MINNESOTA STATE

Annual Financial Report

For the years ended June 30, 2022 and 2021

Minnesota State is an affirmative action, equal opportunity employer and educator.

MINNESOTA STATE
COLLEGES AND UNIVERSITIES

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Prepared by:

Minnesota State Colleges and Universities
30 East 7th Street, Suite 350
St. Paul, MN 55101-7804

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MINNESOTA STATE COLLEGES AND UNIVERSITIES

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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INTRODUCTION

MINNESOTA STATE

November 16, 2022

Board of Trustees
Devinder Malhotra, Chancellor
Minnesota State
30 East 7th Street, Suite 350, St. Paul, MN 55101-7804

Dear Board of Trustees and Chancellor Malhotra:

I am pleased to submit to you the audited financial report for Minnesota State Colleges and Universities (Minnesota State) for the fiscal years ended June 30, 2022 and 2021. The financial statements are prepared by management and presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of operations for the two years. Within the financial statements, which were audited by the firm of CliftonLarsonAllen LLP, you will find the statements of net position, the statements of revenues, expenses, and changes in net position and the statements of cash flows.

We are also providing separately audited financial statements for the Revenue Fund. It is worth noting that the systemwide and Revenue Fund audit opinions are each without modification, a testimony to the efforts of each and every employee with responsibility for financial information at the 54 campuses and in the system office.

For a summary review and explanation of the financial statements, please review the Management Discussion and Analysis section of the report. The Finance Division and the finance staff at every college and university are 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 in provision of that assurance. Many people assisted in this effort and are deserving of our appreciation.

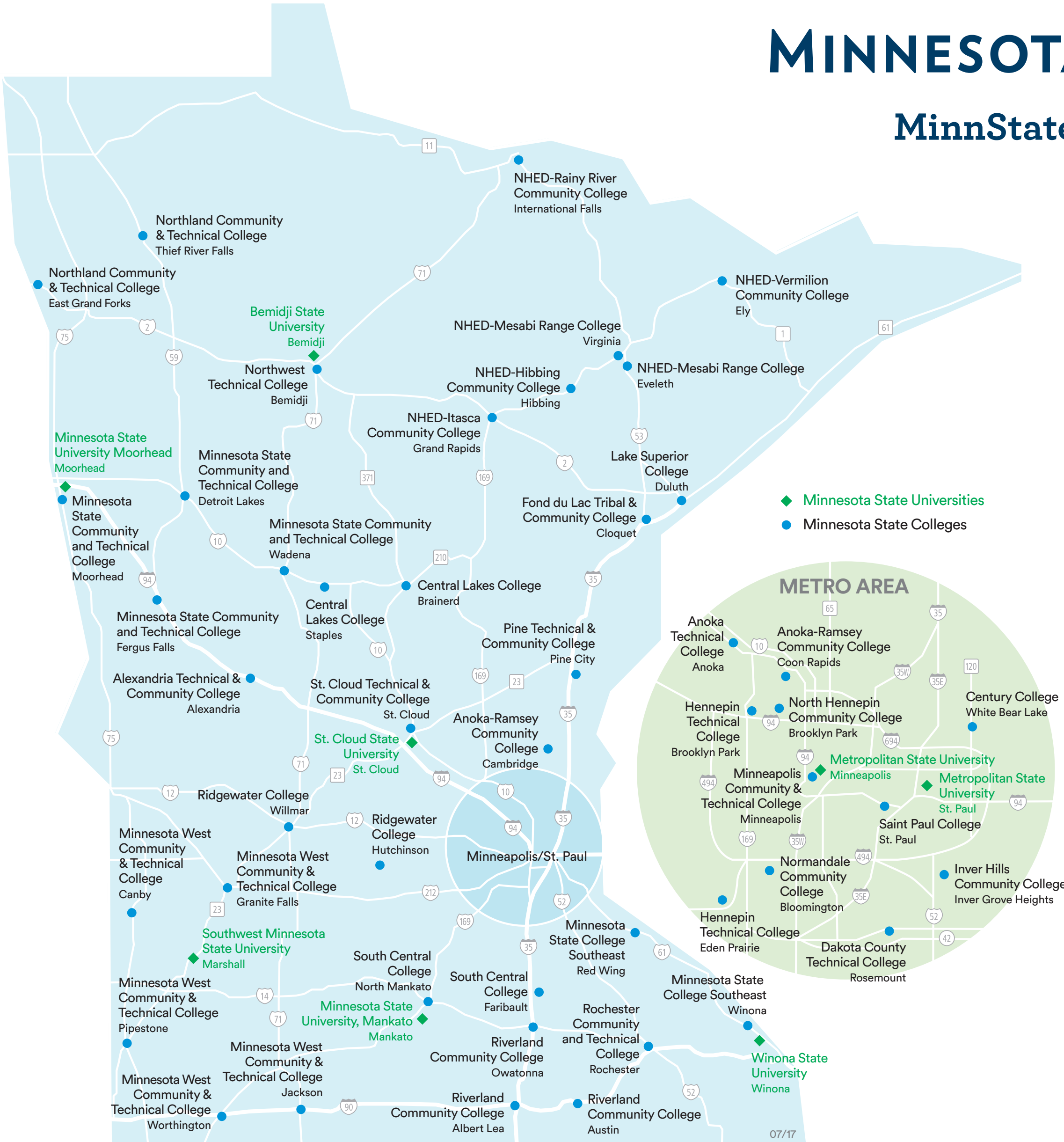
Sincerely,

Bill Maki
Vice Chancellor for Finance and Facilities

Campus Map

MINNESOTA STATE

MinnState.edu



COLLEGES

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

UNIVERSITIES

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

FY22 was the last year of the Northeast Higher Education District (NHED) prior to merger.

Minnesota State Colleges and Universities

ALEXANDRIA TECHNICAL & COMMUNITY COLLEGE
Alexandria
Michael Seymour, President
1-888-234-1222
www.alextech.edu

ANOKA-RAMSEY COMMUNITY COLLEGE ***
Cambridge, Coon Rapids
Kent Hanson
(763) 433-1100
www.anokaramsey.edu

ANOKA TECHNICAL COLLEGE***
Anoka
Kent Hanson
(763) 576-4850
www.anokatech.edu

BEMIDJI STATE UNIVERSITY*
Bemidji
John Hoffman, President
1-877-236-4354
www.bemidjistate.edu

CENTRAL LAKES COLLEGE
Brainerd, Staples
Hara Charlier, President
1-800-933-0346
www.clcmn.edu

CENTURY COLLEGE
White Bear Lake
Angelia Millender, President
1-800-228-1978
www.century.edu

DAKOTA COUNTY TECHNICAL COLLEGE
Rosemount
Michael Berndt, President
1-877-937-3282
www.dctc.edu

FOND DU LAC TRIBAL & COMMUNITY COLLEGE
Cloquet
Stephanie Hammitt, President
1-800-657-3712
www.fdltcc.edu

HENNEPIN TECHNICAL COLLEGE
Brooklyn Park, Eden Prairie
Joy Bodin, Interim President
1-800-345-4655
www.hennepintech.edu

HIBBING COMMUNITY COLLEGE**
Hibbing
Michael Raich, President
1-800-224-4422
www.hibbing.edu

INVER HILLS COMMUNITY COLLEGE
Inver Grove Heights
Michael Berndt, President
(651) 450-3000
www.inverhills.edu

ITASCA COMMUNITY COLLEGE**
Grand Rapids
Michael Raich, President
1-800-996-6422
www.itascacc.edu

LAKE SUPERIOR COLLEGE
Duluth
Patricia Rogers, President
1-800-432-2884
www.lsc.edu

MESABI RANGE COLLEGE**
Eveleth, Virginia
Michael Raich, President
1-800-657-3860
www.mesabirange.edu

METROPOLITAN STATE UNIVERSITY
St. Paul, Minneapolis
Ginny Arthur, President
(651) 793-1300
www.metrostate.edu

MINNEAPOLIS COLLEGE
Minneapolis
Sharon Pierce, President
1-800-247-0911
www.minneapolis.edu

MINNESOTA STATE COLLEGE SOUTHEAST
Red Wing, Winona
Marsha Danielson
1-877-853-8324
www.southeastmn.edu

MINNESOTA STATE COMMUNITY & TECHNICAL COLLEGE
Detroit Lakes, Fergus Falls, Moorhead, Wadena
Carrie Brimhall, President
1-877-450-3322
www.minnesota.edu

MINNESOTA STATE UNIVERSITY, MANKATO
Mankato
Edward Inch, President
1-800-722-0544
www.mnsu.edu

MINNESOTA STATE UNIVERSITY MOORHEAD
Moorhead
Anne Blackhurst, President
1-800-593-7246
www.mnstate.edu

MINNESOTA WEST COMMUNITY & TECHNICAL COLLEGE
Canby, Granite Falls, Jackson, Pipestone, Worthington
Terry Gaalswyk, President
1-800-658-2330
www.mnwest.edu

NORMANDALE COMMUNITY COLLEGE
Bloomington
Joyce Ester, President
1-866-880-8740
www.normandale.edu

NORTH HENNEPIN COMMUNITY COLLEGE
Brooklyn Park
Rolando Garcia, President
1-800-818-0395
www.nhcc.edu

NORTHLAND COMMUNITY & TECHNICAL COLLEGE
East Grand Forks, Thief River Falls
Sandra Kiddoo, President
Toll-free: 1-800-959-6282
www.northlandcollege.edu

NORTHWEST TECHNICAL COLLEGE*
Bemidji
John Hoffman, President
1-800-942-8324
www.ntcmn.edu

PINE TECHNICAL & COMMUNITY COLLEGE
Pine City
Joe Mulford, President
1-800-521-7463
www.pinetech.edu

RAINY RIVER COMMUNITY COLLEGE**
International Falls
Michael Raich, President
1-800-456-3996
www.rrcc.mnscu.edu

RIDGEWATER COLLEGE
Hutchinson, Willmar
Craig Johnson, President
1-800-722-1151
www.ridgewater.edu

RIVERLAND COMMUNITY COLLEGE
Albert Lea, Austin, Owatonna
Adenuga Atewologun, President
1-800-247-5039
www.riverland.edu

ROCHESTER COMMUNITY AND TECHNICAL COLLEGE
Rochester
Jeffery Boyd, President
1-800-247-1296
www.rctc.edu

ST. CLOUD STATE UNIVERSITY
St. Cloud
Robbyn Wacker, President
1-877-654-7278
www.stcloudstate.edu

ST. CLOUD TECHNICAL & COMMUNITY COLLEGE
St. Cloud
Lori Kloos, Interim President
1-800-222-1009
www.sctcc.edu

SAINT PAUL COLLEGE
St. Paul
Deidra Peaslee, President
1-800-227-6029
www.saintpaul.edu

SOUTH CENTRAL COLLEGE
Faribault, Mankato
Annette Parker, President
1-800-722-9359
www.southcentral.edu

SOUTHWEST MINNESOTA STATE UNIVERSITY
Marshall
Kumara Jayasuriya, President
1-800-642-0684
www.smsu.edu

VERMILION COMMUNITY COLLEGE**
Ely
Michael Raich, President
1-800-657-3608
www.vcc.edu

WINONA STATE UNIVERSITY
Winona
Scott Olson, President
1-800-342-5978
www.winona.edu

* Bemidji State University and Northwest Technical College are aligned.
**The Northeast Higher Education District is a consortium of five state colleges: Hibbing, Itasca, Mesabi Range, Rainy River and Vermilion.
***Anoka-Ramsey Community College and Anoka Technical College are aligned.

The financial activity of the Minnesota State Colleges and Universities is included in this report. It is comprised of 37 colleges and universities. Effective May 23, 2022, five colleges with six campuses were combined into one individual college, with fiscal year 2022 being the last year these five colleges are being reported separately. The Revenue Fund activity is included in both this report and the separately issued Revenue Fund Annual Financial Report.

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

FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Minnesota State Colleges and Universities (Minnesota State) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Minnesota State's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Minnesota State as of June 30, 2022 and 2021, and the respective changes in financial position and where applicable, cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Bemidji State University Alumni and Foundation, Metropolitan State University Foundation, Minnesota State University Moorhead Foundation, Inc., Southwest Minnesota State University Foundation, and Winona State University Foundation, which cumulatively represents 59% of the total assets, 58% of the total net assets, and 52% of the expenses of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the Foundations as listed above in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting and instances of reportable noncompliance associated with the Foundations.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Minnesota State Colleges and Universities do not purport to, and do not, present fairly the financial position of the state of Minnesota as of June 30, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, Minnesota State adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Revenue Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Revenue Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Revenue Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in total other postemployment benefits liability and related ratios, the schedule of the proportionate share of net pension liability, and the schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Trustees
Minnesota State Colleges and Universities

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022, on our consideration of Minnesota State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Revenue Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Revenue Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 16, 2022

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the Minnesota State Colleges and Universities (Minnesota State) for the years ended June 30, 2022, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and related notes, which follow this section.

Minnesota State, a state supported system, is the largest single provider of higher education in the state of Minnesota, and is comprised of formerly 37, now 33 state universities, technical, and community colleges. Effective May 23, 2022, five colleges with six campuses were combined into one individual college, with fiscal year 2022 being the last year these five colleges are being reported separately. Minnesota State continues to maintain 54 campuses in 47 communities across the state. Offering almost 4,000 educational programs, the system serves approximately 211,000 students annually in credit-based courses, as measured by unduplicated headcount enrollment. The system serves over 62,000 students of color and American Indian students across the state. Approximately 100,000 students enroll in non-credit courses each year through the system's continuing education and customized training services. The system employs approximately 14,000 full time and part time faculty and staff. Minnesota State is governed by a fifteen-member board of trustees appointed by the Governor. Twelve trustees serve six-year terms, eight representing each of Minnesota's congressional districts and four serving at-large. Three student trustees: one from a state university, one from a community college and one from a technical college, serve two-year terms. The board of trustees selects the chancellor and has broad policy responsibility for system planning, academic programs, fiscal management, personnel, admissions requirements, tuition and fees, and policies and procedures.

FINANCIAL HIGHLIGHTS

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, were implemented during fiscal year 2015 and 2016. The adoption of GASB Statements No. 68 and No. 75 have a long-term material negative impact on Minnesota State's financial position.

It is worth noting, that the impact on fiscal years 2022, 2021, and 2020 salaries and benefits expense due to GASB Statements No. 68 and No. 75 is a result of a more comprehensive approach to pension and other postemployment benefit expense, which reflects estimates of the amounts that employees earned during the year, rather than actual contributions to the plans. The actuarially derived net pension liability, other postemployment benefit (OPEB) liability, related deferred outflows, and deferred inflows of resources, can vary between years due to actuarial assumption and benefit changes, thus affecting financial statements comparability between years.

The system's overall financial position increased by $256.6 million in fiscal year 2022.

Excluding the GASB Statements No. 68 and No. 75 effect, fiscal years 2022 and 2021 net position increased by $60.5 million, or 2.5 percent and $23.9 million or 1.0 percent, respectively.

- Income (loss) before other revenues, expenses, gains, or losses, experienced a gain of $221.2 million and a loss of $20.0 million in fiscal years 2022 and 2021, respectively. This compares to a loss of $41.7 million in fiscal year 2020. Excluding the effects of GASB Statements No. 68 and No. 75, the system experienced a gain of $25.1 million in fiscal year 2022, with losses of $6.6 million and $24.0 million in fiscal years 2021 and 2020, respectively.

- Compensation, the largest cost category in the system, decreased $232.5 million, or 16.5 percent, in fiscal year 2022 and decreased $9.1 million, or 0.6 percent, in fiscal year 2021. Excluding the GASB Statements No. 68 and No. 75 adjustments, the net decrease in compensation was $21.3 million, or 1.5 percent, and a net decrease of $4.8 million, or 0.3 percent, in fiscal years 2022 and 2021, respectively. This cost constitutes 62.3 percent of the system's fiscal year 2022 total operating expenses, compared to 68.7 percent for fiscal year 2021.

- The state appropriation and tuition charged to students are the system's two largest revenue sources. The state appropriation increased by $27.4 million, or 3.6 percent, in fiscal year 2022 following an 0.8 percent increase in fiscal year 2021. Most of the fiscal year 2022 increase was for colleges and universities support.

- Gross tuition revenue decreased $9.3 million, or 1.2 percent, in fiscal year 2022. This is compared to a decrease of $27.3 million, or 3.5 percent, and an increase of $3.6 million, or 0.5 percent, in fiscal years 2021 and 2020, respectively. Undergraduate tuition rates for two-year colleges increased by 3.3 percent on average and for state universities increased by 3.5 percent in fiscal year 2022. This follows tuition rates increasing 3.0 percent at two-year colleges and at state universities in fiscal year 2021. However, increases were not effective until spring term, with summer and fall rates frozen at fiscal year 2020.

- The number of full year equivalent students is a significant factor driving both tuition revenue and operating expenses. The number of full year equivalent for credit students in fiscal years 2022, 2021 and 2020 totaled 108,034, 115,758, and 122,483, respectively. Enrollment in fiscal year 2022 decreased 6.7 percent from fiscal year 2021. This follows an enrollment decrease of 5.5 percent between fiscal year 2021 and 2020.

