12,277,251</u>	<u>735,888</u>
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Assets			
Loans receivable	112,748	-	-
Notes receivable	-	-	-
Construction in progress	4,918,199	300,612	1,445,841
Library collections	332,717	556,255	40,129
Equipment	2,935,442	8,624,168	1,436,106
Buildings and improvements	22,616,514	37,682,660	5,971,202
Land	161,853	507,455	83,087
Less accumulated depreciation	<u>(8,924,794)</u>	<u>(26,845,329)</u>	<u>(4,585,935)</u>
Total noncurrent assets	<u>22,152,679</u>	<u>20,825,821</u>	<u>4,390,430</u>
Total Assets	<u>\$ 27,541,404</u>	<u>\$ 33,103,072</u>	<u>\$ 5,126,318</u>

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Northland Community & Technical College	Northwest Technical College	Pine Technical College
Liabilities			
Current Liabilities			
Salaries payable	\$ 806,581	\$ 2,143,379	\$ 331,821
Accounts payable	555,443	1,917,988	381,199
Deferred revenue	33,747	467,739	40,284
Funds held in trust	35,208	-	21,500
Notes payable	-	70,162	-
Capital lease payable	-	-	-
Compensated absences payable	80,096	175,335	24,838
Workers' compensation payable	3,230	2,529	6,008
Revenue bonds payable	-	-	-
General obligation bonds payable	186,903	150,386	28,474
Other liabilities	285	-	476
Payable to other schools	-	-	-
Advances to other schools	-	-	568,437
Securities lending collateral	81,055	365,150	12,863
Total current liabilities	1,782,548	5,292,668	1,415,900
Noncurrent Liabilities			
Notes payable	-	506,170	-
Capital lease payable	-	-	-
Compensated absences payable	1,049,470	2,160,654	345,248
Workers' compensation payable	8,976	7,027	16,694
Revenue bonds payable	-	-	-
General obligation bonds payable	2,935,953	1,538,064	487,730
Bond premium payable	-	-	-
Capital contributions payable	132,268	-	-
Total noncurrent liabilities	4,126,667	4,211,915	849,672
Total Liabilities	5,909,215	9,504,583	2,265,572
Net Assets			
Invested in Capital Assets, net of related debt	18,917,075	18,561,039	3,874,226
Restricted			
Donations	-	298,577	13,628
Loans	22,579	-	-
Capital project	1,828,590	-	-
Debt service	299,170	207,106	47,970
Faculty contracts obligations	8,703	22,462	1,229
Legislatively mandated programs	22	153,286	3,587
Bond covenants	-	-	-
Unrestricted	556,050	4,356,019	(1,079,894)
Total Net Assets	\$ 21,632,189	\$ 23,598,489	\$ 2,860,746

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Ridgewater College	Riverland Community College	Rochester Community & Technical College
Assets			
Current Assets			
Cash and cash equivalents	\$ 6,390,489	\$ 6,723,208	\$ 4,868,358
Investments	-	51,500	807,724
Interest receivable	5,298	3,650	17,587
Grants receivable	404,916	89,921	144,668
Accounts receivable	404,749	474,996	1,159,127
Notes receivable	-	-	-
Prepaid assets	369,509	217,436	379,889
Inventory	355,338	292,216	125,023
Other assets	4,036	21,909	69,911
Due from other funds	-	-	-
Advances from other schools	-	-	61,929
Securities lending collateral	236,670	225,887	273,751
Total current assets	8,171,005	8,100,723	7,907,967
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	-	-	-
Noncurrent Assets			
Loans receivable	92,676	205,435	1,368,411
Notes receivable	-	-	-
Construction in progress	7,240,524	86,850	3,778,398
Library collections	691,540	559,125	1,071,567
Equipment	7,531,816	4,034,164	8,437,745
Buildings and improvements	31,055,821	25,180,331	70,732,276
Land	747,602	481,933	2,814,302
Less accumulated depreciation	(24,948,638)	(19,435,418)	(34,321,926)
Total noncurrent assets	22,411,341	11,112,420	53,880,773
Total Assets	\$ 30,582,346	\$ 19,213,143	\$ 61,788,740

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Ridgewater College	Riverland Community College	Rochester Community & Technical College
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,931,627	\$ 1,385,634	\$ 1,942,717
Accounts payable	681,636	525,432	1,121,985
Deferred revenue	443,655	201,154	349,472
Funds held in trust	211,195	54,966	149,965
Notes payable	-	20,508	-
Capital lease payable	-	103,682	-
Compensated absences payable	223,157	104,550	169,212
Workers' compensation payable	27,806	37,172	13,495
Revenue bonds payable	-	-	-
General obligation bonds payable	204,207	147,792	206,739
Other liabilities	-	4,702	-
Payable to other schools	-	-	-
Advances to other schools	-	-	247,976
Securities lending collateral	236,670	225,887	273,751
Total current liabilities	3,959,953	2,811,479	4,475,312
Noncurrent Liabilities			
Notes payable	-	237,470	-
Capital lease payable	-	-	-
Compensated absences payable	2,249,114	1,375,315	2,179,564
Workers' compensation payable	77,267	103,296	37,501
Revenue bonds payable	-	-	-
General obligation bonds payable	2,781,074	1,529,646	2,857,072
Bond premium payable	-	-	-
Capital contributions payable	97,875	195,730	1,263,541
Total noncurrent liabilities	5,205,330	3,441,457	6,337,678
Total Liabilities	9,165,283	6,252,936	10,812,990
Net Assets			
Invested in Capital Assets, net of related debt	19,333,384	8,867,887	49,448,551
Restricted			
Donations	-	20,205	2,403
Loans	13,880	25,096	149,558
Capital project	-	1,079,686	-
Debt service	314,898	205,229	313,865
Faculty contracts obligations	14,953	8,134	9,748
Legislatively mandated programs	27,332	80,572	29,996
Bond covenants	-	-	-
Unrestricted	1,712,616	2,673,398	1,021,629
Total Net Assets	\$ 21,417,063	\$ 12,960,207	\$ 50,975,750