- Federal grants increased by $171.8 million, or 42.1 percent in fiscal year 2022 compared to fiscal year 2021, following an increase of $64.6 million, or 18.8 percent in fiscal year 2021 compared to fiscal year 2020. This increase is primarily attributable to $334.6 million and $156.2 million in the Higher Education Emergency Relief Fund (HEERF I, II and III) grant revenue in fiscal years 2022 and 2021 respectively. The fiscal year 2021 HEERF grant revenue increase was offset by an approximately $29.0 million Pell grant decrease to account for the smaller total increase to federal grant revenue in that year.

- Financial aid expense increased by $127.4 million or 119.6 percent in fiscal year 2022 compared to fiscal year 2021, following an increase of $11.3 million or 11.9 percent in fiscal year 2021 compared to fiscal year 2020. The fiscal year 2022 and 2021 increases are attributable to additional financial aid disbursements to students financed by HEERF grant revenue.

- Total debt supporting the system's capital asset investment programs decreased in fiscal year 2022 by $47.3 million to a total of $445.4 million, a 9.6 percent decrease. This decrease was primarily due to the repayment of general obligation and revenue bonds of $41.6 million. An additional $56.0 of revenue bonds were refunded. These decreases were offset by $50.3 million of new general obligation and revenue bonds.

- The system has been building up its cash in fiscal years 2021, 2020, and 2019 to adopt a new Enterprise Resource Planning (ERP) system which began implementation in fiscal year 2021. In fiscal year 2022 expenses outpaced revenues by $4.0 million.

USING THE FINANCIAL STATEMENTS

This annual financial report includes five financial statements: the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows, the statements of fiduciary net position held for pension benefits, and the statements of changes in fiduciary net position 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.

STATEMENTS OF NET POSITION

The statements of net position present the financial position of the system at the end of the fiscal year, including all assets, deferred outflows, liabilities, and deferred inflows. Net position, the result of total assets and deferred outflows, minus total liabilities and deferred inflows, is one indicator of the current financial condition of the system. Assets, deferred outflows, liabilities and deferred inflows are generally measured using current values. One notable exception is capital assets which are stated at historical cost, less an allowance for depreciation/amortization.

A summary of the system's statements of net position as of June 30, 2022, 2021 and 2020 follows:

(In Thousands)

	2022	2021	2020
Current assets	$ 1,422,369	$ 1,329,264	$ 1,282,829
Noncurrent assets	18,907	22,444	15,627
Capital and right to use assets, net	1,908,190	1,968,960	2,003,641
Deferred outflows of resources	235,309	163,598	381,278
Total assets and deferred outflows of resources	3,584,775	3,484,266	3,683,375
Current liabilities	346,359	342,274	335,406
Noncurrent liabilities	756,569	982,706	990,728
Deferred inflows of resources	572,695	506,763	715,258
Total liabilities and deferred inflows of resources	1,675,623	1,831,743	2,041,392
Net position	$ 1,909,152	$ 1,652,523	$ 1,641,983

The primary component of current assets is cash and cash equivalents (unrestricted), which increased by $127.3 million to total $1.2 billion at June 30, 2022. This $1.2 billion of cash and cash equivalents plus investments of $20.0 million represent approximately 7.8 months of fiscal year 2022 operating expenses (excluding depreciation/amortization), an increase of 1.0 months from fiscal year 2021. This is a measure of liquid asset availability to cover operating expenses in the event of a temporary interruption to or decrease in the system's revenues.

Deferred outflows of $235.3 million and $163.6 million were reported in fiscal years 2022 and 2021, respectively, which represent the consumption of net position in one period that is applicable to future periods and is primarily due to GASB Statements No. 68 and No. 75.

Current liabilities consist primarily of salaries and benefits payable and accounts payable. Salaries and benefits payable at June 30, 2022 decreased from the prior year by $0.4 million, or 0.2 percent, to a total of $145.5 million. Consistent with prior years, the salaries and benefits payable accrual included about two months of earned salary for faculty who elected to receive salaries over twelve months on a September 1 through August 31 year. Accounts payable, including payables from restricted assets, increased by $8.6 million from fiscal year 2021 to fiscal year 2022.

The noncurrent liabilities decreased by $226.1 million or 23.0 percent in fiscal year 2022 compared to fiscal year 2021. This was primarily due to a decrease of $193.9 million in the net pension liability in fiscal year 2022 compared to fiscal year 2021.

Deferred inflows of $572.7 million and $506.8 million were reported in fiscal years 2022 and 2021, respectively, which represent the acquisition of net position in one period that is applicable to future periods and is primarily due to GASB Statements No. 68 and No. 75. Additionally, GASB Statement No. 68 resulted in a net pension liability for fiscal years 2022 and 2021 in the amounts of $150.8 million and $344.7 million, respectively.

Net position represents the system's residual interest in total assets and deferred outflows after deducting total liabilities and deferred inflows. Net investment in capital assets, represents by far the largest portion of net position. Capital assets are carried at historical cost, not replacement cost. Restricted net position has constraints placed on its use by external creditors, grantors, contributors, laws or regulations and consist primarily of those asset restrictions imposed by bond covenants of $85.7 million and restricted for debt service of $37.8 million for a combined $4.9 million increase over fiscal year 2021.

The system's net position as of June 30, 2022, 2021 and 2020 follows:

(In Thousands)

	2022	2021	2020
Net investment in capital assets	$ 1,493,618	$ 1,513,799	$ 1,536,997
Restricted expendable, bond covenants	85,746	73,205	73,340
Restricted expendable, other	63,227	69,908	68,682
Unrestricted	266,561	(4,389)	(37,036)
Total net position	$ 1,909,152	$ 1,652,523	$ 1,641,983

The system's financial position increased during fiscal year 2022 with net position increasing by $256.6 million, or 15.6 percent, on total revenues of $2.3 billion.

Without the effect of GASB Statements No. 68 and No. 75, unrestricted net position increased $60.5 million or 2.5 percent in fiscal year 2022, and $23.9 million or 1.0 percent in fiscal year 2021. This increase in fiscal year 2022 was primarily due to the additional federal HEERF funding received in fiscal year 2022 compared to fiscal year 2021.

Unrestricted net position increased significantly by $270.9 million over fiscal year 2021. This is compared to the increase of $32.6 million, or 88.1 percent in fiscal year 2021. During fiscal year 2020 unrestricted net position decreased by $2.7 million, or 6.8 percent. This is mainly due to GASB Statements No. 68 and No. 75, as seen in the table below.

(In Thousands)

	2022	2021	2020
Unrestricted net position balance at June 30	$ 266,561	$ (4,389)	$ (37,036)
Prior year effect of GASB Statements No. 68 and No. 75	739,872	726,491	708,799
Current year effect of GASB Statements No. 68 and No. 75	(196,132)	13,381	17,692
Balance at June 30, without effect of GASB No. 68 and No. 75	$ 810,301	$ 735,483	$ 689,455

CAPITAL AND DEBT ACTIVITIES

With over 28 million managed square feet, the quality of the system's academic and residential life programs is closely linked to the development and renewal of its capital assets. The system continues to update and implement a long-range plan to modernize its complement of older facilities, balanced with new construction. Detail on commitments for construction projects is provided in Note 16 to the financial statements.

Fiscal year 2022 capital outlays totaled $89.6 million, including $66.1 million of new construction in progress, compared to fiscal year 2021 capital outlays which totaled $105.7 million, including $60.4 million of new construction in progress. Investments in capital assets consist largely of replacement and renovation of academic facilities, student housing and investments in equipment.

Capital and right to use assets are primarily financed by long-term debt through issuance of general obligation and revenue bonds. As more fully described in Notes 1 and 8, the system is responsible for paying one third of the debt service for certain general obligation bonds sold by the state of Minnesota for capital asset projects. The system recognizes as capital appropriation revenue any portion of general obligation bonds sold for which the system has no debt service responsibility.

Total state appropriation in fiscal year 2022 was $795.3 million of which $1.6 million is included for asset repairs and improvements that are not capitalized. General obligation bonds payable totaled $171.8 million at June 30, 2022, a net decrease of $11.6 million during the fiscal year. Revenue bonds payable at June 30, 2022 totaled $186.5 million, a net decrease of $35.7 million from June 30, 2021.

The percentage of total revenue expended to cover debt service (principal and interest payments on general obligation and revenue bonds, leases and notes payable) has increased $52.1 million or 2.5 percent in fiscal year 2011, to $84.0 million or 3.7 percent in fiscal year 2022. This compares to 0.9 percent of total revenue to cover debt service (principal and interest payments) on general obligation bonds only for fiscal year 2022.

Additional information on capital and debt activities can be found in Note 6 and Note 8 to the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statements of revenues, expenses and changes in net position present the system's results of operations and the overall change in net position 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 position. The state appropriation and federal and state grants are required under GASB Statement No. 34 to be considered nonoperating revenues.

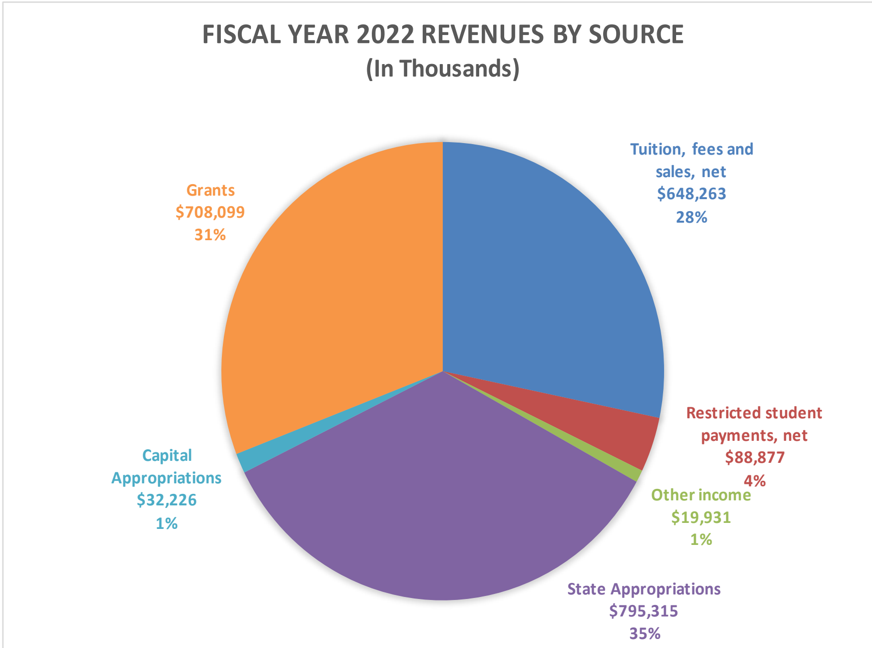
A summary of the system's statements of revenues, expenses and changes in net position as of June 30, 2022, 2021 and 2020 follows:

(In Thousands)

	2022	2021	2020
Operating revenues:			
Tuition, fees and sales, net	$ 648,263	$ 655,102	$ 684,104
Restricted student payments, net	88,877	75,271	90,398
Other income	14,447	20,824	19,518
Total operating revenues	751,587	751,197	794,020
Operating expenses:			
Salaries and benefits	1,179,090	1,411,613	1,420,716
Depreciation and amortization	146,636	137,279	135,954
Financial aid, net	233,934	106,538	95,218
Other	452,959	393,657	406,818
Total operating expenses	2,012,619	2,049,087	2,058,706
Nonoperating revenues (expenses):			
State appropriations	795,315	767,931	762,135
Grants	708,099	530,302	475,865
Interest income	2,336	7,074	15,230
Interest expense	(11,677)	(16,629)	(19,504)
Grants to other organizations	(11,786)	(10,780)	(10,746)
Total nonoperating revenues (expenses)	1,482,287	1,277,898	1,222,980
Income (loss) before other revenues, expenses, gains or losses	221,255	(19,992)	(41,706)
Other revenues	35,374	30,532	67,474
Change in net position	256,629	10,540	25,768
Net position, beginning of year	1,652,523	1,641,983	1,616,215
Net position, end of year	$ 1,909,152	$ 1,652,523	$ 1,641,983

The fiscal year 2022 total revenues increased by $205.7 million, or 9.9 percent, which was the result of increases in grant revenue of $177.8 million along with an increase in state appropriation of $27.4 million. Total operating revenues increased by $0.4 million in fiscal year 2022 compared to fiscal year 2021. Sales and room and board revenue increased by $8.8 million, or 12.1 percent, in fiscal year 2022.

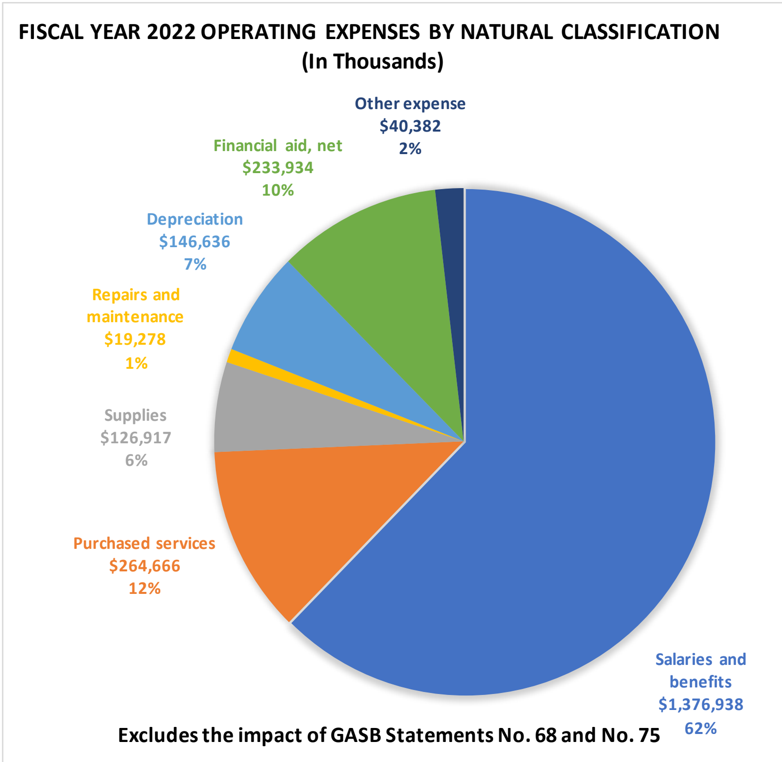
The following chart depicts fiscal year 2022 revenue by source:

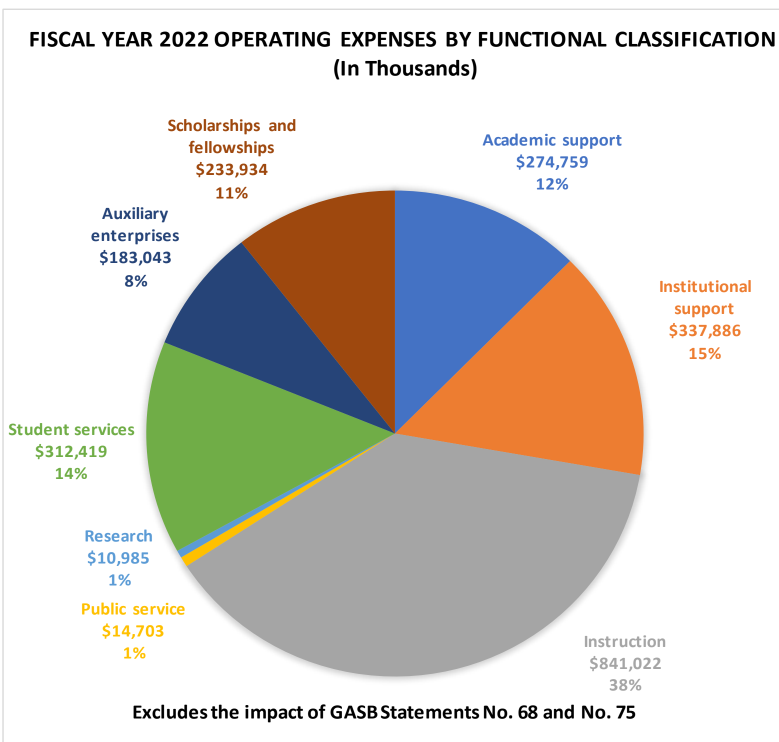


Compensation is the system's single largest expense component. Compensation expense decreased $232.5 million, or 16.5 percent, in fiscal year 2022 and represented 58.6 percent of total operating expense, compared to 68.9 percent in fiscal year 2021. Total compensation expense included fringe benefit costs of $153.7 million and $382.0 million in fiscal years 2022 and 2021, respectively. Fringe benefit costs in fiscal year 2022 decreased $228.3 million due to GASB Statements No. 68 and No. 75 adjustments, compared to an increase of $4.3 million in fiscal year 2021. Excluding the GASB Statements No. 68 and No. 75 adjustments, the net decrease in compensation was $21.3 million or 1.5 percent, for fiscal year 2022.

The total of all other operating expenses increased for fiscal year 2022 by $196.1 million or 30.8 percent compared to fiscal year 2021. This follows a decrease of 0.1 percent from fiscal year 2021 to fiscal year 2020. The increase in fiscal year 2022 operating expenses is primarily related to costs incurred from HEERF spending. Of this increase, $127.4 million was disbursed to students in the form of financial aid.

The following charts illustrate fiscal year 2022 operating expenses by natural and functional classifications. Total expenses additionally include interest expense of $11.7 million and grants to other organizations of $11.8 million. These charts exclude the impact of GASB Statements No. 68 and No. 75 which results in a credit to compensation expense of $196.1 million:





The system's overall financial position increased by $256.6 million in fiscal year 2022. Without the effect of GASB Statements No. 68 and No. 75, the system's overall financial position increased by $60.5 million in fiscal year 2022.

Change in Net Position
Years ended June 30, 2022, 2021 and 2020
(In Thousands)

	2022	2021	2020
Increase in net position			
Including GASB No. 68 and GASB No. 75	$ 256,629	$ 10,540	$ 25,768
Impact on compensation expense			
Pension	(199,208)	11,365	14,691
Other postemployment benefits	3,076	2,016	3,001
Total GASB No. 68 and No. 75 impact	$ (196,132)	$ 13,381	$ 17,692
Increase in net position			
Excluding GASB No. 68 and No. 75	$ 60,497	$ 23,921	$ 43,460

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. Under state statute, the system's share of earnings on the state's investment pool is allocated to each institution by the System Office. Note 2 provides additional information on cash and investments, including steps taken to control interest and credit related risks. Revenue Fund cash balances are held in part by the state treasury and in part by U.S. Bank, N.A. as trustee, and are invested separately under contracts for investment management services.

FOUNDATIONS

The system's annual financial report for the years ended June 30, 2022 and 2021 includes financial statements for the foundations of all seven state universities, based on an assessment of the foundations' significance to the system's financial statements.

The accompanying financial report includes the foundations' statements of financial position, and the foundations' statements of activities, analogous to the system's statements of revenues, expenses, and changes in net position. It should be noted that the foundations' financial statements are not consolidated but are reported separately within the system's financial statements. The relationships between the foundations and the related universities are described in Note 18.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Minnesota State continued to maintain a sound financial position in fiscal year 2022. Despite continued enrollment declines, net position improved including and excluding the effects of GASB No. 68 and 75. The primary reason for this sound financial position was the one-time Federal HEERF funding of $334.6 million in fiscal year 2022 to support students with additional financial aid and to assist colleges and universities with additional costs and lost revenue due to the pandemic. HEERF funds have been a critical and significant source of non-operating revenue the last three fiscal years. Colleges and universities have about $65.0 million available for fiscal year 2023 due to the June 30, 2023 extension provided by the United States Department of Education. Since these are one-time funds, operating revenues will need to recover in the near future to avoid having the reductions of expenses being the primary tool to having structurally balanced budgets going forward.

That recovery will rely heavily on enrollment stabilizing for Minnesota State. Minnesota State credit enrollment has decreased by nearly 30.0 percent in the last decade. Enrollment continues to be a major concern for most of our colleges and universities. Since fiscal year 2011, enrollment has decreased by nearly 50,000 full year equivalent (FYE) students which equates to a 32.0 percent decline. During the pandemic, enrollment declined at a faster pace. Almost 30.0 percent or 14,449 of the 50,000 FYE decline occurred between fiscal years 2020 and 2022. Fiscal year 2023 enrollment looks to continue this trend as fall 2022 enrollment projections for Minnesota State show a projected decline of approximately 4.0 percent from fiscal year 2022 enrollments. Pandemic health and safety mitigation measures continued to have a significant impact in fiscal year 2022. These measures have been reduced or lifted for the most part for fall semester 2022.

Despite enrollment challenges, Minnesota State remains committed to its core value to provide an opportunity for all Minnesotans to create a better future for themselves, for their families, and for their communities. Minnesota State's strategic objectives are built around three overlapping objectives: Equity 2030, Financial Sustainability, and Transformational Change with five focus areas:

- Student Success and Equity: Redesign educational and student service delivery models to ensure continued evolution that supports teaching and learning in a post-pandemic era and responds to the changing context of higher education.
- Workforce and Economic Development: Advance career, technical, and professional education to provide Minnesota with the talent it needs for a strong economy.
- Technology Solutions: Provide technologies that will allow us to redesign teaching and learning and encouraging a fair and equitable environment that closes student technology equity gaps across the diverse landscape and responds to the wide differences among our campuses in their technology infrastructure and ability to embark on digital transformation.
- Data Democratization: To continue to mature as a data driven organization, we must identify what information is needed-who needs access to the information and how best to facilitate and govern data infrastructure.
- Organizational Effectiveness: Provide examination and tools and resources to provide the infrastructure support as we strive for an effective organization that can be nimble and respond to the external challenges and changing landscape of higher education.

Minnesota State colleges, universities, and the system as a whole are becoming more aggressive in developing and employing comprehensive enrollment management strategies. Strategic enrollment management is a major component of Minnesota State Equity 2030, which has one goal – closing the educational equity gaps across race and ethnicity, socioeconomic status, and geographic location by the year 2030. Achieving this goal requires re-envisioning and enhancing the entire student experience to improve student success. Investments are being made to improve technologies and data analysis infrastructure and to scale high impact practices such as holistic academic advising across the system.

The outlook for the state of Minnesota budget and economic condition is positive. Minnesota State's state appropriation is its largest revenue source. The latest economic forecast showed a general fund surplus of over $9.0 billion in the current biennium. This surplus represents over 15.0 percent of biennial expenditures. Even though the outlook for the national economy has weakened since the February 2022 state forecast, State of Minnesota revenues collections continued to exceed projections over the summer. This backdrop is critical as the Minnesota State Board of Trustees prepares to submit its fiscal year 2024 and 2025 biennial budget request to the state. After receiving $56.4 million from our $120.0 million request in fiscal years 2022 and 2023, Minnesota State looks to make a request about three times the size (in excess of $300.0 million) for the next biennium that is designed to support students, support workforce and economic development, and provide the system resources to ensure there are adequate programs and services to support the system's strategic priorities.

REQUESTS FOR INFORMATION

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

System Director Financial Reporting
Minnesota State
30 East 7th Street, Suite 350
St Paul, MN 55101-7804

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2022 AND 2021
(IN THOUSANDS)

Assets	2022	2021
Current Assets		
Cash and cash equivalents	$ 1,189,704	$ 1,062,418
Investments	20,028	24,813
Grants receivable	52,456	69,979
Accounts receivable, net	65,224	65,630
Leases receivable	2,844	2,839
Prepaid expense	27,843	29,361
Inventory and other assets	12,509	14,178
Student loans, net	2,721	3,439
Total current assets	1,373,329	1,272,657
Current Restricted Cash and Cash Equivalents	49,040	56,607
Noncurrent Restricted Assets		
Investments	302	303
Construction in progress	-	94
Total noncurrent restricted assets	302	397
Total restricted assets	49,342	57,004
Noncurrent Assets		
Notes receivable	1,368	1,492
Leases receivable	10,816	11,096
Student loans, net	6,421	9,459
Capital and right to use assets, net	1,908,190	1,968,960
Total noncurrent assets	1,926,795	1,991,007
Total Assets	3,349,466	3,320,668
Deferred Outflows of Resources	235,309	163,598
Total Assets and Deferred Outflows of Resources	3,584,775	3,484,266
Liabilities		
Current Liabilities		
Salaries and benefits payable	145,460	145,816
Accounts payable	48,932	41,763
Unearned revenue	66,053	57,335
Payable from restricted assets	8,160	6,696
Other liabilities	9,700	9,044
Current portion of long-term obligations	45,561	60,293
Other compensation benefits	22,493	21,327
Total current liabilities	346,359	342,274
Noncurrent Liabilities		
Noncurrent portion of long-term obligations	399,824	432,356
Other compensation benefits	205,914	205,604
Net pension liability	150,831	344,746
Total noncurrent liabilities	756,569	982,706
Total Liabilities	1,102,928	1,324,980
Deferred Inflows of Resources	572,695	506,763
Total Liabilities and Deferred Inflows of Resources	1,675,623	1,831,743
Net Position		
Net investment in capital assets	1,493,618	1,513,799
Restricted expendable, bond covenants	85,746	73,205
Restricted expendable, other	63,227	69,908
Unrestricted	266,561	(4,389)
Total Net Position	$ 1,909,152	$ 1,652,523

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES FOUNDATIONS
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021
(IN THOUSANDS)

Assets	2022	2021
Current Assets		
Cash and cash equivalents	$ 11,724	$ 11,566
Investments	38,172	42,599
Restricted cash and cash equivalents	1,022	1,022
Pledges and contributions receivable, net	4,941	7,392
Other receivables and Other assets	1,203	246
Annuities/Remainder interests/Trusts	149	247
Finance lease receivable	-	1,008
Total current assets	57,211	64,080
Noncurrent Assets		
Annuities/Remainder interests/Trusts	2,945	475
Long-term pledges receivable	8,840	9,038
Investments	235,709	264,502
Buildings, property and equipment, net	14,202	14,160
Other assets	5,742	3,893
Total noncurrent assets	267,438	292,068
Total Assets	$ 324,649	$ 356,148
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,229	$ 1,083
Interest payable	7	15
Unearned revenue	713	328
Annuities payable	578	636
Bonds payable	2,111	2,064
Scholarships payable and Other liabilities	2,298	2,096
Total current liabilities	6,936	6,222
Noncurrent Liabilities		
Annuities payable and Unitrust liabilities	885	968
Notes payable	2,915	540
Bonds payable	5,446	7,771
Total noncurrent liabilities	9,246	9,279
Total Liabilities	16,182	15,501
Net Assets		
Without donor restrictions	22,076	23,467
With donor restrictions	286,391	317,180
Total Net Assets	308,467	340,647
Total Liabilities and Net Assets	$ 324,649	$ 356,148

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
Operating Revenues		
Tuition, net	$ 498,008	$ 513,726
Fees, net	69,211	69,103
Sales and room and board, net	81,044	72,273
Restricted student payments, net	88,877	75,271
Other income	14,447	20,824
Total operating revenues	751,587	751,197
Operating Expenses		
Salaries and benefits	1,179,090	1,411,613
Purchased services	264,666	227,664
Supplies	126,917	109,644
Repairs and maintenance	19,278	19,796
Depreciation and amortization	146,636	137,279
Financial aid, net	233,934	106,538
Other expense	42,098	36,553
Total operating expenses	2,012,619	2,049,087
Operating loss	(1,261,032)	(1,297,890)
Nonoperating Revenues (Expenses)		
Appropriations	795,315	767,931
Federal grants	579,826	407,998
State grants	98,249	96,992
Private grants	30,024	25,312
Interest income	2,336	7,074
Interest expense	(11,677)	(16,629)
Grants to other organizations	(11,786)	(10,780)
Total nonoperating revenues (expenses)	1,482,287	1,277,898
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	221,255	(19,992)
Capital appropriations	32,226	28,825
Capital grants	1,320	-
Donated assets	1,089	858
Gain on disposal of capital assets	739	849
Change in net position	256,629	10,540
Total Net Position, Beginning of Year	1,652,523	1,641,983
Total Net Position, End of Year	$ 1,909,152	$ 1,652,523

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES FOUNDATIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	2022
Support and Revenue			
Contributions	$ 2,102	$ 25,295	$ 27,397
Endowment gifts	-	1,041	1,041
In-kind contributions	4,628	2,297	6,925
Investment income (loss)	406	(28,465)	(28,059)
Realized gain	113	2,319	2,432
Unrealized loss	(1,020)	(11,988)	(13,008)
Program income	1,105	147	1,252
Special events	11	177	188
Fundraising income	-	309	309
Other income	1,239	148	1,387
Reclassification of net assets	9,001	(9,001)	-
Net assets released from restrictions	13,063	(13,063)	-
Total support and revenue	30,648	(30,784)	(136)
Expenses			
Program services			
Program services	3,630	-	3,630
Scholarships	12,270	-	12,270
Institutional activities	5,264	-	5,264
Special projects	1,395	-	1,395
Total program services	22,559	-	22,559
Supporting services			
Management and general	3,971	5	3,976
Fundraising	5,509	-	5,509
Total supporting services	9,480	5	9,485
Total expenses	32,039	5	32,044
Change in Net Assets	(1,391)	(30,789)	(32,180)
Net Assets, Beginning of Year	23,467	317,180	340,647
Net Assets, End of Year	$ 22,076	$ 286,391	$ 308,467

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES FOUNDATIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	2021
Support and Revenue			
Contributions	$ 4,370	$ 20,581	$ 24,951
Endowment gifts	-	1,445	1,445
In-kind contributions	4,978	360	5,338
Investment income	4,140	45,239	49,379
Realized loss	90	2,114	2,204
Unrealized gain	461	10,226	10,687
Program income	1,227	143	1,370
Special events	-	171	171
Fundraising income	-	190	190
Other income	953	121	1,074
Reclassification of net assets	1,055	(1,055)	-
Net assets released from restrictions	17,369	(17,369)	-
Total support and revenue	34,643	62,166	96,809
Expenses			
Program services			
Program services	5,562	-	5,562
Scholarships	10,082	-	10,082
Institutional activities	934	-	934
Special projects	759	-	759
Total program services	17,337	-	17,337
Supporting services			
Management and general	3,608	-	3,608
Fundraising	8,379	-	8,379
Total supporting services	11,987	-	11,987
Total expenses	29,324	-	29,324
Change in Net Assets	5,319	62,166	67,485
Net Assets, Beginning of Year	18,148	255,014	273,162
Net Assets, End of Year	$ 23,467	$ 317,180	$ 340,647

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	$ 749,059	$ 754,052
Cash repayment of program loans	3,003	3,730
Cash paid to suppliers for goods or services	(451,898)	(395,198)
Cash payments for employees	(1,377,427)	(1,395,701)
Financial aid disbursements	(233,934)	(106,538)
Net cash flows used in operating activities	(1,311,197)	(1,139,655)
Cash Flows from Noncapital and Related Financing Activities		
Appropriations	795,315	767,931
Federal grants	606,868	369,548
State grants	98,249	96,992
Private grants	30,024	25,312
Agency activity	198	(3,421)
Grants to other organizations	(11,786)	(10,780)
Net cash flows provided by noncapital and related financing activities	1,518,868	1,245,582
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(78,412)	(84,265)
Capital appropriation	31,223	26,872
Proceeds from sale of capital assets and insurance proceeds	5,584	3,291
Proceeds from borrowing	62,243	6,195
Proceeds from bond premiums	14,195	1,925
Interest paid	(16,875)	(17,501)
Repayment of lease principal	(15,141)	(2,134)
Repayment of note principal	(779)	(960)
Repayment of bond principal	(96,609)	(40,932)
Net cash flows used in capital and related financing activities	(94,571)	(107,509)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	9,574	556
Purchase of investments	(5,894)	(2,384)
Investment earnings	2,939	3,758
Net cash flows provided by investing activities	6,619	1,930
Net Increase in Cash and Cash Equivalents	119,719	348
Cash and Cash Equivalents, Beginning of Year	1,119,025	1,118,677
Cash and Cash Equivalents, End of Year	$ 1,238,744	$ 1,119,025

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
Operating Loss	$ (1,261,032)	$ (1,297,890)
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Change in pension plan related items:		
Net pension liability	(193,915)	18,857
Deferred inflows of resources	69,377	(234,280)
Deferred outflows of resources	(74,670)	226,790
Depreciation and amortization	146,636	137,279
Provision for loan defaults	(257)	(2,299)
Loan principal repayments	3,003	3,730
Forgiven loans	1,010	3,258
Change in assets and liabilities		
Inventory	1,679	1,039
Accounts receivable	1,409	(1,952)
Leases receivable	164	-
Accounts payable	3,461	3,333
Salaries and benefits payable	(356)	(437)
Other compensation benefits and related deferred outflows and inflows	378	4,745
Capital contributions payable	(3,911)	(5,078)
Unearned revenue	(4,100)	4,806
Other	(73)	(1,556)
Net reconciling items to adjust operating loss	(50,165)	158,235
Net cash flows used in operating activities	$ (1,311,197)	$ (1,139,655)
Non-Cash Investing, Capital, and Financing Activities:		
Capital projects on account	$ 15,186	$ 9,690
Donated capital assets	2,409	858
Amortization of bond premium	5,196	4,257

MINNESOTA STATE COLLEGES AND UNIVERSITIES
DEFINED CONTRIBUTION RETIREMENT FUND
STATEMENTS OF FIDUCIARY NET POSITION HELD FOR PENSION BENEFITS
AS OF JUNE 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
Assets		
Mutual Funds	$ 2,445,021	$ 2,823,069
Total Assets	2,445,021	2,823,069
Liabilities		
Total Liabilities	-	-
Net Position Held in Trust for Pension Benefits	$ 2,445,021	$ 2,823,069

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
DEFINED CONTRIBUTION RETIREMENT FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION HELD FOR PENSION BENEFITS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
Additions:		
Contributions		
Employer	$ 45,649	$ 45,960
Member	49,979	48,079
Contributions from roll overs and other sources	3,539	4,098
Total Contributions	99,167	98,137
Net Investment Gain (Loss)	(330,680)	602,007
Total Additions	(231,513)	700,144
Deductions:		
Benefits and refunds paid to plan members	145,337	122,951
Administrative fees	1,198	1,659
Total Deductions	146,535	124,610
Net Increase (Decrease)	(378,048)	575,534
Net Position Held in Trust for Pension Benefits, Beginning of Year	2,823,069	2,247,535
Net Position Held in Trust for Pension Benefits, End of Year	$ 2,445,021	$ 2,823,069

The notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation — The reporting policies of Minnesota State Colleges and Universities (Minnesota State) conform to generally accepted accounting principles (GAAP) in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows represent the financial activities of each institution and the System's activity in total.