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	South Central Technical College	Southwest Minnesota State University	St. Cloud State University
Assets			
Current Assets			
Cash and cash equivalents	\$ 5,956,787	\$ 19,765,522	\$ 36,842,142
Investments	-	-	1,948,440
Interest receivable	-	2,961	63,858
Grants receivable	142,448	96,450	482,361
Accounts receivable	409,303	787,377	3,019,206
Notes receivable	-	-	-
Prepaid assets	32,731	234,074	1,379,386
Inventory	176,560	-	49,350
Other assets	10,500	70,454	10,677
Due from other funds	-	332,939	402,068
Advances from other schools	-	-	-
Securities lending collateral	228,149	916,436	1,346,878
Total current assets	6,956,478	22,206,213	45,544,366
Restricted Assets			
Cash	-	2,823,622	1,634,730
Investments	-	546,699	1,047,354
Other assets	-	10,896	21,597
Construction in progress	-	-	2,504,729
Total restricted assets	-	3,381,217	5,208,410
Noncurrent Assets			
Loans receivable	-	1,045,246	7,057,702
Notes receivable	-	-	-
Construction in progress	-	1,266,502	2,871,675
Library collections	278,812	1,775,991	6,712,942
Equipment	6,339,991	6,632,275	20,157,195
Buildings and improvements	29,877,705	50,678,381	128,440,505
Land	235,582	202,737	11,738,836
Less accumulated depreciation	(33,474,107)	(39,668,513)	(78,963,333)
Total noncurrent assets	3,257,983	21,932,619	98,015,522
Total Assets	\$ 10,214,461	\$ 47,520,049	\$ 148,768,298

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	South Central Technical College	Southwest Minnesota State University	St. Cloud State University
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,528,972	\$ 2,111,649	\$ 9,359,840
Accounts payable	558,287	919,845	4,824,353
Deferred revenue	212,427	718,231	2,903,781
Funds held in trust	-	45,368	1,620,939
Notes payable	88,585	-	305,603
Capital lease payable	-	310,818	295,341
Compensated absences payable	142,377	177,341	663,774
Workers' compensation payable	23,281	11,299	109,315
Revenue bonds payable	-	86,078	201,493
General obligation bonds payable	778	125,319	682,208
Other liabilities	829	49,583	75,883
Payable to other schools	-	-	-
Advances to other schools	-	-	-
Securities lending collateral	228,149	916,436	1,346,878
Total current liabilities	2,783,685	5,471,967	22,389,408
Noncurrent Liabilities			
Notes payable	56,738	-	665,060
Capital lease payable	-	532,725	885,133
Compensated absences payable	1,763,834	2,965,009	10,553,965
Workers' compensation payable	64,695	31,398	303,771
Revenue bonds payable	-	3,202,688	6,274,528
General obligation bonds payable	14,734	1,211,560	9,936,106
Bond premium payable	-	-	-
Capital contributions payable	-	1,033,670	6,599,061
Total noncurrent liabilities	1,900,001	8,977,050	35,217,624
Total Liabilities	4,683,686	14,449,017	57,607,032
Net Assets			
Invested in Capital Assets, net of related debt	3,097,147	18,706,951	76,170,354
Restricted			
Donations	2,466	-	478,907
Loans	-	117,181	782,351
Capital project	365,873	11,073,968	4,815,720
Debt service	-	170,590	1,100,958
Faculty contracts obligations	12,917	265,070	1,079,097
Legislatively mandated programs	505,399	184,287	195,430
Bond covenants	-	1,571,150	5,891,434
Unrestricted	1,546,973	981,835	647,015
Total Net Assets	\$ 5,530,775	\$ 33,071,032	\$ 91,161,266

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	St. Cloud Technical College	Saint Paul College	Winona State University
Assets			
Current Assets			
Cash and cash equivalents	\$ 8,064,455	\$ 7,908,693	\$ 25,234,922
Investments	-	-	3,736,270
Interest receivable	2,190	4,600	15,271
Grants receivable	209,035	553,763	344,823
Accounts receivable	299,546	1,897,745	1,572,715
Notes receivable	-	-	-
Prepaid assets	265,154	394,132	1,342,267
Inventory	165,087	191,363	815,673
Other assets	7,609	17,715	1,169
Due from other funds	-	-	295,874
Advances from other schools	-	1,316,062	-
Securities lending collateral	296,191	235,045	959,812
Total current assets	<u>9,309,267</u>	<u>12,519,118</u>	<u>34,318,796</u>
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Assets			
Loans receivable	-	-	2,228,362
Notes receivable	-	-	-
Construction in progress	196,295	30,234	14,902,736
Library collections	423,123	607,834	4,755,685
Equipment	5,133,958	4,841,390	16,061,885
Buildings and improvements	22,038,488	28,531,141	90,685,465
Land	988,637	668,252	3,220,516
Less accumulated depreciation	<u>(14,286,175)</u>	<u>(16,404,283)</u>	<u>(46,177,116)</u>
Total noncurrent assets	<u>14,494,326</u>	<u>18,274,568</u>	<u>85,677,533</u>
Total Assets	<u>\$ 23,803,593</u>	<u>\$ 30,793,686</u>	<u>\$ 119,996,329</u>

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	St. Cloud Technical College	Saint Paul College	Winona State University
Liabilities			
Current Liabilities			
Salaries payable	\$ 1,285,443	\$ 1,022,417	\$ 5,088,271
Accounts payable	454,771	680,708	3,397,863
Deferred revenue	416,147	422,201	603,707
Funds held in trust	139,033	-	627,976
Notes payable	50,216	20,821	123,181
Capital lease payable	3,298	46,766	184,888
Compensated absences payable	103,772	74,890	618,576
Workers' compensation payable	16,279	30,600	78,457
Revenue bonds payable	-	-	-
General obligation bonds payable	145,934	167,489	747,530
Other liabilities	5,042	-	-
Payable to other schools	-	-	-
Advances to other schools	-	-	2,200,000
Securities lending collateral	296,191	235,045	959,812
Total current liabilities	2,916,126	2,700,937	14,630,261
Noncurrent Liabilities			
Notes payable	23,858	46,986	31,957
Capital lease payable	825	99,907	1,867,011
Compensated absences payable	1,179,283	1,294,218	5,786,161
Workers' compensation payable	45,237	85,034	218,018
Revenue bonds payable	-	-	-
General obligation bonds payable	2,608,662	2,869,007	11,160,729
Bond premium payable	-	-	-
Capital contributions payable	-	-	2,358,332
Total noncurrent liabilities	3,857,865	4,395,152	21,422,208
Total Liabilities	6,773,991	7,096,089	36,052,469
Net Assets			
Invested in Capital Assets, net of related debt	11,661,533	15,023,593	69,333,875
Restricted			
Donations	56,121	114,756	2,460,755
Loans	-	-	279,846
Capital project	346,016	3,740,924	1,853,247
Debt service	243,638	282,176	1,208,601
Faculty contracts obligations	11,905	20,681	389,504
Legislatively mandated programs	42,547	2,484	17,417
Bond covenants	-	-	1,746,626
Unrestricted	4,667,842	4,512,983	6,653,989
Total Net Assets	\$ 17,029,602	\$ 23,697,597	\$ 83,943,860

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Northeast Higher Education District		
	Mesabi Range / Vermilion		
	Itasca Community College	Community & Technical College	Rainy River Community College
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,819,681	\$ 5,161,339	\$ 594,676
Investments	-	14,653	79,612
Interest receivable	729	1,563	549
Grants receivable	146,019	156,007	85,210
Accounts receivable	247,112	521,506	136,206
Notes receivable	-	-	-
Prepaid assets	105,964	87,338	41,378
Inventory	64,222	156,321	20,671
Other assets	19,556	83,151	58,439
Due from other funds	-	-	-
Advances from other schools	16,798	33,759	15,302
Securities lending collateral	58,272	169,982	18,293
Total current assets	2,478,353	6,385,619	1,050,336
Restricted Assets			
Cash	-	-	-
Investments	-	-	-
Other assets	-	-	-
Construction in progress	-	-	-
Total restricted assets	-	-	-
Noncurrent Assets			
Loans receivable	732,011	185,637	70,830
Notes receivable	-	-	-
Construction in progress	838,939	423,960	-
Library collections	207,784	549,177	130,364
Equipment	1,482,354	4,210,706	548,390
Buildings and improvements	13,676,190	18,853,462	6,922,584
Land	-	174,152	91,375
Less accumulated depreciation	(7,235,122)	(15,920,201)	(4,384,199)
Total noncurrent assets	9,702,156	8,476,893	3,379,344
Total Assets	\$ 12,180,509	\$ 14,862,512	\$ 4,429,680

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Northeast Higher Education District		
	Mesabi Range / Vermilion		
	Itasca Community College	Community & Technical College	Rainy River Community College
Liabilities			
Current Liabilities			
Salaries payable	\$ 680,019	\$ 1,100,884	\$ 357,541
Accounts payable	544,145	323,272	68,041
Deferred revenue	6,390	272,334	40,508
Funds held in trust	72,650	203,042	87,553
Notes payable	-	-	-
Capital lease payable	686	14,490	-
Compensated absences payable	48,621	52,275	17,761
Workers' compensation payable	5,063	245,572	755
Revenue bonds payable	-	140,000	-
General obligation bonds payable	56,483	31,906	24,219
Other liabilities	46,910	48,322	29
Payable to other schools	-	-	-
Advances to other schools	-	70,000	224,000
Securities lending collateral	58,272	169,982	18,293
Total current liabilities	<u>1,519,239</u>	<u>2,672,079</u>	<u>838,700</u>
Noncurrent Liabilities			
Notes payable	-	-	-
Capital lease payable	-	-	-
Compensated absences payable	677,072	852,429	229,225
Workers' compensation payable	14,069	682,409	2,099
Revenue bonds payable	-	1,020,000	-
General obligation bonds payable	1,025,790	340,078	175,053
Bond premium payable	-	-	-
Capital contributions payable	632,684	218,522	70,571
Total noncurrent liabilities	<u>2,349,615</u>	<u>3,113,438</u>	<u>476,948</u>
Total Liabilities	<u>3,868,854</u>	<u>5,785,517</u>	<u>1,315,648</u>
Net Assets			
Invested in Capital Assets, net of related debt	7,887,187	6,744,782	3,109,242
Restricted			
Donations	102,658	12,383	12,572
Loans	126,719	32,788	14,527
Capital project	-	-	94,721
Debt service	94,572	45,736	31,229
Faculty contracts obligations	15,361	20,479	689
Legislatively mandated programs	19,810	49,405	-
Bond covenants	-	-	-
Unrestricted	<u>65,348</u>	<u>2,171,422</u>	<u>(148,948)</u>
Total Net Assets	<u>\$ 8,311,655</u>	<u>\$ 9,076,995</u>	<u>\$ 3,114,032</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Northeast Higher Education District Total	Office of the Chancellor	System Office
Assets			
Current Assets			
Cash and cash equivalents	\$ 7,575,696	\$ 7,837,475	\$ 25,961,015
Investments	94,265	-	-
Interest receivable	2,841	-	64,417
Grants receivable	387,236	-	72,670
Accounts receivable	904,824	30,674	251,393
Notes receivable	-	-	-
Prepaid assets	234,680	-	1,721,329
Inventory	241,214	-	-
Other assets	161,146	-	2,429
Due from other funds	-	-	-
Advances from other schools	65,859	-	3,436,707
Securities lending collateral	246,547	-	1,537,969
Total current assets	9,914,308	7,868,149	33,047,929
Restricted Assets			
Cash	-	-	3,314,229
Investments	-	-	667,940
Other assets	-	-	13,089
Construction in progress	-	-	-
Total restricted assets	-	-	3,995,258
Noncurrent Assets			
Loans receivable	988,478	-	-
Notes receivable	-	-	-
Construction in progress	1,262,899	-	-
Library collections	887,325	-	-
Equipment	6,241,450	14,078,508	1,952,831
Buildings and improvements	39,452,236	-	-
Land	265,527	-	-
Less accumulated depreciation	(27,539,522)	(10,504,931)	(946,140)
Total noncurrent assets	21,558,393	3,573,577	1,006,691
Total Assets	\$ 31,472,701	\$ 11,441,726	\$ 38,049,878