Financial Reporting Entity — Minnesota State 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. The Minnesota State financial statements include 37 member colleges and universities, the System Office, and System-wide activity. Effective May 23, 2022, five colleges with six campuses were combined into one individual college, with fiscal year 2022 being the last year these five colleges are being reported separately. The operations of most student organizations are included in the reporting entity because the board of trustees has certain fiduciary responsibilities for these resources.

Minnesota State 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, a legally separate entity, but are also included here. Details on the Revenue Fund bonds are available in the separately audited and issued Revenue Fund Financial Report. Copies are available from the financial reporting director at the address listed at the end of the Management's Discussion and Analysis section.

Discretely presented component units are legally separate organizations that raise and hold economic resources for the direct benefit of a college or university in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Foundations considered significant to a college or university are included as discretely presented component units and are separately identified in Note 18. For GASB financial statement purposes, most college foundations are not considered significant to the Minnesota State System and, therefore, are not included as discretely presented component units.

Complete financial statements of the foundations may be obtained from their respective administrative offices as follows:

Bemidji State University Alumni and Foundation
1500 Birchmont Drive NE #17
Bemidji, MN 56601-2699

Metropolitan State University Foundation
700 East Seventh Street
St. Paul, MN 55106

Minnesota State University, Mankato Foundation, Inc.
224 Alumni Foundation Center
Mankato, MN 56001

MN State University Moorhead Foundation, Inc.
1104 Seventh Avenue South
Moorhead, MN 56563

St. Cloud State University Foundation, Inc.
Alumni and Foundation Center
720 Fourth Avenue South
St. Cloud, MN 56301-4498

Southwest Minnesota State University Foundation
1501 State Street
Marshall, MN 56258

Winona State University Foundation
P.O. Box 5838
175 West Mark Street
Winona, MN 55987-5838

Fiduciary funds are omitted from inclusion in the net position of Minnesota State. Separate statements are included for the Minnesota State 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. During fiscal year 2022, joint ventures received revenues of $7,613 and incurred expenses of $7,486. In fiscal year 2021 the amounts for revenues and expenses were $7,868 and $7,141, respectively.

Minnesota State jointly governs the Fond du Lac Tribal & Community College. The governing boards are the Minnesota State 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 financial statements.

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

Budgetary Accounting — Minnesota State 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 August for the budget fiscal year. Revenues not yet received by the close of the books are not included. The criterion for recognizing expenses is the actual disbursement, 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 is governed by a fifteen-member board of trustees appointed by the Governor with the advice and consent of the state senate. The board approves the individual colleges and universities biennial budget requests and allocations as part of the Minnesota State total budget.

Budgetary control is maintained at the college and university level. Presidents have the authority and responsibility to administer the budget and can transfer money between programs within each college and university without board approval. The budget of a college or university can be legally amended by the authority of the Vice Chancellor for Finance and Facilities of Minnesota State.

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 a future biennium. State appropriation included $1,568 and $2,022 in fiscal years 2022 and 2021 respectively, for asset repairs and improvements that are not capitalized.

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

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

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

All balances related to the state appropriation, tuition revenues, and most fees are in the state treasury. 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 — Investments are reported at fair value using quoted market prices. In addition, Minnesota State invests funds held for auxiliary and student activities in various brokerage accounts.

Receivables — Accounts receivable and student loans receivable are shown net of an allowance for uncollectible accounts. Minnesota State considers grants receivable to be fully collectible, accordingly, no allowance for doubtful accounts has been recorded for these receivables.

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

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

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

Estimated useful lives are as follows:

Asset Type	Useful Life
Buildings	30-40 years
Building improvements	15-20 years
Equipment	3-20 years
Internally developed software	7 years
Library collections	7 years

Equipment includes all items purchased with an original cost of $10 and over. Buildings, building improvements, and internally developed software include all projects with a cost of $250 and over for projects started since July 1, 2008, and $100 and over for projects started prior to July 1, 2008. All land and library collection purchases are capitalized regardless of amount spent.

Leases and Right to Use Assets — Minnesota State determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and lease liabilities in the statements of net position. Lease assets represent Minnesota State's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Right to use buildings are amortized over lives ranging from two to thirty-four years. Right to use equipment is amortized over lives ranging from two to six years. Lease liabilities represent Minnesota State's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that Minnesota State will exercise that option. Minnesota State has elected to recognize payments for short-term leases with a lease term of 12 months or less and leases with a present value of less than $250 as expenses as incurred, and these leases are not included as lease liabilities or right to use lease assets on the statements of net position. Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent Minnesota State's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Minnesota State recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. Minnesota State also recognizes payments received on leases with an initial calculated net present value of $250 or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position.

Unearned Revenue — Unearned revenue consists primarily of tuition received, but not yet earned for summer session and fall term. It also includes amounts received for unspent bond proceeds, residence hall deposits, and from grants which have not yet been earned under the terms of the agreement. Additionally, it includes food service vendor capital investments that will benefit Minnesota State over the next years. At June 30, 2022 and 2021, the food service vendor capital investment balances were $10,282 and $9,483, respectively. The amount of food service revenue recognized in fiscal years 2022 and 2021 was $2,501 and $2,887, respectively.

Long-Term Liabilities — The state of Minnesota appropriates for and sells general obligation bonds to support construction and renovation of Minnesota State facilities as approved through the state's capital budget process. Minnesota State is responsible for a portion of the debt service on the bonds sold for some college and university projects. Minnesota State may sell revenue bonds and may also enter into lease agreements for certain right to use assets.

Other long-term liabilities include compensated absences, net pension liability, early retirement benefits, other postemployment benefits, workers' compensation claims, notes payable, and capital contributions payable associated with Perkins Loan agreements with the United States Department of Education.

Deferred Outflows and Deferred Inflows of Resources — Deferred outflows of resources represent the consumption of net position by Minnesota State in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans, other postemployment benefits (OPEB), economic gains/losses related to revenue bond and general obligation bond refunding, which is a result of the difference in the carrying value of the refunded debt and its reacquisition price and lease revenue.
The following tables summarize deferred outflows and inflows:

	Deferred Outflows of Resources Year Ended June 30	
	2022	2021
Related to Pensions		
Differences between projected and actual investment earnings	$ -	$ 8,541
Changes in actuarial assumptions	165,696	84,965
Contributions paid to plans subsequent to measurement date	31,710	31,323
Differences between expected and actual economic experience	5,295	6,592
Changes in proportion	14,585	11,196
Total related to pensions	217,286	142,617
Related to Other Postemployment Benefits		
Contributions paid to plan subsequent to measurement date	4,646	4,646
Changes in actuarial assumptions	11,774	14,512
Total related to OPEB	16,420	19,158
Related to Refunding		
Economic loss on refunding of bonds	1,603	1,823
Total	$ 235,309	$ 163,598

	Deferred Inflows of Resources Year Ended June 30	
	2022	2021
Related to Pensions:		
Differences between projected and actual investment earnings	$ 288,678	$ -
Changes in actuarial assumptions	208,488	419,989
Differences between expected and actual economic experience	4,810	4,647
Changes in proportion	36,488	44,452
Total related to pensions	538,464	469,088
Related to Other Postemployment Benefits		
Changes in actuarial assumptions	1,940	2,583
Differences between expected and actual economic experience	14,774	17,967
Total related to OPEB	16,714	20,550
Related to Refunding:		
Economic gain on refunding of bonds	3,693	3,190
Related to Leases:		
Lease revenue	13,824	13,935
Total	$ 572,695	$ 506,763

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

Tuition, Fees, and Sales, Net — Tuition, fees, and sales are reported net of scholarship allowance. Note 12 to the financial statements provides additional information.

Restricted Student Payments — Restricted student payments consist of room and board, sales, and fee revenue restricted for payment of revenue bonds, and are net of scholarship allowance. Note 12 to the financial statements provides additional information.

Federal Grants — Minnesota State participates in several federal grant programs. The largest programs include Pell, Supplemental Educational Opportunity Grant, Federal Work Study, and TRIO. New for fiscal year 2020 and continuing to have a significant impact into fiscal year 2022 was Higher Education Emergency Relief Funds (HEERF) grant provided to the system due to the pandemic. The federal grant revenue related to those grants was $334,559 and $156,237 for fiscal years 2022 and 2021, respectively. Federal grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the system will record such disallowance at the time the determination is made.

Capital Grants — Minnesota State receives federal, state, and private grants which are restricted for the acquisition or construction of capital assets or are in-kind equipment donations.

Other Postemployment Benefits (OPEB) — For purposes of measuring the total OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. The plan is not funded. Minnesota State recognized an increase in benefit expense of $1,360 and $2,016 in fiscal years 2022 and 2021 respectively, related to OPEB. Those increases are comprised of OPEB expense of $6,006 and $6,662, net of reduction to expense for yearly contributions of $4,646 and $4,646 for fiscal years 2022 and 2021, respectively.

Defined Benefit Pensions — For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of the employer payroll paid dates and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The actuarially derived net pension liability, deferred outflows, and deferred inflows of resources can vary between years due to actuarial assumption changes, which can result in significant variability between years. For the years ended June 30, 2022 and 2021, Minnesota State recognized a decrease in benefit expense of $199,207 and an increase of $11,366, respectively, related to defined benefit pensions. The decrease in fiscal year 2022 is comprised of a decrease in expense of $167,497 along with a reduction in expense for yearly contributions of $31,710. The increase in fiscal year 2021 is comprised of an increase in expense of $42,690, along with a reduction in expense for yearly contributions of $31,324.

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, compensated absences, scholarship allowances, and workers' compensation claims.

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

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

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

  Restricted for bond covenants — revenue bond restrictions.

  Restricted for other — includes restrictions for the following:

  Capital projects — restricted for completion of capital projects.

  Debt service — legally restricted debt repayment.

  Donations — restricted per donor requests.

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

  Loans — college and university capital contributions for Perkins Loans.

  The following table summarizes net position restricted for other:

	Year Ended June 30	
	2022	2021
Capital projects	$ 357	$ 288
Debt service	37,792	45,430
Donations	7,054	7,050
Faculty contract obligations	16,700	15,231
Loans	1,324	1,909
Total	$ 63,227	$ 69,908

- *Unrestricted:* net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management, the System Office, or the board of trustees.

The system has no formal financial management policy addressing which resources to use when both restricted and unrestricted net position are available for the same purpose. College, university, or System Office leadership that has the delegated authority decides which resources to use at the time expenses are incurred. Factors used to determine which resources to use include relative priorities of the college or university in accordance with the strategic initiatives and externally imposed matching requirements of certain restricted funds. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

New Accounting Standards — In June 2017, the GASB issued Statement No. 87, *Leases,* which establishes accounting and financial reporting for leases by lessees and lessors. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Minnesota State has implemented GASB Statement No. 87 in fiscal year 2022.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates,* which addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. GASB Statement No. 93 is effective for the year beginning after June 15, 2021. Minnesota State has implemented GASB No. 93 in fiscal year 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Service Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No 32.* The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statement, and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Minnesota State has implemented GASB No. 97 in fiscal year 2022.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations,* which provides a single method of reporting conduit debt obligations by issuers. It also eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB No. 91 is effective for the year beginning after December 15, 2021. The effect GASB Statement No. 91 will have on the fiscal year 2023 financial statements has not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. The statement also provides guidance for accounting and financial reporting for availability payment arrangements. GASB Statement No. 94 is effective for the year beginning after June 15, 2022. The effect GASB Statement No. 94 will have on the fiscal year 2023 financial statements has not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements,* which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The statement defines subscription-based technology arrangements, established that they are a right to use asset with a corresponding liability, provides capitalization criteria for outlays other than subscription payments including implementation costs, and requires footnote disclosure regarding the arrangements. GASB Statement No. 96 is effective for fiscal years beginning after June 15, 2022. The effect GASB Statement No. 96 will have on the fiscal year 2023 financial statements has not yet been determined.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences using a unified model and amending certain previously required disclosures. GASB Statement No. 101 is effective for years beginning after December 15, 2023. The effect of GASB statement No. 101 will have on the fiscal year 2025 financial statements has not yet been determined.

Reclassifications — Certain prior year amounts have been reclassified to conform to current year presentation. These classifications had no effect on net position previously reported.

Risks and Uncertainties — The World Health Organization has declared the Coronavirus Disease (COVID-19) a worldwide pandemic. COVID-19 did impact various parts of Minnesota State's fiscal years 2022 and 2021 operations and financial results, including, but not limited to, declines in enrollment, loss of auxiliary revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes Minnesota State continues to take appropriate actions to mitigate the negative impact.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents — All balances related to the state 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 Statutes, Section 118A.03, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statutes further require that such insurance and collateral shall be at least ten percent greater than the amount on deposit, except where the collateral is an irrevocable standby letter of credit, in which case the collateral should at least equal the deposits. Board procedure 7.5.1 requires compliance with Minnesota Statutes, Section 118A.03.

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's name. All cash and cash equivalents are included in Category 1.

At June 30, 2022 and 2021, the local bank balances were $121,207 and $101,540, respectively. These balances were adjusted by items in transit to arrive at the cash in bank balance.

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

	Year Ended June 30	
Carrying Amount	2022	2021
Cash, in bank	$ 88,022	$ 77,087
Money markets	10,781	7,308
Cash, trustee account (US Bank)	22,359	26,141
Total local cash and cash equivalents	121,162	110,536
Total treasury cash accounts	1,117,582	1,008,489
Grand Total	$ 1,238,744	$ 1,119,025

The balance in the state treasury is invested by the Minnesota State Board of Investment (SBI) as part of the state investment pool. This asset is reported as a cash equivalent. The Revenue Fund contracts with the SBI and U.S. Bank, N.A. for investment management services of Revenue Fund cash.

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

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. St. Cloud State University has foreign checking accounts, denominated entirely in British Pounds. At June 30, 2022 and 2021, the fair value in U.S. Dollars is $129 and $174, respectively.

Investments — The Minnesota State Board of Investment (SBI) manages the majority of the state's investments. All investments managed by the SBI are governed by Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24, broadly restricts investments to obligations and stocks of U.S. and Canadian governments, their agencies and registered corporations, other international securities, short term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate or resource equity investments, and the restricted participation in registered mutual funds. Funds not invested by SBI must also conform to the above statutes and may be further restricted by bond indentures.

Generally, when applicable, the statutes limit investments to those rated by a nationally recognized rating agency within the top four quality rating categories. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds. Within statutory requirements and based on detailed analysis of each fund, the SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Minnesota State complies with Board procedure 7.5.1 that recommends considering fluctuating interest rates and cash flow needs when purchasing short term and long-term debt investments. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

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

Custodial Credit Risk — Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, Minnesota State will not be able to recover the value of the investments that are in the possession of an outside party.

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 or its agent in Minnesota State's name. All investments are in Category 1.

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

Fair Value Reporting — GASB Statement No. 72 *Fair Value Measurement and Application* sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs. The statement defines fair value as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obliged for the liability. The hierarchy has three levels:

- *Level 1* — Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds.
- *Level 2* — Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- *Level 3* — Inputs that are unobservable and significant to the fair value measurement.

Minnesota State had the following investments and maturities held in various brokerage accounts and with SBI:

Year Ended June 30, 2022

Investment Type	Fair Value	Weighted Maturity (Years)	Level 1	Level 2	Level 3
Corporate/municipal bonds	$ 6,923	3.44		x	
U.S. agencies	3,930	3.50	x		
Asset backed securities	1	2.95		x	
U.S. treasuries	960	0.77	x		
Total	11,814				
Portfolio weighted average maturity		3.25			
Certificates of deposit	8,136			x	
Stock	380			x	
Total	$ 20,330				

Year Ended June 30, 2021

Investment Type	Fair Value	Weighted Maturity (Years)	Level 1	Level 2	Level 3
Corporate/municipal bonds	$ 9,345	4.08		x	
U.S. agencies	3,522	5.26	x		
Asset backed securities	35	3.61		x	
Total	12,902				
Portfolio weighted average maturity		4.40			
Certificates of deposit	9,344			x	
Stock	2,870			x	
Total	$ 25,116				

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals not paid as of June 30, 2022 and 2021. At June 30, 2022 and 2021, the total accounts receivable balances were $98,858 and $101,991, respectively, less an allowance for uncollectible receivables of $33,634 and $36,361, respectively.