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Northeast Higher Education District Total	Office of the Chancellor	System Office
Liabilities			
Current Liabilities			
Salaries payable	\$ 2,138,444	\$ 905,574	\$ 372,853
Accounts payable	935,458	965,045	1,368,959
Deferred revenue	319,232	-	109,373
Funds held in trust	363,245	-	1,001,151
Notes payable	-	-	-
Capital lease payable	15,176	462,443	-
Compensated absences payable	118,657	246,222	60,417
Workers' compensation payable	251,390	12,022	-
Revenue bonds payable	140,000	-	106,481
General obligation bonds payable	112,608	-	-
Other liabilities	95,261	-	-
Payable to other schools	-	-	1,632,214
Advances to other schools	294,000	-	-
Securities lending collateral	246,547	-	1,537,969
Total current liabilities	<u>5,030,018</u>	<u>2,591,306</u>	<u>6,189,417</u>
Noncurrent Liabilities			
Notes payable	-	-	-
Capital lease payable	-	488,077	-
Compensated absences payable	1,758,726	3,618,967	309,643
Workers' compensation payable	698,577	33,408	-
Revenue bonds payable	1,020,000	-	3,620,604
General obligation bonds payable	1,540,921	-	-
Bond premium payable	-	-	1,693,716
Capital contributions payable	921,777	-	-
Total noncurrent liabilities	<u>5,940,001</u>	<u>4,140,452</u>	<u>5,623,963</u>
Total Liabilities	<u>10,970,019</u>	<u>6,731,758</u>	<u>11,813,380</u>
Net Assets			
Invested in Capital Assets, net of related debt	17,741,211	2,623,057	1,006,691
Restricted			
Donations	127,613	-	1,701,813
Loans	174,034	-	-
Capital project	94,721	-	987,915
Debt service	171,537	-	27,613
Faculty contracts obligations	36,529	-	-
Legislatively mandated programs	69,215	-	-
Bond covenants	-	2,152,057	-
Unrestricted	<u>2,087,822</u>	<u>(65,146)</u>	<u>22,512,466</u>
Total Net Assets	<u>\$ 20,502,682</u>	<u>\$ 4,709,968</u>	<u>\$ 26,236,498</u>

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Sub Total	Eliminations & Reclassifications	GAAP Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 391,514,240	\$ -	\$ 391,514,240
Investments	17,480,265	-	17,480,265
Interest receivable	382,916	-	382,916
Grants receivable	9,442,580	-	9,442,580
Accounts receivable	29,984,989	-	29,984,989
Notes receivable	77,000	-	77,000
Prepaid assets	16,405,452	-	16,405,452
Inventory	8,141,222	-	8,141,222
Other assets	1,602,035	-	1,602,035
Due from other funds	1,632,218	(1,632,218)	-
Advances from other schools	4,914,696	(4,914,696)	-
Securities lending collateral	14,627,955	-	14,627,955
Total current assets	496,205,568	(6,546,914)	489,658,654
Restricted Assets			
Cash	25,594,656	-	25,594,656
Investments	5,999,029	-	5,999,029
Other assets	121,452	-	121,452
Construction in progress	4,686,319	-	4,686,319
Total restricted assets	36,401,456	-	36,401,456
Noncurrent Assets			
Loans receivable	33,289,878	-	33,289,878
Notes receivable	365,750	-	365,750
Construction in progress	77,448,125	-	77,448,125
Library collections	42,877,507	-	42,877,507
Equipment	258,969,265	-	258,969,265
Buildings and improvements	1,417,702,802	-	1,417,702,802
Land	58,063,576	-	58,063,576
Less accumulated depreciation	(918,264,090)	-	(918,264,090)
Total noncurrent assets	970,452,813	-	970,452,813
Total Assets	\$ 1,503,059,837	\$ (6,546,914)	\$ 1,496,512,923

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF NET ASSETS BY
BY INSTITUTION (Unaudited)
AS OF JUNE 30, 2003

	Sub Total	Eliminations & Reclassifications	GAAP Total
Liabilities			
Current Liabilities			
Salaries payable	\$ 74,149,885	\$ -	\$ 74,149,885
Accounts payable	49,726,270	-	49,726,270
Deferred revenue	18,908,120	-	18,908,120
Funds held in trust	7,155,258	-	7,155,258
Notes payable	1,579,108	-	1,579,108
Capital lease payable	2,577,833	-	2,577,833
Compensated absences payable	6,859,018	-	6,859,018
Workers' compensation payable	1,254,650	-	1,254,650
Revenue bonds payable	1,205,000	-	1,205,000
General obligation bonds payable	8,087,863	-	8,087,863
Other liabilities	654,758	-	654,758
Payable to other schools	1,632,218	(1,632,218)	-
Advances to other schools	4,914,696	(4,914,696)	-
Securities lending collateral	14,627,955	-	14,627,955
Total current liabilities	193,332,632	(6,546,914)	186,785,718
Noncurrent Liabilities			
Notes payable	3,970,256	-	3,970,256
Capital lease payable	8,408,188	-	8,408,188
Compensated absences payable	86,249,514	-	86,249,514
Workers' compensation payable	3,486,490	-	3,486,490
Revenue bonds payable	36,230,000	-	36,230,000
General obligation bonds payable	113,810,496	-	113,810,496
Bond premium payable	1,693,716	-	1,693,716
Capital contributions payable	32,786,505	-	32,786,505
Total noncurrent liabilities	286,635,165	-	286,635,165
Total Liabilities	479,967,797	(6,546,914)	473,420,883
Net Assets			
Invested in Capital Assets, net of related debt	794,297,429	-	794,297,429
Restricted			
Donations	9,209,054	-	9,209,054
Loans	4,176,641	-	4,176,641
Capital project	47,245,903	-	47,245,903
Debt service	12,601,048	-	12,601,048
Faculty contracts obligations	4,341,751	-	4,341,751
Legislatively mandated programs	2,408,251	-	2,408,251
Bond covenants	19,398,567	-	19,398,567
Unrestricted	129,413,396	-	129,413,396
Total Net Assets	\$ 1,023,092,040	\$ -	\$ 1,023,092,040