The following table summarizes accounts receivable, net:

	Year Ended June 30 2022	2021
Tuition	$ 42,382	$ 48,326
Fees	10,120	11,592
Sales and service	7,819	9,095
Room and board	5,332	5,112
Third party obligations	8,330	6,488
Inventory	580	472
Financial aid	4,276	4,381
Capital projects	4,584	3,581
Direct loans	2,017	2,027
Other	13,418	10,917
Total accounts receivable	98,858	101,991
Allowance for doubtful accounts	(33,634)	(36,361)
Accounts receivable, net	$ 65,224	$ 65,630

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

Age	Allowance Percentage
Less than 1 year	20
1 to 3 years	50
3 to 5 years	65
Over 5 years	75

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state’s Debt Service Fund for future general obligation bond payments in the amounts of $24,414 and $25,573 for fiscal years 2022 and 2021, respectively. Minnesota Statutes, Section 16A.641, requires all state agencies to have on hand 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 of the second fiscal year. Also, included in prepaid expenses for fiscal years 2022 and 2021 were $3,429 and $3,788, respectively, stemming mostly from prepaid maintenance agreements and prepaid contractual support.

5. STUDENT LOANS RECEIVABLE

Loans receivable balance is made up primarily of loans under the Federal Perkins Loan Program. The federal government provided the funding for those loans. The Perkins Loan Program expired September 30, 2017. No new Perkins loan advances are permitted after June 30, 2018. Funds collected will be returned to the Department of Education and the institution on an annual basis. The Minnesota State loans collection unit and the colleges and universities are responsible for loans collection. As of June 30, 2022 and 2021, the loans receivable for this program totaled $9,245 and $13,258, respectively, less an allowance for uncollectible loans of $103 and $360, respectively.

The decrease in Federal Perkins Loans is due to continued collection efforts by Minnesota State along with the fact that loans were assigned and accepted back to the U.S. Department of Education in both fiscal years 2022 and 2021. The change in allowance is also contributable to these collections and assignment efforts.

6. CAPITAL AND RIGHT TO USE ASSETS

Summaries of changes in capital and right to use assets for fiscal years 2022 and 2021 follow:

	Year Ended June 30, 2022				
	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated/amortized:					
Land	$ 87,334	$ -	$ 513	$ -	$ 86,821
Intangible assets	596	-	-	-	596
Construction in progress	61,956	66,139	-	(47,273)	80,822
Total capital assets, not depreciated/amortized	149,886	66,139	513	(47,273)	168,239
Capital and right to use assets, depreciated/amortized:					
Buildings and improvements	3,836,271	3,300	7,783	47,273	3,879,061
Equipment	219,485	13,647	9,252	-	223,880
Internally developed software	5,748	1,957	1,644	-	6,061
Right to use buildings and improvements	15,084	-	-	-	15,084
Right to use equipment	13,397	-	-	-	13,397
Library collections	34,686	4,573	5,711	-	33,548
Total capital and right to use assets, depreciated/amortized	4,124,671	23,477	24,390	47,273	4,171,031
Less accumulated depreciation/amortization:					
Buildings and improvements	2,118,572	119,112	4,022	-	2,233,662
Equipment	163,240	12,104	9,682	-	165,662
Internally developed software	3,120	1,017	1,644	-	2,493
Right to use buildings and improvements	-	5,284	-	-	5,284
Right to use equipment	-	4,326	-	-	4,326
Library collections	20,571	4,793	5,711	-	19,653
Total accumulated depreciation/amortization	2,305,503	146,636	21,059	-	2,431,080
Total capital and right to use assets depreciated/amortized, net	1,819,168	(123,159)	3,331	47,273	1,739,951
Total capital and right to use assets, net	$ 1,969,054	$ (57,020)	$ 3,844	$ -	$ 1,908,190

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

	Year Ended June 30, 2021				
	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated/amortized:					
Land	$ 88,396	$ 6	$ 1,068	$ -	$ 87,334
Intangible assets	-	596	-	-	596
Construction in progress	101,577	60,377	-	(99,998)	61,956
Total capital assets, not depreciated/amortized	189,973	60,979	1,068	(99,998)	149,886
Capital and right to use assets, depreciated/amortized:					
Buildings and improvements	3,766,563	1,935	32,225	99,998	3,836,271
Equipment	216,548	8,795	5,858	-	219,485
Internally developed software	5,880	715	847	-	5,748
Right to use buildings and improvements	-	15,084		-	15,084
Right to use equipment	-	13,397		-	13,397
Library collections	35,784	4,766	5,864	-	34,686
Total capital and right to use assets, depreciated/amortized	4,024,775	44,692	44,794	99,998	4,124,671
Less accumulated depreciation/amortization:					
Buildings and improvements	2,029,934	119,286	30,648	-	2,118,572
Equipment	156,523	12,240	5,523	-	163,240
Internally developed software	3,170	798	848	-	3,120
Right to use buildings and improvements	-	-	-	-	-
Right to use equipment	-	-	-	-	-
Library collections	21,480	4,955	5,864	-	20,571
Total accumulated depreciation/amortization	2,211,107	137,279	42,883	-	2,305,503
Total capital and right to use assets depreciated/amortized, net	1,813,668	(92,587)	1,911	99,998	1,819,168
Total capital and right to use assets, net	$ 2,003,641	$ (31,608)	$ 2,979	$ -	$ 1,969,054

7. ACCOUNTS PAYABLE

Accounts payable represent amounts due for goods received and services performed prior to the end of the fiscal year. The following table summarizes accounts payable:

	Year Ended June 30	
	2022	2021
Purchased services	$ 15,651	17,636
Other payables	9,809	6,897
Capital projects	7,026	2,994
Supplies	6,239	4,550
Employee benefits	4,246	3,399
Interest	1,980	2,304
Grants, loans and scholarships	1,690	1,610
Repairs and maintenance	1,594	1,721
Inventory	697	652
Total accounts payable	$ 48,932	$ 41,763

In addition, as of June 30, 2022 and 2021, Minnesota State had payable from restricted assets in the amounts of $8,160 and $6,696, respectively, which were related to capital projects financed by general obligation bonds and revenue bonds.

8. LONG-TERM OBLIGATIONS

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

The changes in long-term obligations for fiscal years 2022 and 2021 follow:

Year Ended June 30, 2022	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 26,561	$ 14,195	$ 6,204	$ 34,552	$ -
General obligation bonds	183,421	9,016	20,652	171,785	19,594
Leases	32,845	-	15,141	17,704	8,021
Notes payable	12,438	11,917	779	23,576	765
Revenue bonds	222,210	41,310	77,015	186,505	15,140
Capital contributions payable	15,174	-	3,911	11,263	2,041
Total long-term obligations	$ 492,649	$ 76,438	$ 123,702	$ 445,385	$ 45,561

Year Ended June 30, 2021	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	$ 28,893	$ 1,925	$ 4,257	$ 26,561	$ -
General obligation bonds	198,206	6,195	20,980	183,421	20,652
Leases	5,351	29,628	2,134	32,845	15,141
Notes payable	13,398	-	960	12,438	779
Revenue bonds	242,490	-	20,280	222,210	21,050
Capital contributions payable	20,252	-	5,078	15,174	2,671
Total long-term obligations	$ 508,590	$ 37,748	$ 53,689	$ 492,649	$ 60,293

The changes in other compensation benefits for fiscal years 2022 and 2021 follow:

Year Ended June 30, 2022	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 153,443	$ 14,673	$ 16,879	$ 151,237	$ 18,148
Early termination benefits	2,367	1,857	2,094	2,130	2,003
Other postemployment benefits	67,263	7,104	2,930	71,437	-
Workers' compensation	3,858	1,163	1,418	3,603	2,342
Total other compensation benefits	$ 226,931	$ 24,797	$ 23,321	$ 228,407	$ 22,493

Year Ended June 30, 2021	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 150,900	$ 19,421	$ 16,878	$ 153,443	$ 16,879
Early termination benefits	2,238	2,152	2,023	2,367	2,095
Other postemployment benefits	68,182	20,018	20,937	67,263	-
Workers' compensation	3,801	1,537	1,480	3,858	2,353
Total other compensation benefits	$ 225,121	$ 43,128	$ 41,318	$ 226,931	$ 21,327

Bond Premium — Bonds were issued in fiscal years 2022 and 2021, resulting in net premiums of $13,187 and $1,925, respectively. Amortization is calculated using the straight-line method and amortized over the average remaining life of the bonds.

General Obligation Bonds — The state of Minnesota sells general obligation bonds to finance Minnesota State capital projects. The interest rate on these bonds ranges from 1.6 to 5.3 percent. Minnesota State 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.

Leases — Liabilities for leases include those leases that are generally defined as one that transfers benefits and risk of ownership to the lessee. Annual principal repayments in future years for real estate leases range between $10 and $3,445, discounted at an imputed interest rate of 3.5 percent, with the last repayment due in fiscal year 2055. Annual principal repayments in future years for equipment leases range between $12 and $4,576, discounted at an imputed interest rate of 3.5 percent, with the last repayment due in fiscal year 2027. Note 11 to the financial statements provides additional information.

Notes Payable — Notes payable consist of energy efficiency loans granted by energy companies in order to improve energy efficiency in college and university buildings. The interest rates for the energy loans are tied to the prime interest rate at the time of the project. The interest rate for the financing agreements ranges from 2.40 percent to 4.92 percent.

All projects completed under Minnesota Statutes, Section 16B.32, the State Retrofit Program and the State/Minnegasco Program are interest free loans. Projects completed under Minnesota Statutes, Sections 16C.14 and 16C.144, have an interest component.

Revenue Bonds — The Revenue Fund is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and renovation of buildings for residence halls, student unions, food services, parking facilities, and wellness centers at an institution. Revenue bonds currently outstanding have interest rates of 2.35 percent to 5.0 percent.

The revenue bonds are payable solely from and collateralized by an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through fiscal year 2038. Annual principal and interest payments on the bonds are expected to require less than 35.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $229,286. Principal and interest paid for the current year and total customer net revenues were $29,478 and $96,379, respectively.

In addition, Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2038. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 46.2 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $868. For the current year, principal and interest paid and total customer net revenues were $170 and $494, respectively. These revenue bonds have a variable interest rate of 0.75 percent to 3.65 percent.

Capital Contributions Payable — The liabilities of $11,263 and $15,174 at June 30, 2022 and 2021, respectively, represent the amount Minnesota State would owe the federal government if it were to discontinue the Perkins loan program.

Compensated Absences — Minnesota State employees accrue vacation, sick, and compensatory leave at various rates within limits specified in the collective bargaining agreements. The liability for compensated absences will be converted to a health care savings plan account or severance pay under specific conditions as defined in bargaining unit contracts. This leave is liquidated only at the time of termination from state employment.

Early Termination Benefits — Early termination benefits are benefits received for discontinuing service earlier than planned, as well as the right to continue, at the employer's expense, health insurance benefits until death. Note 9 to the financial statements provides additional information.

Other Postemployment Benefits — Other postemployment benefits are health insurance benefits for certain retired employees under a single employer fully insured plan. Under the health benefits program, retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. Note 10 to the financial statements provides additional information.

Workers' Compensation — The state of Minnesota Department of Management and Budget manages the self-insured workers' compensation claims activities. The reported liability for workers' compensation of $3,603 and $3,859 at June 30, 2022 and 2021, 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.

Net Pension Liability — The net pension liability of $150,831 and $344,746 at June 30, 2022 and 2021, respectively, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 14 to the financial statements provides additional information.

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Principal and interest payment schedules are provided in the table below for general obligation bonds, revenue bonds, leases and notes payable. There are no payment schedules for bond premium, compensated absences, early termination benefits, other postemployment benefits, workers' compensation, net pension liability, and capital contributions payable.

Long-Term Obligation Repayment Schedule

Fiscal Years	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2023	$ 19,594	$ 7,524	$ 15,140	$ 7,368
2024	18,406	6,431	13,355	6,793
2025	17,189	5,601	15,590	6,190
2026	16,571	4,839	19,260	5,422
2027	14,728	4,137	19,180	4,565
2028-2032	51,459	12,920	78,990	11,770
2033-2037	26,254	4,425	24,340	1,530
2038-2041	7,584	586	650	11
Total	$ 171,785	$ 46,463	$ 186,505	$ 43,649

Long-Term Obligation Repayment Schedule

Fiscal Years	Leases Principal	Leases Interest	Notes Payable Principal	Notes Payable Interest
2023	$ 8,021	$ 540	$ 765	$ 606
2024	3,618	425	1,081	746
2025	2,105	342	1,202	478
2026	802	150	1,284	447
2027	510	113	1,288	413
2028-2032	1,984	410	6,980	1,613
2033-2037	211	130	7,072	793
2038-2042	161	146	3,904	162
2043-2047	127	163	-	-
2048-2052	114	195	-	-
2053-2055	51	110	-	-
Total	$ 17,704	$ 2,724	$ 23,576	$ 5,258

9. EARLY TERMINATION BENEFITS

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

Minnesota Statutes section 136F.481 authorizes the Minnesota State Colleges and Universities Board of Trustees to implement an early separation incentive program (BESI). Additionally, certain bargaining unit contracts, Minnesota State College Faculty (MSCF), Inter Faculty Organization (IFO), and Minnesota State University Association of Administrative Service Faculty (MSUAASF), provide for this benefit. The following is a description of the different benefit arrangements, including number of employees or retired faculty receiving the benefit, and the amount of future liability as of the end of fiscal years 2022 and 2021.

Board Early Separation Incentive (BESI) Program — Employees of Minnesota State accepted incentives in the form of contributions to a health care savings plan and cash payments in return for voluntarily separating from employment by the system.

The number of employees who received this benefit and the amount of future liability as of the end of fiscal years 2022 and 2021 follow:

Fiscal Year	Number of Employees	Future Liability
2022	15	$ 1,346
2021	24	1,075

Minnesota State College Faculty (MSCF) contract — The MSCF contract allows former Minnesota Community College Faculty Association (MCCFA) faculty members who meet certain eligibility and a combination of age and years of service requirements to receive an early retirement incentive cash payment based on base salary, and health insurance paid for one year after separation. The cash incentive can be paid either in one or two payments.

The number of retired faculty who received this benefit and the amount of future liability as of the end of fiscal years 2022 and 2021 follow:

Fiscal Year	Number of Faculty	Future Liability
2022	7	$ 253
2021	9	307

The MSCF contract allows former United Technical College Educators (UTCE) faculty members who meet certain eligibility and a combination of age and years of service requirements, to receive either an early retirement incentive cash payment, the right to continue, at the employer's expense, health insurance benefits until age 65 or death; or a combination of both. The cash incentive can be paid either in one or more payments.

The number of retired faculty who received this benefit and the amount of future liability as of the end of fiscal years 2022 and 2021 follow:

Fiscal Year	Number of Faculty	Future Liability
2022	9	$ 212
2021	9	323

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

The number of retired faculty who received this benefit and the amount of future liability for faculty as of the end of fiscal years 2022 and 2021 follow:

Fiscal Year	Number of Faculty	Future Liability
2022	5	$ 158
2021	6	368

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

The number of retired faculty who received this benefit and the amount of future liability for faculty as of the end of fiscal years 2022 and 2021 follow:

Fiscal Year	Number of Faculty	Future Liability
2022	7	$ 161
2021	8	294

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description — Minnesota State provides health insurance benefits for certain retired employees under the "Minnesota State Colleges and Universities Postretirement Medical Plan", a single employer fully insured plan**,** as required by Minnesota Statutes, 471.61, Subdivision 2B. Active employees who retire when eligible to receive a retirement benefit from a Minnesota public pension plan and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the plan. Retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

As of the July 1, 2020 actuarial valuation, the following current and former employees were covered by benefit terms under the plan:

Active employees	12,089
Inactive employees or beneficiaries currently receiving benefits	544
Inactive employees entitled to but not yet receiving benefits	-
Total	12,633

Actuarial Methods and Assumptions — The total other postemployment benefits (OPEB) liability for Minnesota State at June 30, 2022 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to determine the June 30, 2022 total OPEB liability. The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2020. The total OPEB liability was measured based on the following actuarial assumptions:

Measurement Date	June 30, 2021	June 30, 2020
Payroll Growth	3.0 percent	3.0 percent
Inflation	2.25 percent per year	2.25 percent per year
Initial Medical Trend Rate	7.2 percent	7.5 percent
Ultimate Medical Trend Rate	3.8 percent	3.8 percent
Year Ultimate Trend Rate Reached	2071	2071

Discount Rate — The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 was 2.16 percent and 2.21 percent, respectively. The discount rate was based on a municipal bond rate based on the 20-year Bond Buyer GO Index as of the end of June 2021 and 2020. The plan is not funded by assets in a separate trust. Therefore, the municipal bond rate was applied to all period of projected benefit payments to determine the total OPEB liability.

Changes in Total OPEB Liability — The changes in total OPEB liability are as follows:

	2022	2021
Balance, Beginning of Year	$ 67,263	$ 68,182
Changes for the Year		
Service Cost	5,366	5,137
Interest	1,573	2,482
Changes in Assumptions	165	12,399
Differences Between Expected and Actual Economic Experience	-	(16,101)
Benefit Payments	(2,930)	(4,836)
Net Changes	4,174	(919)
Balance, End of Year	$ 71,437	$ 67,263

There have been no changes in benefit terms since the previous valuation.

Changes were made in assumptions that affect the total OPEB liability since the prior valuation. The discount rate was changed from 2.21 percent to 2.16 percent. Mortality assumptions, salary increase assumptions, and medical trend rates were updated. The initial medical trend rate decreased by 0.3 percent.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate — The following presents the Minnesota State total OPEB liability calculated using the discount rate above, as well as the total OPEB liability if it were calculated using a discount rate that is one percentage lower or one percentage higher than the current discount rate:

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

	2022		2021	
	Percent	Amount	Percent	Amount
1 Percent Lower	1.16	$ 74,695	1.21	$ 70,458
Current Discount Rate	2.16	71,437	2.21	67,263
1 Percent Higher	3.16	68,100	3.21	64,001

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates — The following presents the total OPEB liability, calculated using the healthcare cost trend rates, that is one percentage lower (6.2 percent decreasing to 2.8 percent and 6.5 percent decreasing to 2.8 percent) or one percentage higher (8.2 percent decreasing to 4.8 percent and 8.5 percent decreasing to 4.8 percent) than the current healthcare cost trend rate (7.2 percent decreasing to 3.8 percent and 7.5 percent decreasing to 3.8 percent):

Sensitivity of Total OPEB Liability to Changes in the Health Care Trend Rate

	2022	2021
1 Percent Lower	$ 64,302	$ 60,995
Current Trend Rate	71,437	67,263
1 Percent Higher	79,775	74,562

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OPEB Expense and Deferred Outflows and Deferred Inflows of Resources — For the years ended June 30, 2022 and 2021, Minnesota State recognized an increase in benefit expense of $6,006 and $6,662, respectively, related to OPEB.

At June 30, 2022 and 2021, Minnesota State reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources Year Ended June 30	
	2022	2021
Changes in actuarial assumptions	$ 11,774	$ 14,512
Contributions made subsequent to measurement date	4,646	4,646
Total	$ 16,420	$ 19,158

	Deferred Inflows of Resources Year Ended June 30	
	2022	2021
Changes in actuarial assumptions	$ 1,940	$ 2,583
Differences between expected and actual economic experience	14,774	17,967
Total	$ 16,714	$ 20,550

Amounts reported as deferred outflows of resources related to OPEB resulting from Minnesota State contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the total OPEB liability in the following fiscal year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
2023	$ (933)
2024	(1,314)
2025	(1,032)
2026	(1,190)
2027	(492)
Thereafter	21
Total	$ (4,940)

11. LEASE AGREEMENTS

Lessee Agreements — Minnesota State is committed under various leases primarily for building space. The leases expire at various dates through 2055. In accordance with GASB Statement No. 87, Minnesota State records right to use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or otherwise discounted using the system's imputed interest rate of 3.5 percent. See Note 6 for information on right to use assets and associated accumulated depreciation/amortization. See Note 8 for the future payment schedule.

Lessor Agreements — Minnesota State has entered in several lease agreements, primarily for building space. Minnesota State records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease or using the system's imputed interest rate of 3.5 percent. During the years ended June 30, 2022 and 2021, Minnesota State recognized revenues related to these lease agreements totaling $2,839 and $3,801 respectively.

Total future minimum payments to be received under lessor agreements are as follows:

Fiscal Years	Principal	Interest
2023	$ 2,844	$ 162
2024	2,627	245
2025	2,284	296
2026	2,053	345
2027	1,016	192
2028-2032	2,177	762
2033-2035	659	355
Total	$ 13,660	$ 2,357

12. TUITION, FEES, SALES AND ROOM AND BOARD

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

	Year Ended June 30					
	2022			2021		
	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	$ 750,519	$ (252,511)	$ 498,008	$ 759,868	$ (246,142)	$ 513,726
Fees	88,480	(19,269)	69,211	87,365	(18,262)	69,103
Sales and room and board	87,773	(6,729)	81,044	79,632	(7,359)	72,273
Restricted student payments	92,762	(3,885)	88,877	78,645	(3,374)	75,271
Total	$ 1,019,534	$ (282,394)	$ 737,140	$ 1,005,510	$ (275,137)	$ 730,373

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2022

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 142,732	$ 50,547	$ 81,480	$ 751	$ 275,510
Institutional support	143,503	56,058	138,325	770	338,656
Instruction	522,373	171,222	147,427	2,902	843,924
Public service	6,294	1,968	6,441	33	14,736
Research	4,990	1,410	4,585	26	11,011
Student services	164,514	56,941	90,964	854	313,273
Auxiliary enterprises	40,934	13,452	128,657	6,341	189,384
Scholarships and fellowships	-	-	233,934	-	233,934
GASB 68/75 expense	-	(197,848)	1,716	-	(196,132)
Less interest expense	-	-	-	(11,677)	(11,677)
Total operating expenses	$ 1,025,340	$ 153,750	$ 833,529	$ -	$ 2,012,619

Year Ended June 30, 2021

Description	Salaries	Benefits	Other	Interest	Total
Academic support	$ 141,428	$ 52,375	$ 69,939	$ 1,191	$ 264,933
Institutional support	143,528	54,742	100,356	1,225	299,851
Instruction	533,410	181,223	146,456	4,740	865,829
Public service	5,990	1,936	5,844	48	13,818
Research	4,730	1,404	4,088	38	10,260
Student services	158,623	60,338	72,210	1,346	292,517
Auxiliary enterprises	41,893	16,612	132,043	8,041	198,589
Scholarships and fellowships	-	-	106,538	-	106,538
GASB 68/75 expense	-	13,381	-	-	13,381
Less interest expense	-	-	-	(16,629)	(16,629)
Total operating expenses	$ 1,029,602	$ 382,011	$ 637,474	$ -	$ 2,049,087

14. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund

<u>Plan Description</u> —The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS) and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans. All state of Minnesota employees who are not members of another plan are covered by the General Plan.

Benefits Provided — MSRS provides retirement, disability, and death benefits through the State Employees Retirement Fund. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January. Annuitants receive annual benefit increases of 1.0 percent through 2023, and 1.5 percent thereafter.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Contributions — Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 6.0 percent of their annual covered salary in fiscal years 2022 and 2021. Participating employers were required to contribute 6.25 percent of employee annual covered salary in fiscal years 2022 and 2021. The Minnesota State contributions to the General Plan for the fiscal years ending June 30, 2022 and 2021 were $15,368 and $15,318, respectively. These contributions were equal to the contractually required contributions for each year as set by state statute.

Actuarial Assumptions — The Minnesota State net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions:

Measurement Date	June 30, 2021	June 30, 2020
Inflation	2.25 percent per year	2.25 percent per year
Active member payroll growth	3.0 percent per year	3.0 percent per year
Investment rate of return	6.5 percent	7.5 percent

Salary increases for the June 30, 2021 and 2020 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. Prior year salary is annualized for members with less than one year of service. Mortality rates for active members, retirees, survivors and disabilitants were based on Pub-2010 mortality tables adjusted for mortality improvements using projections scale MP-2018. Benefit increases for retirees were assumed to be 1.0 percent through December 31, 2023 and 1.5 percent thereafter.

Actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on the last experience study dated June 27, 2019 and a review of inflation and investment return assumptions, dated June 24, 2021. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and a documented in a report dated October 2016.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.5 percent. The expected rate of return was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce geometric, long-term expected rate of return for the portfolio.

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

For each major asset class that is included in the pension fund target asset allocation as of the June 30, 2021 measurement date, these best estimates are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic equity	34	5.10
International equity	16	5.30
Private markets	25	5.90
Fixed income	25	0.75
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2021 and 2020, was 6.5 percent and 7.5 percent, respectively.

As of June 30, 2021 and 2020, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan fiduciary net position was available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return of 6.5 percent on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Net Pension Liability — At June 30, 2022 and 2021, Minnesota State reported a liability of $6,047 and $97,846, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Minnesota State proportion of the net pension liability was based on the employer contributions received by MSRS during the measurement period July 1, 2020, through June 30, 2021, and July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2022 and 2021, the Minnesota State proportion was 7.42 percent and 7.37 percent, respectively.

There have been no changes in plan provisions since the prior measurement date.

Changes have been made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The long-term investment rate of return and single discount rates were decreased from 7.5 percent to 6.5 percent.

Pension Liability Sensitivity — The following presents the Minnesota State proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Sensitivity of Net Pension Liability at Current Single Discount Rate			
	2022		2021	
	Percent	Amount	Percent	Amount
1 Percent Lower	5.50	$ 174,395	6.50	$ 232,255
Current Discount Rate	6.50	6,047	7.50	97,846
1 Percent Higher	7.50	(133,037)	8.50	(14,015)

Pension Plan Fiduciary Net Position — Detailed information about the pension plan's fiduciary net position is available in the MSRS Annual Financial Comprehensive Report, available on the MSRS website at www.msrs.state.mn.us/annual-reports.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions — For the years ended June 30, 2022 and 2021, Minnesota State recognized a decrease in benefit expense of $161,913 and an increase in benefit expense of $15,780, respectively, related to pensions. At June 30, 2022 and 2021, Minnesota State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Year Ended June 30	
	2022	2021
Differences between projected and actual investment earnings	$ -	$ 4,667
Changes in actuarial assumptions	111,268	-
Contributions paid to MSRS subsequent to measurement date	15,368	15,318
Differences between expected and actual economic experience	1,497	1,756
Changes in proportion	1,703	-
Total	$ 129,836	$ 21,741

	Deferred Inflows of Resources Year Ended June 30	
	2022	2021
Differences between projected and actual investment earnings	$ 167,234	$ -
Changes in actuarial assumptions	83,308	220,891
Differences between expected and actual economic experience	698	1,005
Changes in proportion	6,243	12,975
Total	$ 257,483	$ 234,871

Amounts reported as deferred outflows of resources related to pensions resulting from Minnesota State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2023	$ (88,673)
2024	(18,612)
2025	(18,512)
2026	(17,218)
Total	$ (143,015)

Teachers Retirement Fund

Plan Description — The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund (TRF). TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a board of trustees. The board consists of four active members, one retired member and three statutory officials.

State university, community college, and technical college teachers first employed by Minnesota State may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State.

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Benefits Provided — TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive sixty months of formula service, age, and formula service credit at termination of service. TRA members belong to either the Basic or Coordinated plan. Benefit increases for retirees are 1.0 percent through January 2023, then increasing by 0.1 percent each year up to 1.5 percent annually.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described:

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2 percent per year
	First ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are up to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3.0 percent per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent for basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

Contributions — Minnesota Statute Chapter 354 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. TRA Basic Plan members and Coordinated Plan members were required to contribute 11.0 percent and 7.5 percent, respectively, of their annual covered salary in fiscal years 2022 and 2021. In fiscal year 2022 the employer was required to contribute 12.34 percent of pay for Basic Plan members and 8.34 percent for Coordinated Plan members. In fiscal year 2021, the employer was required to contribute 12.13 percent of pay for Basic Plan members and 8.13 percent for Coordinated Plan members. Minnesota State contributions to the TRA for the fiscal years ended June 30, 2022 and 2021, were $15,639 and $15,225, respectively. These contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions — The Minnesota State net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2021	June 30, 2020
Inflation	2.50 percent per year	2.50 percent per year
Active member payroll growth	3.00 percent per year	3.00 percent per year
Investment rate of return	7.00 percent	7.50 percent

Salary increases for the June 30, 2021 and 2020 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. Prior year salary is annualized for members with less than one year of service. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees are 1.0 percent through January 2023, then increasing by 0.1 percent each year up to 1.5 percent annually.

Actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on the experience study dated June 28, 2019. The long-term rate of return assumption used for GASB disclosures and expense determination may vary from the funding assumptions as it is selected by TRA management in consultation with the actuary.

The long-term expected rate of return on pension plan investments for June 30, 2021 and 2020 was 7.0 percent and 7.5 percent, respectively.

The target asset allocation and best estimates of geometric rates of return for each major asset class, as provided by the SBI are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic equity	36	5.10
International equity	17	5.30
Private markets	25	5.90
Fixed income	20	0.75
Cash	2	
Total	100	

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2021 and 2020, was 7.0 percent and 7.5 percent, respectively.

As of June 30, 2021 and 2020, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates and supplemental aid will be received as currently provided in state statute. Based on these assumptions, the pension plan fiduciary net position was available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return of 7.0 percent on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Net Pension Liability — At June 30, 2022 and 2021, Minnesota State reported a liability of $138,597 and $236,738, respectively, for its proportionate share of TRF net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Minnesota State proportion of the net pension liability was based on the employer contributions received by TRF during the measurement period July 1, 2020 through June 30, 2021 and July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of TRF's participating employers. At June 30, 2022 and 2021, the Minnesota State proportion was 3.17 percent and 3.20 percent, respectively.

There have been no changes in plan provisions since the prior measurement date.

Changes have been made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The investment return assumption was changed from 7.5 percent to 7.0 percent.

Pension Liability Sensitivity — The following presents the Minnesota State proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Sensitivity of Net Pension Liability at Current Single Discount Rate			
	2022		2021	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.00	$ 279,973	6.50	$ 362,443
Current Discount Rate	7.00	138,597	7.50	236,738
1 Percent Higher	8.00	22,658	8.50	133,163

Pension Plan Fiduciary Net Position — Detailed information about the plan's fiduciary net position is available in the Minnesota Teachers Retirement Association Annual Comprehensive Financial Report. That report can be obtained at www.minnesotatra.org/financial/annual-reports.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions — For the years ended June 30, 2022 and 2021, Minnesota State recognized a decrease in benefit expense of $4,005 and an increase in benefit expense of $27,994, respectively, related to pensions. At June 30, 2022 and 2021, Minnesota State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Year Ended June 30 2022	2021
Differences between projected and actual investment earnings	$ -	$ 3,666
Changes in actuarial assumptions	50,791	84,942
Contributions paid to TRA subsequent to measurement date	15,639	15,225
Differences between expected and actual economic experience	3,754	4,748
Changes in proportion	12,882	11,196
Total	$ 83,066	$ 119,777

	Deferred Inflows of Resources Year Ended June 30 2022	2021
Differences between projected and actual investment earnings	$ 116,213	$ -
Changes in actuarial assumptions	125,044	198,736
Differences between expected and actual economic experience	3,926	3,588
Changes in proportion	27,978	29,051
Total	$ 273,161	$ 231,375

Amounts reported as deferred outflows of resources related to pensions resulting from the Minnesota State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2023	$ (97,889)
2024	(75,160)
2025	(18,579)
2026	(23,219)
2027	9,113
Total	$ (205,734)

General Employees Retirement Fund

Plan Description — Minnesota State participates in the General Employees Retirement Plan (GERF), a defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Benefits Provided — PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Members will receive future annual increases equal to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent beginning January 1, 2019. The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

Contributions — Minnesota Statute Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar years 2022 and 2021. In calendar years 2022 and 2021, the employer was required to contribute 11.78 percent of pay for Basic Plan members and 7.5 percent for Coordinated Plan members. Minnesota State contributions to the GERF for the plan's fiscal years ended June 30, 2022 and 2021 were $684 and $753, respectively. These contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions — The Minnesota State net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions:

Measurement Date	June 30, 2021	June 30, 2020
Inflation	2.25 percent per year	2.50 percent per year
Active member payroll growth	3.00 percent per year	3.25 percent per year
Investment rate of return	6.50 percent	7.50 percent

Salary increases for the June 30, 2021 and 2020 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. Mortality rates for active members, retirees, survivors and disabilitants were based on PUB-2010 mortality tables adjusted for mortality improvements using projection scale MP-2020 and MP-2019, respectively, with slight adjustments.

Actuarial assumptions used in the June 30, 2021 and 2020 valuation were based on the results of actuarial experience studies dated June 27, 2019 and a review of inflation and investment assumptions dated June 24, 2021.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.5 percent. The expected rate of return was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce geometric, long-term expected rate of return for the portfolio.

For each major asset class that is included in the pension fund target asset allocation as of the measurement date of June 30, 2021 and 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic equity	34	5.10
International equity	16	5.30
Private markets	25	5.90
Fixed income	25	0.75
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2021and 2020 was 6.5 percent and 7.5 percent, respectively. The projection of cash flows used to determine the discount rate assumed that employee, employer, and state contributions will be made at the current statutory rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability — At June 30, 2022 and 2021, Minnesota State reported a liability of $5,957 and $9,659, respectively, for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The proportion of the net pension liability was based on Minnesota State contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 and July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2022 and 2021, the Minnesota State proportion was 0.1395 percent and 0.1611 percent, respectively.