Concluded

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2003

	Alexandria Technical College	Anoka-Ramsey Community College	Anoka Technical College
Operating Revenues			
Tuition	\$ 4,648,235	\$ 10,917,243	\$ 5,441,723
Fees	685,668	1,606,710	739,656
Sales and service, net	298,652	247,276	762,890
Room and board	-	-	-
Federal grants	2,831,580	3,009,412	1,520,397
State grants	1,629,336	1,566,579	623,606
Other income	84,257	295,907	2,122
Total operating revenues	<u>10,177,728</u>	<u>17,643,127</u>	<u>9,090,394</u>
Operating Expenses			
Salaries	13,692,445	21,120,695	11,713,909
Purchased services	2,176,243	2,481,917	1,911,964
Supplies	1,534,301	1,156,030	864,765
Repairs and maintenance	426,002	826,350	2,040
Depreciation and amortization	939,639	1,304,049	661,867
Financial aid	1,816,082	1,812,636	723,869
Other expense	786,136	954,118	122,899
Total operating expenses	<u>21,370,848</u>	<u>29,655,795</u>	<u>16,001,313</u>
Operating income (loss)	<u>(11,193,120)</u>	<u>(12,012,668)</u>	<u>(6,910,919)</u>
Nonoperating Revenues (Expenses)			
State appropriations	11,810,460	13,718,735	8,960,068
Private grants	159,584	45,000	84,687
Interest income	679	31,673	5,451
Securities lending income	-	-	-
Interest expense	(137,534)	(98,786)	(268,192)
Grants to other organizations	-	-	-
Securities lending rebates/fees	-	-	-
Total nonoperating revenue (expenses)	<u>11,833,189</u>	<u>13,696,622</u>	<u>8,782,014</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>640,069</u>	<u>1,683,954</u>	<u>1,871,095</u>
Capital appropriations	3,297,007	392,930	2,002,483
Donated capital assets	-	-	-
Transfer in	675	95,082	21,935
Transfer out	-	-	(125,063)
Insurance proceeds	-	-	-
Gain (loss) on disposal of capital assets	(72,219)	(21,185)	(17,504)
Change in net assets	<u>3,865,532</u>	<u>2,150,781</u>	<u>3,752,946</u>
Total Net Assets - Beginning of Year	<u>8,664,897</u>	<u>29,307,505</u>	<u>8,452,644</u>
Change to reporting entity	-	-	-
Total Net Assets - Beginning of Year as Restated	<u>8,664,897</u>	<u>29,307,505</u>	<u>8,452,644</u>
Total Net Assets - End of Year	<u>\$ 12,530,429</u>	<u>\$ 31,458,286</u>	<u>\$ 12,205,590</u>

Bemidji State University	Central Lakes College	Century College	Dakota County Technical College	Fergus Falls Community College
\$ 12,534,032	\$ 5,579,865	\$ 15,481,469	\$ 7,250,365	\$ 2,458,406
2,437,929	1,026,306	1,668,410	1,271,342	480,237
1,676,166	444,208	789,289	379,837	51,147
4,257,382	-	-	-	269,295
6,283,098	4,009,972	6,482,145	2,574,687	1,410,444
2,954,847	1,719,237	1,110,420	1,687,178	513,808
228,541	62,620	797,139	382,242	52,085
30,371,995	12,842,208	26,328,872	13,545,651	5,235,422
35,894,697	17,929,392	33,151,667	15,987,877	6,987,297
7,471,176	2,232,565	3,224,081	3,590,436	842,028
2,221,860	1,771,765	2,293,477	1,325,854	365,131
2,007,095	1,769,160	1,034,214	2,072,271	708,722
3,222,815	2,054,985	1,525,191	1,538,906	274,603
3,292,862	1,821,536	2,695,257	1,503,505	748,315
2,552,039	667,730	1,330,171	53,222	515,432
56,662,544	28,247,133	45,254,058	26,072,071	10,441,528
(26,290,549)	(15,404,925)	(18,925,186)	(12,526,420)	(5,206,106)
21,833,762	14,201,983	19,189,295	12,043,435	4,972,800
2,974,540	135,439	122,881	101,857	137,195
136,022	18,098	148,572	9,782	3,343
-	-	-	-	-
(278,590)	(189,968)	(81,817)	(11,816)	(37,888)
-	(311,446)	-	-	-
-	-	-	-	-
24,665,734	13,854,106	19,378,931	12,143,258	5,075,450
(1,624,815)	(1,550,819)	453,745	(383,162)	(130,656)
2,719,089	1,266,547	1,985,180	884,019	529,923
-	85,961	-	145,203	-
73,722	32,739	165,168	5,675	6,870
-	(1)	(50,518)	-	-
-	-	-	-	-
(44,469)	4,704	(142,091)	27,810	1,477
1,123,527	(160,869)	2,411,484	679,545	407,614
43,978,945	28,379,797	14,429,785	13,896,848	3,592,585
-	-	-	-	-
43,978,945	28,379,797	14,429,785	13,896,848	3,592,585
\$ 45,102,472	\$ 28,218,928	\$ 16,841,269	\$ 14,576,393	\$ 4,000,199

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2003

	Fond du Lac Tribal & Community College	Hennepin Technical College	Hibbing Community College
Operating Revenues			
Tuition	\$ 1,598,695	\$ 10,482,168	\$ 3,281,470
Fees	179,221	834,193	544,268
Sales and service, net	(7,653)	1,735,885	107,150
Room and board	116,860	-	-
Federal grants	1,298,388	3,275,189	3,343,237
State grants	400,190	1,049,787	666,537
Other income	2,356,077	86,586	131,052
Total operating revenues	<u>5,941,778</u>	<u>17,463,808</u>	<u>8,073,714</u>
Operating Expenses			
Salaries	5,666,389	24,952,523	11,181,659
Purchased services	1,001,848	4,828,723	1,217,261
Supplies	420,284	4,374,797	937,171
Repairs and maintenance	1,344,485	1,566,624	532,181
Depreciation and amortization	503,032	2,138,390	1,464,055
Financial aid	801,490	1,764,086	1,442,216
Other expense	360,078	(299,396)	554,776
Total operating expenses	<u>10,097,606</u>	<u>39,325,747</u>	<u>17,329,319</u>
Operating income (loss)	<u>(4,155,828)</u>	<u>(21,861,939)</u>	<u>(9,255,605)</u>
Nonoperating Revenues (Expenses)			
State appropriations	2,801,227	21,389,284	8,903,402
Private grants	1,148,871	621,055	21,025
Interest income	5,902	105,250	39,147
Securities lending income	-	-	-
Interest expense	(148,441)	-	(162,725)
Grants to other organizations	(460)	(17,762)	-
Securities lending rebates/fees	-	-	-
Total nonoperating revenue (expenses)	<u>3,807,099</u>	<u>22,097,827</u>	<u>8,800,849</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(348,729)	235,888	(454,756)
Capital appropriations	1,854,521	1,255,095	857,708
Donated capital assets	-	-	-
Transfer in	6,024	4,425	11,725
Transfer out	-	-	-
Insurance proceeds	-	-	-
Gain (loss) on disposal of capital assets	28	11,190	3,903
Change in net assets	<u>1,511,844</u>	<u>1,506,598</u>	<u>418,580</u>
Total Net Assets - Beginning of Year	7,946,199	18,791,592	27,095,925
Change to reporting entity	-	-	-
Total Net Assets - Beginning of Year as Restated	<u>7,946,199</u>	<u>18,791,592</u>	<u>27,095,925</u>
Total Net Assets - End of Year	<u>\$ 9,458,043</u>	<u>\$ 20,298,190</u>	<u>\$ 27,514,505</u>