There were no changes in plan provisions since the previous valuation.

Changes have been made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The investment return and single discount rates were changed from 7.5 percent to 6.5 percent. The mortality projection scale was changed from MP-2019 to MP-2020.

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Pension Liability Sensitivity — The following presents the Minnesota State proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Sensitivity of Net Pension Liability at Current Single Discount Rate			
	2022		2021	
	Percent	Amount	Percent	Amount
1 Percent Lower	5.50	$ 12,150	6.50	$ 15,480
Current Discount Rate	6.50	5,957	7.50	9,659
1 Percent Higher	7.50	876	8.50	4,857

Pension Plan Fiduciary Net Position — Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained at www.mnpera.org/about/financial.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions — For the years ended June 30, 2022 and 2021, Minnesota State recognized a decrease in benefit expense of $1,383 and $989, respectively, related to pensions. At June 30, 2022 and 2021, Minnesota State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Year Ended June 30	
	2022	2021
Differences between projected and actual investment earnings	$ -	$ 167
Changes in actuarial assumptions	3,637	-
Contributions paid to PERA subsequent to measurement date	684	753
Differences between expected and actual economic experience	37	88
Total	$ 4,358	$ 1,008

	Deferred Inflows of Resources Year Ended June 30	
	2022	2021
Differences between projected and actual investment earnings	$ 5,159	$ -
Changes in actuarial assumptions	132	358
Differences between expected and actual economic experience	182	37
Changes in proportion	2,125	2,220
Total	$ 7,598	$ 2,615

Amounts reported as deferred outflows of resources related to pensions resulting from Minnesota State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year		Amount
2023	$	(1,326)
2024		(816)
2025		(375)
2026		(1,407)
Total	$	(3,924)

St. Paul Teachers Retirement Fund

Plan Description — The St. Paul Teachers Retirement Fund Association (SPTRFA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund (SPTRF). SPTRFA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. SPTRF is a separate statutory entity and administered by a board of trustees. The Board consists of nine members elected from the association membership and one member appointed by the Board of ISD 625, St. Paul Public Schools (SPPS).

SPTRFA membership consists of licensed teachers employed by SPPS, certain licensed teachers employed by Saint Paul College, certain licensed teachers employed by charter schools within the City of St. Paul, and SPTRFA staff. Until its merger into the Minnesota State system on July 1, 1995, all Saint Paul College teachers were contributing members of the Fund. As part of the merger process, SPTRFA-covered Saint Paul College teachers were given the option to remain active members of the Fund or to choose other retirement coverage, thus, converting to a deferred status with SPTRFA.

Benefits Provided — SPTRFA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after five years of service credit. The defined retirement benefits are based on a member's highest average salary for any five years of consecutive service for the Basic Plan, and three consecutive years of allowable service for the Coordinated Plan, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for SPTRFA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	Years of service	2.0 percent per year
Coordinated	First ten years if service years are up to July 1, 2015	1.2 percent per year
	First ten years if service years are July 1, 2015 or after	1.4 percent per year
	All other years of service if service years are up to July 1, 2015	1.7 percent per year
	All other years of service if service years are July 1, 2015 or after	1.9 percent per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 55 with 30 or more years of allowable service.
- 0.25 percent per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Tier II Benefits

For years of service prior to July 1, 2015 a level formula of 1.7 percent per year for coordinated members and 2.5 percent per year for basic members is applied. For years of service July 1, 2015 and after, a level formula of 1.9 percent per year for coordinated members and 2.5 percent for basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after July 1, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

Contributions — Minnesota Statute Chapter 354A sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. SPTRFA Coordinated Plan members were required to contribute 7.5 percent of their annual covered salary in fiscal years 2022 and 2021. In fiscal years 2022 and 2021, the employer was required to contribute 12.43 percent and 12.22 percent, respectively, for Coordinated Plan members. No Basic Plan members currently remain in active status. Minnesota State contributions to the SPTRFA for the fiscal year ended June 30, 2022 and 2021, were $19 and $27, respectively. These contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions — The Minnesota State net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active member payroll growth	3.00 percent per year
Investment rate of return	7.50 percent

Salary increases for the June 30, 2022 and 2021 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables adjusted for white collar and mortality improvements using projection scale MP-2020 and MP-2019, respectively, from a base year of 2006 for males or females, as appropriate, with slight adjustments.

The long-term expected rate of return on pension plan investments is 7.5 percent. This rate was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates for each major asset class included in the target asset allocation as of the measurement date of June 30, 2021, are summarized as follows:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Arithmetic) Percentage
Domestic equity	35	6.55
International equity	20	6.98
Fixed income	20	3.45
Real assets	11	3.90
Private equity & alternatives	9	7.47
Opportunistic	5	6.08
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2021 and 2020 was 7.5 percent. This discount rate was based on the expected rate of return on pension plan investments. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, SPTRFA's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments of was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability — At June 30, 2022 and 2021, Minnesota State reported a liability of $230 and $503, respectively, for its proportionate share of the SPTRFA's net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The proportion of the net pension liability was based on Minnesota State contributions received by SPTRFA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 and July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all SPTRA's participating employers. At June 30, 2022 and 2021, the Minnesota State proportion was 0.053 percent and 0.077 percent, respectively.

There have been no changes in plan provisions since the prior measurement date.

Changes were made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The mortality improvement scale was updated from MP-2019 to MP-2020.

Pension Liability Sensitivity — The following presents the Minnesota State proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net Pension Liability at Current Single Discount Rate

	2022		2021	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.50	$ 339	6.50	$ 658
Current Discount Rate	7.50	230	7.50	503
1 Percent Higher	8.50	140	8.50	375

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Pension Plan Fiduciary Net Position — Detailed information about the plan's fiduciary net position is available in a separately-issued financial report. That report may be found at https://sptrfa.org/publications/reports.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions — For the fiscal years ended June 30, 2022 and 2021, Minnesota State recognized a decrease in benefit expense of $195 and $95, respectively, related to pensions.

At June 30, 2022 and 2021, Minnesota State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Year Ended June 30	
	2022	2021
Differences between projected and actual investment earnings	$ -	$ 41
Changes in actuarial assumptions	-	23
Contributions paid to SPTRFA subsequent to measurement date	19	27
Differences between expected and actual economic experience	7	-
Total	$ 26	$ 91

	Deferred Inflows of Resources Year Ended June 30	
	2022	2021
Differences between projected and actual investment earnings	$ 72	$ -
Changes in actuarial assumptions	4	4
Differences between expected and actual economic experience	4	17
Changes in proportion	142	206
Total	$ 222	$ 227

Amounts reported as deferred outflows of resources related to pensions resulting from the Minnesota State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2023	$ (113)
2024	(61)
2025	(17)
2026	(24)
Total	$ (215)

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

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

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

Individual Retirement Account Plan (IRAP)

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

Contributions — There are two member groups participating in the IRAP, a faculty group and an administrator group. For those participants eligible before July 1, 2018, the employer and employee statutory contribution rates for both faculty and administrators as of June 30, 2022 and 2021, are 6.0 percent and 6.45 percent and 6.0 percent and 5.8 percent, respectively. For those participants eligible after July 1, 2018, the employer and employee statutory contribution rates for both faculty and administrators as of June 30, 2022 and 2021, are 8.34 percent and 7.5 percent and 8.13 percent and 7.5 percent, respectively. Contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Required contributions for Minnesota State were:

Fiscal Year	Employer	Employee
2022	$ 30,257	$ 34,639
2021	30,380	32,565
2020	30,012	29,704

Supplemental Retirement Plan (SRP)

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

Contributions — Participants contribute 5.0 percent of eligible compensation up to a defined maximum annual contribution as specified in the following table:

Member Group	Eligible Compensation	Maximum Annual Contribution
Administrators	$ 6 to 60	$ 2.70
Inter Faculty Organization	6 to 51	2.25
Middle Management Association Unclassified	6 to 40	1.70
Minnesota Association of Professional Employees Unclassified	6 to 40	1.70
Minnesota State College and Faculty Association	6 to 56	2.70
Minnesota State University Association of Administrative & Service Faculty	6 to 50	2.20
Other Unclassified Members	6 to 40	1.70

Minnesota State provides a match in amounts equal to the contributions made by participants. The contributions are made under the authority of Minnesota Statutes, Chapter 354C.

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Required contributions for Minnesota State were:

Fiscal Year	Amount
2022	$ 14,965
2021	15,217
2020	15,233

Voluntary Retirement Savings Plans

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

The Minnesota Deferred Compensation Plan (MNDCP) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statute, Section 352.965. The plan is composed of employee pre-tax and after-tax contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. As of June 30, 2022, the plan has 5,720 participants.

In addition to the state's Deferred Compensation program, Minnesota State also participates in a 403(b) Tax Sheltered Annuity (TSA) program. The plan consists of both pre-tax and after-tax contributions and accumulated investment gains or losses. As of June 30, 2022, the plan has 4,529 participants.

15. SEGMENT INFORMATION

A segment is an identifiable activity reported as a standalone 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, losses, assets, deferred outflows, liabilities, and deferred inflows that are required by an external party to be accounted for separately.

Minnesota State Revenue Fund issues revenue bonds to finance the acquisition, construction, and renovation of buildings for residence halls, student unions, food services, parking facilities, and wellness centers at an institution. The Itasca County Housing Redevelopment Authority sold bonds to finance Itasca Community College's student housing program. Note 8 to the financial statements provides additional information on the pledging of the revenues.

Summary financial information for Minnesota State Revenue Fund for the fiscal years ended June 30, 2022 and 2021 follows:

Summary Financial Information for Revenue Fund

	2022	2021
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 104,823	$ 97,560
Restricted assets	45,630	57,377
Total noncurrent assets	343,650	367,816
Total assets	494,103	522,753
Deferred outflows of resources	6,060	4,333
Total assets and deferred outflows of resources	500,163	527,086
Liabilities		
Current liabilities	33,391	41,383
Noncurrent liabilities	197,382	222,371
Total liabilities	230,773	263,754
Deferred inflows of resources	14,708	13,599
Total liabilities and deferred inflows of resources	245,481	277,353
Net Position		
Net investment in capital assets	155,503	156,686
Restricted	99,179	93,047
Total net position	$ 254,682	$ 249,733
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 96,380	$ 82,216
Depreciation expense	(24,825)	(24,271)
Other operating expenses	(68,897)	(68,991)
Net operating income (loss)	2,658	(11,046)
Nonoperating revenues (expenses)		
Federal grant (HEERF)	6,768	20,863
Private grants	256	339
Interest income	562	484
Capital contributions	152	185
Interest expense	(6,233)	(8,007)
Gain on disposal of capital assets	786	-
Total nonoperating revenues (expenses)	2,291	13,864
Change in net position	4,949	2,818
Total net position, beginning of year	249,733	246,915
Total net position, end of year	$ 254,682	$ 249,733
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in)		
Operating activities	$ 33,080	$ 150
Noncapital and related financing activities	7,024	21,202
Capital and related financing activities	(32,001)	(32,947)
Investing activities	469	483
Net increase (decrease) in cash and cash equivalents	8,572	(11,112)
Cash and cash equivalents, beginning of year	136,527	147,639
Cash and cash equivalents, end of year	$ 145,099	$ 136,527

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Summary financial information for Itasca Community College's student housing program for the fiscal years ended June 30, 2022 and 2021 follows:

Summary Financial Information for Itasca Community College

	2022	2021
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	$ 849	$ 767
Restricted assets	302	303
Capital assets, net	2,122	2,241
Total assets	3,273	3,311
Deferred outflows of resources	24	18
Total assets and deferred outflows of resources	3,297	3,329
Liabilities		
Current liabilities	178	157
Noncurrent liabilities	690	865
Total liabilities	868	1,022
Deferred inflows of resources	66	60
Total liabilities and deferred inflows of resources	934	1,082
Net Position		
Net investment in capital assets	1,322	1,301
Restricted	302	303
Unrestricted	739	643
Total net position	$ 2,363	$ 2,247
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$ 494	$ 362
Depreciation expense	(119)	(119)
Other operating expenses	(269)	(301)
Net operating income (loss)	106	(58)
Nonoperating revenues (expenses)		
Federal grant (HEERF)	36	157
Interest income	4	6
Interest expense	(30)	(34)
Total nonoperating revenues (expenses)	10	129
Change in net position	116	71
Total net position, beginning of year	2,247	2,176
Total net position, end of year	$ 2,363	$ 2,247
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in)		
Operating activities	$ 199	$ 52
Noncapital and related financing activities	35	157
Capital and related financing activities	(170)	(168)
Investing activities	5	6
Net increase in cash and cash equivalents	69	47
Cash and cash equivalents, beginning of year	708	661
Cash and cash equivalents, end of year	$ 777	$ 708

16. COMMITMENTS

Minnesota State Involvement in Ongoing Projects as of June 30, 2022

Institution *	Project	Total Cost	Spent to Date	Balance	Completion Date
Anoka-Ramsey	Business and Nursing Renovation	$ 16,851	$ 11,222	$ 5,629	Sep 2024
Inver Hills	Technology & Business Center	15,351	669	14,682	Jul 2025
Minneapolis	Management Education Center	17,928	990	16,938	Oct 2023
Moorhead	Weld Hall Renovation	20,367	479	19,888	Oct 2024
Normandale	Classroom Renovation	26,634	19,797	6,837	Dec 2022
Pine	Technical/Trades Addition & Renovation	14,985	356	14,629	Mar 2024
System	Replacement of Legacy ERP System **	64,524	32,704	31,820	Sep 2024

***** Anoka-Ramsey Community College; Inver Hills Community College; Minneapolis College; Minnesota State University Moorhead; Normandale Community College; Pine Technical & Community College
** Enterprise Resource Planning (ERP) System

17. RISK MANAGEMENT

In the normal course of operations Minnesota State 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 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. In management's opinion, the ultimate resolution of any contingencies not covered by insurance would not have a significant adverse effect upon the overall net position, operations, or cash flows of Minnesota State.

Automobile liability coverage is required by the state and is provided by the Minnesota 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 are required by the Minnesota State policy, colleges and universities may select optional coverage such as international accident, international liability, and professional liability for employed physicians and student health services professional liability.

The Minnesota Risk Management Fund provides the following coverage for fiscal years 2022 and 2021.

Coverage Type	Amount
Property and contents institution deductible	$1 to $250
Property and contents fund responsibility	$1,000
Property and contents primary re-insurer coverage	$1,000 to $1,250,000
Third party bodily injury and property damage per person	$500
Third party bodily injury and property damage per occurrence	$1,500

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

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

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

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 pays the cost of claims through the state Workers' Compensation Fund. A Minnesota State workers' compensation payment pool helps institutions manage the volatility of such claims. Annual premiums are assessed by the pool based on salary dollars and claims history. From this pool, all workers' compensation claims are paid to the state Workers' Compensation Fund.

The following table presents changes in the balances of workers' compensation claims liability during the fiscal years ended June 30, 2022 and 2021.

	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/22	$ 3,858	$ 1,163	$ 1,418	$ 3,603
Fiscal Year Ended 6/30/21	3,801	1,537	1,480	3,858

18. COMPONENT UNITS

The following legally separate tax-exempt foundations affiliated with Minnesota State are included as a major component unit of Minnesota State. The Bemidji State University Alumni and Foundation, Metropolitan State University Foundation, Minnesota State University, Mankato Foundation, Inc., Minnesota State University Moorhead Foundation, Inc., Southwest Minnesota State University Foundation, St. Cloud State University Foundation, Inc., and Winona State University Foundation are formed for the purpose of obtaining and disbursing funds for the sole benefit of their college or university.

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, Minnesota State presents the combined statement of financial position and the combined statement of activities of the foundations on separate pages of the financial statements.

Minnesota State received $18,949 and $16,170 in fiscal years 2022 and 2021, respectively, from the foundations for scholarships and other educational program support. In addition to lease agreements, Southwest Minnesota State University and Winona State University have entered into agreements to manage student housing facilities owned by the foundations.

The seven state universities do not appoint any members of their respective boards and the resources held by the foundations can only be used by, or for the benefit of, the associated university. Each foundation's relationship with their institution is such that exclusion of the foundation's financial statements would cause the Minnesota State financial statements to be misleading or incomplete. The foundations are considered a component unit of their university and their statements are discretely presented in the universities' financial statements.

The foundations financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions*: Net assets available for use in general operations and no subject donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Funds paid from the board-designated endowment are subject to approval by the board.
- *Net Assets With Donor Restrictions*: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

The inputs used to measure fair value are categorized into the following three categories:

- *Level 1* — Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds.
- *Level 2* — Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- *Level 3* — Inputs that are unobservable and significant to the fair value measurement.
- *Net Asset Value* — Inputs that do not fall in any of the above three categories listed.

The following tables summarize the fair value measurement of the foundations' investments:

Schedule of Investments
As of June 30

	2022	Level 1	Level 2	Level 3	Net Asset Value
Money market	$ 1,519	$ 1,519	$ -	$ -	$ -
Fixed income	8,923	1,605	7,318	-	-
Mutual funds	112,305	100,255	12,050	-	-
Equity securities	68,041	48,294	19,566	181	-
Bonds/U.S treasuries	20,618	-	20,618	-	-
Other	62,475	-	215	5,507	56,753
Total	$ 273,881	$ 151,673	$ 59,767	$ 5,688	$ 56,753

JUNE 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

Schedule of Investments
As of June 30

	2021	Level 1	Level 2	Level 3	Net Asset Value
Money market	$ 44,029	$ 44,019	$ 10	$ -	$ -
Fixed income	8,310	107	8,203	-	-
Mutual funds	104,898	68,934	34,488	1,476	-
Equity securities	41,463	41,463	-	-	-
Bonds/U.S treasuries	36,787	-	36,787	-	-
Other	71,614	-	26	2,838	68,750
Total	$ 307,101	$ 154,523	$ 79,514	$ 4,314	$ 68,750

Buildings, Property and Equipment — The following table summarizes the foundations' buildings, property, and equipment:

Schedules of Buildings, Property and Equipment
As of June 30

	2022	2021
Buildings, property and equipment, not depreciated:		
Land	$ 2,990	$ 2,431
Construction in progress	164	-
Total buildings, property and equipment, not depreciated	3,154	2,431
Buildings, property and equipment, depreciated:		
Buildings and improvements	23,347	23,392
Equipment	618	730
Leasehold improvements	107	107
Total buildings, property and equipment, depreciated	24,072	24,229
Total accumulated depreciation	(13,024)	(12,500)
Total buildings, property and equipment depreciated, net	11,048	11,729
Total buildings, property and equipment, net	$ 14,202	$ 14,160

Long-Term Obligations — Payment schedule of the foundations' long-term obligations follow. Excluded from the table below is St. Cloud State University Foundation's unamortized bond premium of $82 and unamortized debt issuance costs of ($23), which are amortized over the life of the bonds. Also excluded from the table below is Winona State University Foundation's loan agreement with a local bank of $2,357 and Minnesota State University Mankato's loan agreement with a local bank of $558.

Year Ended June 30

Fiscal Year	Amount
2023	$ 2,111
2024	1,126
2025	1,137
2026	753
2027	499
Thereafter	1,872
Total	$ 7,498

Endowment Funds — The foundations' endowment includes both donor-restricted funds and funds designated by the foundation board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the foundation board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets as of June 30, 2022 and 2021 are as follows:

Schedule of Endowment Net Assets
As of June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Net assets, beginning of year	$ 4,289	$ 264,038	$ 268,327
Contributions	22	15,060	15,082
Investment income	(626)	(34,919)	(35,545)
Amounts appropriated for expenditures	(68)	(8,879)	(8,947)
Other transfers	11	63	74
Net assets, end of year	$ 3,628	$ 235,363	$ 238,991

Schedule of Endowment Net Assets
As of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Net assets, beginning of year	$ 3,088	$ 207,783	$ 210,871
Contributions	445	10,979	11,424
Investment income	824	53,165	53,989
Amounts appropriated for expenditures	(65)	330	265
Other transfers	(3)	(8,219)	(8,222)
Net assets, end of year	$ 4,289	$ 264,038	$ 268,327

19. SUBSEQUENT EVENTS

General Obligation Bond Issuances — In August 2022 $9,000 in general obligation state bonds Series 2022A were authorized at a true interest rate of 2.96 percent. Minnesota State pays one third of the debt service on those bonds, over the life of the bonds. The first debt service payment on these bonds was in November 2022.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULES OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS

Schedule of Changes in Total OPEB Liability
(In Thousands)

	2022	2021	2020	2019	2018	2017
Balance, Beginning of Year	$ 67,263	$ 68,182	$ 70,054	$ 65,158	$ 64,823	$ 60,831
Changes for the Year						
Service Cost	5,366	5,137	5,424	4,869	5,167	4,404
Interest	1,573	2,482	2,839	2,421	1,931	2,374
Changes in Assumptions	165	12,399	(2,264)	5,161	(2,241)	2,835
Differences between Expected and Actual Economic Experience	-	(16,101)	(3,602)	(2,706)	-	-
Benefit Payments	(2,930)	(4,836)	(4,269)	(4,849)	(4,522)	(5,621)
Net Changes	4,174	(919)	(1,872)	4,896	335	3,992
Balance, End of Year	$ 71,437	$ 67,263	$ 68,182	$ 70,054	$ 65,158	$ 64,823
Covered Employee Payroll	$ 990,831	$ 1,003,002	$ 970,494	$ 945,338	$ 950,401	$ 938,713
Total OPEB Liability as a Percentage of Covered Employee Payroll	7.21	6.71	7.03	7.41	6.86	6.91

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
STATE EMPLOYEES RETIREMENT FUND

Schedule of Proportionate Share of MSRS Net Pension Liability
(In Thousands)

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	8.35	$ 135,402	$ 213,833	63.32	87.64
June 30, 2015	8.19	126,222	221,209	57.06	88.32
June 30, 2016	8.13	999,423	223,418	447.33	47.51
June 30, 2017	7.75	574,921	225,689	254.74	62.73
June 30, 2018	7.58	105,001	228,146	46.02	90.56
June 30, 2019	7.46	104,997	233,555	44.96	90.73
June 30, 2020	7.37	97,846	239,141	40.92	91.25
June 30, 2021	7.42	6,047	245,093	2.47	99.53

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 12,166	$ 12,166	$ —	$ 221,209	5.50
June 30, 2016	12,288	12,288	—	223,418	5.50
June 30, 2017	12,413	12,413	—	225,689	5.50
June 30, 2018	12,548	12,548	—	228,146	5.50
June 30, 2019	13,721	13,721	—	233,555	5.875
June 30, 2020	14,946	14,946	—	239,141	6.25
June 30, 2021	15,318	15,318	—	245,093	6.25
June 30, 2022	15,368	15,368	—	245,881	6.25

Minnesota State Retirement System (MSRS)

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
TEACHERS RETIREMENT FUND

Schedule of Proportionate Share of TRA Net Pension Liability
(In Thousands)

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	3.84	$ 176,742	$ 175,083	100.95	81.50
June 30, 2015	3.60	222,609	179,801	123.81	76.77
June 30, 2016	3.45	823,265	179,147	459.55	44.88
June 30, 2017	3.43	684,950	183,390	373.49	51.57
June 30, 2018	3.27	205,525	181,967	112.95	78.07
June 30, 2019	3.29	209,986	185,104	113.44	78.21
June 30, 2020	3.20	236,738	184,892	128.04	75.48
June 30, 2021	3.17	138,597	187,271	74.01	86.63

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By TRA	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 13,485	$ 13,485	$ —	$ 179,801	7.50
June 30, 2016	13,436	13,436	—	179,147	7.50
June 30, 2017	13,754	13,754	—	183,390	7.50
June 30, 2018	13,647	13,647	—	181,967	7.50
June 30, 2019	14,271	14,271	—	185,104	7.71
June 30, 2020	14,643	14,643	—	184,892	7.92
June 30, 2021	15,225	15,225	—	187,271	8.13
June 30, 2022	15,639	15,639	—	187,516	8.34

Teachers Retirement Association (TRA)

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND

Schedule of Proportionate Share of PERA Net Pension Liability
(In Thousands)

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.3271	$ 15,366	$ 17,173	89.48	78.75
June 30, 2015	0.2807	14,547	15,807	92.03	78.19
June 30, 2016	0.2493	20,242	15,093	134.11	68.91
June 30, 2017	0.2292	14,632	14,467	101.14	75.90
June 30, 2018	0.2082	11,550	13,712	84.23	79.53
June 30, 2019	0.1861	10,289	12,885	79.85	80.23
June 30, 2020	0.1611	9,659	11,492	84.05	79.06
June 30, 2021	0.1395	5,957	10,041	59.33	87.00

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By PERA	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 1,185	$ 1,185	$ —	$ 15,807	7.50
June 30, 2016	1,132	1,132	—	15,093	7.50
June 30, 2017	1,085	1,085	—	14,467	7.50
June 30, 2018	1,028	1,028	—	13,712	7.50
June 30, 2019	966	966	—	12,885	7.50
June 30, 2020	861	861	—	11,492	7.50
June 30, 2021	753	753	—	10,041	7.50
June 30, 2022	685	685	—	9,127	7.50

Public Employees Retirement Association (PERA)

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
ST. PAUL TEACHERS RETIREMENT FUND

Schedule of Proportionate Share of SPTRA Net Pension Liability
(In Thousands)

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.311	$ 1,666	$ 2,082	80.03	66.12
June 30, 2015	0.238	1,385	1,566	88.41	63.56
June 30, 2016	0.171	1,082	1,067	101.46	60.26
June 30, 2017	0.176	1,019	1,062	95.94	64.07
June 30, 2018	0.104	630	619	101.83	63.87
June 30, 2019	0.101	617	638	96.82	63.87
June 30, 2020	0.077	503	467	107.81	61.35
June 30, 2021	0.053	230	324	71.15	74.88

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By SPTRA	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 86	$ 86	$ —	$ 1,566	5.50
June 30, 2016	64	64	—	1,067	6.00
June 30, 2017	66	66	—	1,062	6.25
June 30, 2018	40	40	—	619	6.50
June 30, 2019	47	47	—	638	7.34
June 30, 2020	38	38	—	467	8.17
June 30, 2021	27	27	—	324	8.38
June 30, 2022	19	19	—	224	8.59

St. Paul Teachers Retirement Association (SPTRA)

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

MINNESOTA STATE COLLEGES AND UNIVERSITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

OTHER POSTEMPLOYMENT BENEFITS PLAN

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.21 percent to 2.16 percent.
- Mortality assumptions, salary increase assumptions, and medical trend rates were updated.
- The initial medical trend decreased by 0.3 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.5 percent to 2.21 percent.
- Mortality assumptions, salary increase assumptions, and medical trend rates were updated.
- The initial medical trend increased by 0.9 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.87 percent to 3.5 percent.
- Mortality assumptions, salary increase assumptions, and medical trend rates were updated.
- The inflation rate and payroll growth rate decreased 0.25 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.58 percent to 3.87 percent.
- Mortality assumptions, salary increase assumptions, and annual medical claims costs and premiums were updated.
- The inflation rate and payroll growth rate decreased 0.25 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.85 percent to 3.58 percent.

STATE EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The long-term investment rate of return and single discount rates were decreased from 7.5 percent to 6.5 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.5 percent to 2.25 percent.
- The payroll growth assumption as decreased from 3.25 percent to 3.0 percent.
- Assumed salary increases, rates of retirement, termination and disability were changed as recommended in the June 30, 2019 experience study.
- The base mortality tables were changed from the RP-2014 table to the Pub-2010 mortality table, with adjustments.
- The mortality projection scale was changed from MP-2018 to MP-2019.
- Age, marriage and benefit annuity election options were adjusted.

2020 NO CHANGES IN PLAN PROVISIONS OR ACTUARIAL ASSUMPTIONS

2019 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019.
- Member contributions increased from 5.5 percent to 5.75 percent of pay, effective July 1, 2018 and 6.0 percent of pay effective July 1, 2019. Employer contributions increased from 5.5 percent to 5.875 percent of pay effective July 1, 2018 and 6.25 percent of pay effective July 1, 2019.
- Interest credited on member contributions will decrease from 4.0 to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent for future accruing benefits effective January 1, 2019.
- Contribution stabilizer provisions were repealed.
- Post-retirement increases were changed from a 2.0 percent to 2.5 percent per year increase based upon funded ratio, to a fixed rate of 1.0 percent for five years beginning January 1, 2019 and 1.5 percent per year thereafter. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 5.42 percent to 7.5 percent.

2018 CHANGES IN PLAN PROVISIONS

- Actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity loads were revised.
- The discount rate was changed from 4.17 percent to 5.42 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 2.0 percent through 2043 and 2.5 percent thereafter to 2.0 percent for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 4.17 percent.
- Salary increases, retirement, termination, disability, mortality, percent married, and benefit election assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by a further 0.25 percent from those assumptions.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 2.0 percent through 2015, and 2.5 percent thereafter, to 2.0 percent per year through 2043, and 2.5 percent per year thereafter.

TEACHERS RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 7.5 percent to 7.0 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2020 NO CHANGES IN PLAN PROVISIONS OR ACTUARIAL ASSUMPTIONS

2019 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019.
- Member contribution rates are increased from 7.0 percent to 7.75 percent of pay, effective July 1, 2023. Employer contributions are increased each July 1 over the next six years (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022 and 8.75 percent in 2023).
- Interest credited on member contributions will decrease from 8.5 percent to 7.5 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent for future accruing benefits effective January 1, 2019.
- Contribution stabilizer provisions were repealed.
- Post-retirement increases were changed from a 2.0 percent to 2.5 percent per year increase based upon funded ratio, to a fixed rate of 1.0 percent for five years beginning January 1, 2019 and 1.5 percent per year thereafter. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 5.12 percent to 7.5 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.66 percent to 5.12 percent.
- The investment return assumption was changed from 8.0 percent to 7.5 percent.
- The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years.
- The assumptions for inflation, payroll growth, general wage growth and salary increases were all adjusted.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 2.0 percent through 2043 and 2.5 percent thereafter to 2.0 percent for all future years.
- The single discount rate was changed from 8.0 percent to 4.66 percent.
- Salary increases, retirement, termination, disability, mortality, percent married, and benefit election assumptions were changed pursuant to the experience study dated June 10, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by a further 0.25 percent from those assumptions.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 8.25 percent to 8.0 percent.

GENERAL EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.5 percent to 6.5 percent.
- The mortality improvement scale was changed from Scale MP-2019 to MP-2020.

2021 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.5 percent to 2.25 percent.
- The payroll growth assumption as decreased from 3.25 percent to 3.0 percent.
- Assumed salary increases, rates of retirement, rates of termination and rates of disability were changed as recommended in the June 30, 2019 experience study.
- The base mortality tables were changed from the RP-2014 table to the Pub-2010 mortality table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019.
- Interest credited on member contributions will decrease from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent for future accruing benefits effective January 1, 2019.
- Contribution stabilizer provisions were repealed.
- Post-retirement increases were changed from 1.0 percent per year based upon funded ratio, to a fixed rate of not less than 1.0 percent and not more than 1.5 percent beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity loads were revised.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.0 percent through 2035 and 2.5 percent thereafter to 1.0 percent for all years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Salary increases, retirement, termination, disability, mortality, percent married, and benefit election assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by a further 0.25 percent from those assumptions.

2016 NO CHANGES IN PLAN PROVISIONS OR ACTUARIAL ASSUMPTIONS

ST. PAUL TEACHERS RETIREMENT FUND

2022 CHANGES IN PLAN PROVISIONS

- The member contribution for the July 1, 2022 to June 20, 2023 fiscal year was changed from 7.75 percent to 7.5 percent.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was updated from MP-2019 to MP-2020.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was updated from MP-2018 to MP-2019.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- Lower early retirement factors will be phased in over a sixty-month period starting July 1, 2019.
- Interest credited on refunds of member contributions decreased form 4.0 percent to 3.0 percent prospectively, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent for future accruing benefits effective July 1, 2019.
- Post- retirement increases were changed from 1.0 percent per year based upon funded ratio, to 0.0 percent for January 1, 2019 and 2020 and 1.0 percent thereafter. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.
- Member contributions will increase from 7.5 percent to 7.75 percent effective July 1, 2022. Employer contributions will increase form 6.5 percent to 9.0 percent of pay over six years, beginning July 1, 2018.
-

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed investment rate was lowered from 8.0 percent to 7.5 percent.
- Assumed wage inflation decreased from 4.0 percent to 3.0 percent.
- Salary increase rates were updated from an age-based table to a service-based table of rates.
- Retirement, withdrawal, and disability rates were adjusted to better fit observed experience.
- The mortality table was updated.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity loads were revised.
- The assumed cost-of-living adjustments were changed from 1.0 percent per year through 2054, 2.0 percent beginning 2055, 2.5 percent beginning 2066 to 1.0 percent per year through 2041, 2.0 percent beginning 2042, and 2.5 percent beginning 2052.

2017 NO CHANGES IN PLAN PROVISIONS OR ACTUARIAL ASSUMPTIONS

2016 NO CHANGES IN PLAN PROVISIONS OR ACTUARIAL ASSUMPTIONS

SUPPLEMENTARY SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Minnesota State Colleges and Universities (Minnesota State), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Minnesota State's basic financial statements, and have issued our report thereon dated November 16, 2022. Our report includes reference to other auditors who audited the financial statements of the Bemidji State University Alumni and Foundation, Metropolitan State University Foundation, Minnesota State University Moorhead Foundation, Inc., Southwest Minnesota State University Foundation, and Winona State University Foundation. These component units were not audited in accordance with *Government Auditing Standards*, and this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota State Colleges and Universities internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minnesota State Colleges and Universities internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota State Colleges and Universities internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 16, 2022

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