Inver Hills Community College	Lake Superior College	Metropolitan State University	Minneapolis Community & Technical College	Minnesota State College - Southeast Technical
\$ 8,752,570	\$ 6,666,034	\$ 13,450,552	\$ 12,958,185	\$ 3,596,184
1,460,836	1,413,131	942,105	1,795,312	399,212
878,889	(335,682)	428,165	724,831	300,304
-	-	-	-	-
1,736,656	4,602,085	3,821,104	13,889,725	2,029,910
910,882	818,500	980,906	1,693,897	658,187
60,686	298,885	269,559	51,953	4,994
13,800,519	13,462,953	19,892,391	31,113,903	6,988,791
16,584,540	16,866,023	28,522,347	35,312,352	8,939,206
1,887,678	2,194,712	6,903,801	4,174,198	2,054,035
1,181,709	1,519,846	1,132,866	2,291,106	1,163,570
321,142	382,029	602,918	1,852,706	199,066
933,761	1,275,505	1,509,870	4,016,005	772,445
1,000,879	2,101,137	2,911,416	4,903,059	814,662
395,514	1,307,761	2,021,219	22,281,085	560,335
22,305,223	25,647,013	43,604,437	74,830,511	14,503,319
(8,504,704)	(12,184,060)	(23,712,046)	(43,716,608)	(7,514,528)
10,081,937	12,883,477	20,622,081	20,368,823	7,065,012
78,040	143,498	1,914,858	454,510	17,797
24,254	11,198	20,165	5,882	7,845
-	-	-	-	-
(99,828)	(79,477)	(351,320)	(292,634)	(81,094)
-	(80,000)	-	-	-
-	-	-	-	-
10,084,403	12,878,696	22,205,784	20,536,581	7,009,560
1,579,699	694,636	(1,506,262)	(23,180,027)	(504,968)
1,269,426	206,254	5,668,473	6,103,840	671,313
-	-	-	-	39,435
99,889	8,404	151,100	44,704	4,775
-	(561,000)	-	(130,000)	-
-	-	-	-	-
(10,902)	(82,391)	-	7,768	(2,902)
2,938,112	265,903	4,313,311	(17,153,715)	207,653
13,986,409	29,340,066	34,621,770	72,964,521	9,685,867
-	-	-	-	-
13,986,409	29,340,066	34,621,770	72,964,521	9,685,867
\$ 16,924,521	\$ 29,605,969	\$ 38,935,081	\$ 55,810,806	\$ 9,893,520

Continued...

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2003

	Minnesota State University, Mankato	Minnesota State University Moorhead	Minnesota West Community & Technical College
Operating Revenues			
Tuition	\$ 39,826,662	\$ 17,071,079	\$ 5,593,198
Fees	8,642,669	4,487,084	581,036
Sales and service, net	8,059,911	2,977,139	282,176
Room and board	9,391,768	5,256,582	-
Federal grants	9,204,025	6,741,921	3,333,750
State grants	5,949,060	2,368,070	1,524,976
Other income	2,276,732	1,021,409	117,288
Total operating revenues	83,350,827	39,923,284	11,432,424
Operating Expenses			
Salaries	92,549,392	51,965,352	17,188,407
Purchased services	15,129,869	9,233,585	2,166,083
Supplies	7,132,558	3,020,378	1,158,498
Repairs and maintenance	2,800,236	3,277,357	2,027,009
Depreciation and amortization	7,794,282	2,968,625	687,215
Financial aid	8,102,271	4,455,056	2,541,490
Other expense	6,433,777	2,432,617	660,351
Total operating expenses	139,942,385	77,352,970	26,429,053
Operating income (loss)	(56,591,558)	(37,429,686)	(14,996,629)
Nonoperating Revenues (Expenses)			
State appropriations	54,530,336	31,355,264	13,845,392
Private grants	954,577	2,342,944	196,516
Interest income	563,070	138,367	11,406
Securities lending income	-	-	-
Interest expense	(1,911,253)	(656,331)	(21,482)
Grants to other organizations	(165,293)	(133,729)	-
Securities lending rebates/fees	-	-	-
Total nonoperating revenue (expenses)	53,971,437	33,046,515	14,031,833
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,620,121)	(4,383,171)	(964,796)
Capital appropriations	3,588,444	9,084,374	1,496,846
Donated capital assets	297,295	-	-
Transfer in	619,167	181,744	42,060
Transfer out	(26,122)	-	(4,089)
Insurance proceeds	-	-	-
Gain (loss) on disposal of capital assets	(46,800)	(5,259)	(35,299)
Change in net assets	1,811,863	4,877,688	534,722
Total Net Assets - Beginning of Year	104,755,750	34,672,526	3,919,831
Change to reporting entity	-	-	-
Total Net Assets - Beginning of Year as Restated	104,755,750	34,672,526	3,919,831
Total Net Assets - End of Year	\$ 106,567,613	\$ 39,550,214	\$ 4,454,553

Normandale Community College	North Hennepin Community College	Northland Community & Technical College	Northwest Technical College	Pine Technical College
\$ 15,341,564	\$ 11,681,116	\$ 3,247,537	\$ 11,426,707	\$ 1,049,198
2,524,846	1,697,281	561,737	783,199	324,704
965,958	725,086	200,297	527,464	3,773,323
-	-	-	-	-
4,617,331	3,683,421	1,886,040	8,930,940	701,730
1,213,577	1,041,383	1,033,233	2,254,446	802,240
295,680	224,746	196,285	138,756	72,418
24,958,956	19,053,033	7,125,129	24,061,512	6,723,613
27,910,617	19,130,998	11,004,758	27,773,307	4,985,414
2,235,014	3,056,872	1,720,918	4,465,001	974,608
1,197,885	713,364	1,028,218	3,063,426	327,234
1,143,002	1,209,077	1,051,314	1,863,866	549,372
1,258,132	1,217,394	1,045,396	2,107,545	243,913
2,528,507	1,993,426	1,028,347	4,513,254	2,861,483
1,343,415	1,708,258	151,543	1,460,842	87,642
37,616,572	29,029,389	17,030,494	45,247,241	10,029,666
(12,657,616)	(9,976,356)	(9,905,365)	(21,185,729)	(3,306,053)
16,452,993	12,013,292	9,125,028	21,310,211	3,000,117
66,701	100	149,165	438,579	228,019
54,202	49,383	13,758	4,473	3,199
-	-	-	-	-
(339,629)	(325,483)	(163,516)	(90,469)	(20,194)
-	-	-	-	-
-	-	-	-	-
16,234,267	11,737,292	9,124,435	21,662,794	3,211,141
3,576,651	1,760,936	(780,930)	477,065	(94,912)
5,330,725	3,100,384	1,460,968	1,355,986	437,905
-	-	577,500	-	-
107,929	67,698	16,959	10,618	1,172,312
-	-	-	-	-
-	-	-	-	-
11,170	-	(117,258)	(245,697)	(29,677)
9,026,475	4,929,018	1,157,239	1,597,972	1,485,628
21,963,304	23,898,936	20,474,950	22,000,517	1,375,118
-	-	-	-	-
21,963,304	23,898,936	20,474,950	22,000,517	1,375,118
\$ 30,989,779	\$ 28,827,954	\$ 21,632,189	\$ 23,598,489	\$ 2,860,746

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MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2003

	Ridgewater College	Riverland Community College	Rochester Community & Technical College
Operating Revenues			
Tuition	\$ 7,542,416	\$ 5,863,707	\$ 10,415,649
Fees	1,327,732	1,376,090	1,969,342
Sales and service, net	(315,974)	314,806	1,474,825
Room and board	-	-	-
Federal grants	5,283,484	2,648,030	4,576,513
State grants	2,146,758	843,632	1,372,283
Other income	465,179	23,311	1,335,170
Total operating revenues	<u>16,449,595</u>	<u>11,069,576</u>	<u>21,143,782</u>
Operating Expenses			
Salaries	21,918,298	16,037,705	23,782,570
Purchased services	2,546,913	2,762,473	3,133,998
Supplies	1,145,857	1,041,398	1,608,577
Repairs and maintenance	2,138,271	616,737	49,994
Depreciation and amortization	1,832,212	982,172	3,001,971
Financial aid	2,790,761	1,352,247	1,914,282
Other expense	1,640,124	820,578	(234,377)
Total operating expenses	<u>34,012,436</u>	<u>23,613,310</u>	<u>33,257,015</u>
Operating income (loss)	<u>(17,562,841)</u>	<u>(12,543,734)</u>	<u>(12,113,233)</u>
Nonoperating Revenues (Expenses)			
State appropriations	16,667,220	12,755,733	14,217,468
Private grants	238,818	46,767	130,127
Interest income	7,349	18,190	78,180
Securities lending income	-	-	-
Interest expense	(100,445)	(107,258)	(142,750)
Grants to other organizations	(1,326)	-	-
Securities lending rebates/fees	-	-	-
Total nonoperating revenue (expenses)	<u>16,811,616</u>	<u>12,713,432</u>	<u>14,283,025</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(751,225)	169,698	2,169,792
Capital appropriations	1,503,171	1,094,922	1,292,704
Donated capital assets	118,041	-	873,489
Transfer in	24,575	14,902	17,291
Transfer out	(5,420)	-	-
Insurance proceeds	-	-	-
Gain (loss) on disposal of capital assets	(24,351)	(23,221)	226,033
Change in net assets	<u>864,791</u>	<u>1,256,301</u>	<u>4,579,309</u>
Total Net Assets - Beginning of Year	20,552,272	11,703,906	46,396,441
Change to reporting entity	-	-	-
Total Net Assets - Beginning of Year as Restated	<u>20,552,272</u>	<u>11,703,906</u>	<u>46,396,441</u>
Total Net Assets - End of Year	<u>\$ 21,417,063</u>	<u>\$ 12,960,207</u>	<u>\$ 50,975,750</u>

South Central Technical College	Southwest Minnesota State University	St. Cloud State University	St. Cloud Technical College	Saint Paul College	Winona State University
\$ 5,806,219	\$ 8,289,997	\$ 43,525,907	\$ 6,524,633	\$ 7,026,575	\$ 23,355,144
1,005,075	1,486,619	7,510,025	949,620	706,989	9,147,897
323,452	983,107	6,490,154	737,825	543,745	3,021,900
-	2,529,525	8,759,428	-	-	8,320,242
2,799,242	2,752,425	10,269,414	3,903,345	5,320,159	5,486,639
2,159,243	2,508,647	4,969,832	540,088	901,234	3,208,702
1,184,373	591,299	3,538,546	63,029	87,804	729,589
13,277,604	19,141,619	85,063,306	12,718,540	14,586,506	53,270,113
18,500,123	26,315,946	101,328,007	15,128,586	18,625,951	53,903,574
2,937,265	5,408,984	13,854,745	1,963,073	3,667,875	15,651,238
1,944,858	1,911,040	5,637,014	1,239,114	1,955,128	3,519,839
761,294	3,567,545	2,196,180	686,902	512,587	1,569,604
744,662	2,145,776	6,052,296	1,109,086	1,107,707	4,277,991
1,792,383	1,848,572	8,318,804	1,846,022	1,926,343	2,826,037
663,207	842,165	5,394,795	563,646	398,180	2,631,705
27,343,792	42,040,028	142,781,841	22,536,429	28,193,771	84,379,988
(14,066,188)	(22,898,409)	(57,718,535)	(9,817,889)	(13,607,265)	(31,109,875)
14,119,390	16,713,444	57,394,445	11,100,260	14,242,024	32,342,280
25,880	892,811	901,792	15,397	16,002	1,551,845
1,233	232,016	712,480	9,932	18,948	419,816
-	-	-	-	-	-
-	(270,414)	(708,523)	(144,635)	(95,280)	(577,827)
(11,724)	-	(71,953)	(35,571)	-	(156,765)
-	-	-	-	-	-
14,134,779	17,567,857	58,228,241	10,945,383	14,181,694	33,579,349
68,591	(5,330,552)	509,706	1,127,494	574,429	2,469,474
545,851	2,771,460	5,092,881	1,623,566	551,721	12,753,209
-	-	-	-	-	-
10,100	71,167	347,105	44,408	56,304	146,961
-	(21,109)	(25,992)	-	-	(39,102)
-	11,180,564	-	-	-	-
28,295	(35,756)	(237,378)	(640)	21,905	(129,506)
652,837	8,635,774	5,686,322	2,794,828	1,204,359	15,201,036
4,877,938	24,435,258	85,474,944	14,234,774	22,662,827	68,742,824
-	-	-	-	(169,589)	-
4,877,938	24,435,258	85,474,944	14,234,774	22,493,238	68,742,824
\$ 5,530,775	\$ 33,071,032	\$ 91,161,266	\$ 17,029,602	\$ 23,697,597	\$ 83,943,860

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MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2003

	Northeast Higher Education District		
	Itasca Community College	Mesabi Range / Vermilion Community & Technical College	Rainy River Community College
Operating Revenues			
Tuition	\$ 2,204,483	\$ 3,952,500	\$ 628,216
Fees	326,740	737,726	98,613
Sales and service, net	57,928	-	(86,178)
Room and board	76,104	754,522	174,861
Federal grants	2,390,513	3,445,145	931,359
State grants	541,962	762,647	82,990
Other income	247,825	567,217	163,068
Total operating revenues	5,845,555	10,219,757	1,992,929
Operating Expenses			
Salaries	7,259,544	13,291,873	3,417,781
Purchased services	1,307,247	2,165,536	615,353
Supplies	459,340	701,285	138,759
Repairs and maintenance	700,018	591,784	51,864
Depreciation and amortization	495,390	892,015	258,285
Financial aid	1,062,203	1,449,206	204,573
Other expense	572,750	857,765	163,808
Total operating expenses	11,856,492	19,949,464	4,850,423
Operating income (loss)	(6,010,937)	(9,729,707)	(2,857,494)
Nonoperating Revenues (Expenses)			
State appropriations	4,896,790	9,623,016	2,647,685
Private grants	466,400	11,037	50,634
Interest income	13,551	25,841	3,185
Securities lending income	-	-	-
Interest expense	(59,351)	(61,061)	(10,821)
Grants to other organizations	-	-	-
Securities lending rebates/fees	-	-	-
Total nonoperating revenue (expenses)	5,317,390	9,598,833	2,690,683
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(693,547)	(130,874)	(166,811)
Capital appropriations	762,631	306,351	506,876
Donated capital assets	-	-	-
Transfer in	20,712	19,290	8,124
Transfer out	-	-	-
Insurance proceeds	-	-	-
Gain (loss) on disposal of capital assets	(5,901)	11,981	13,900
Change in net assets	83,895	206,748	362,089
Total Net Assets - Beginning of Year	8,227,760	8,870,247	2,751,943
Change to reporting entity	-	-	-
Total Net Assets - Beginning of Year as Restated	8,227,760	8,870,247	2,751,943
Total Net Assets - End of Year	\$ 8,311,655	\$ 9,076,995	\$ 3,114,032

Northeast Higher Education District Total	Office of the Chancellor	System-wide	Sub Total	Eliminations & Reclassifications	GAAP Total
\$ 6,785,199	\$ -	\$ 79,299	\$ 355,548,999	\$ -	\$ 355,548,999
1,163,079	900	363,057	64,093,519	-	64,093,519
(28,250)	29,012	1,675,510	41,242,819	-	41,242,819
1,005,487	-	-	39,906,568	-	39,906,568
6,767,017	671,532	9,656,834	161,351,823	-	161,351,823
1,387,599	-	332,699	55,541,599	-	55,541,599
978,110	754,231	7,644,264	26,902,919	-	26,902,919
18,058,241	1,455,675	19,751,663	744,588,246	-	744,588,246
23,969,198	14,219,537	4,894,350	895,635,110	-	895,635,110
4,088,136	1,481,909	6,377,419	151,048,644	-	151,048,644
1,299,384	392,797	345,174	64,236,276	-	64,236,276
1,343,666	274,635	2,427,957	45,713,607	-	45,713,607
1,645,690	1,812,070	385,884	66,555,138	-	66,555,138
2,715,982	-	117,120	85,625,396	-	85,625,396
1,594,323	543,107	722,599	64,021,615	-	64,021,615
36,656,379	18,724,055	15,270,503	1,372,835,786	-	1,372,835,786
(18,598,138)	(17,268,380)	4,481,160	(628,247,540)	-	(628,247,540)
17,167,491	12,929,629	674,202	592,802,000	-	592,802,000
528,071	-	2,994,518	19,879,483	-	19,879,483
42,577	3,362	3,031,870	5,987,067	-	5,987,067
-	-	245,836	245,836	-	245,836
(131,233)	(137,845)	(218,001)	(8,482,677)	-	(8,482,677)
-	-	(6,497,878)	(7,483,908)	-	(7,483,908)
-	-	(234,828)	(234,828)	-	(234,828)
17,606,906	12,795,146	(4,281)	602,712,973	-	602,712,973
(991,232)	(4,473,234)	4,476,879	(25,534,567)	-	(25,534,567)
1,575,858	-	739,246	86,364,029	-	86,364,029
-	-	-	2,136,924	-	2,136,924
48,126	6,000,000	888,405	10,620,744	(10,620,744)	-
-	(431,636)	(9,200,694)	(10,620,744)	10,620,744	-
-	-	-	11,180,564	-	11,180,564
19,980	(4,635)	104,001	(860,875)	-	(860,875)
652,732	1,090,495	(2,992,163)	73,286,075	-	73,286,075
19,849,950	3,619,473	29,059,071	949,805,965	-	949,805,965
-	-	169,589	-	-	-
19,849,950	3,619,473	29,228,661	949,805,965	-	949,805,965
\$ 20,502,682	\$ 4,709,968	\$ 26,236,498	\$ 1,023,092,040	\$ -	\$ 1,023,092,040

Concluded



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees of Minnesota
State Colleges and Universities

We have audited the consolidated financial statements of the Minnesota State Colleges and Universities ("MnSCU") as of and for the year ended June 30, 2003 and have issued our report thereon dated December 5, 2003. 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.

Compliance:

As part of obtaining reasonable assurance about whether MnSCU's consolidated financial statements are free of material misstatement, we performed tests of MnSCU's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of consolidated 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 that are required to be reported under *Government Auditing Standards*, with the exception of certain colleges and universities that did not maintain depository insurance or a combination of depository insurance and collateral securities at minimum levels required by Minnesota Statutes Chapter 118A at several times during the year.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered MnSCU's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, state funding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

December 5, 2003