



MINNESOTA STATE

Annual Financial Report

For the years ended June 30, 2021 and 2020

**MINNESOTA STATE
COLLEGES AND UNIVERSITIES**

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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INTRODUCTION



MINNESOTA STATE

November 17, 2021

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, 2021 and 2020. 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,

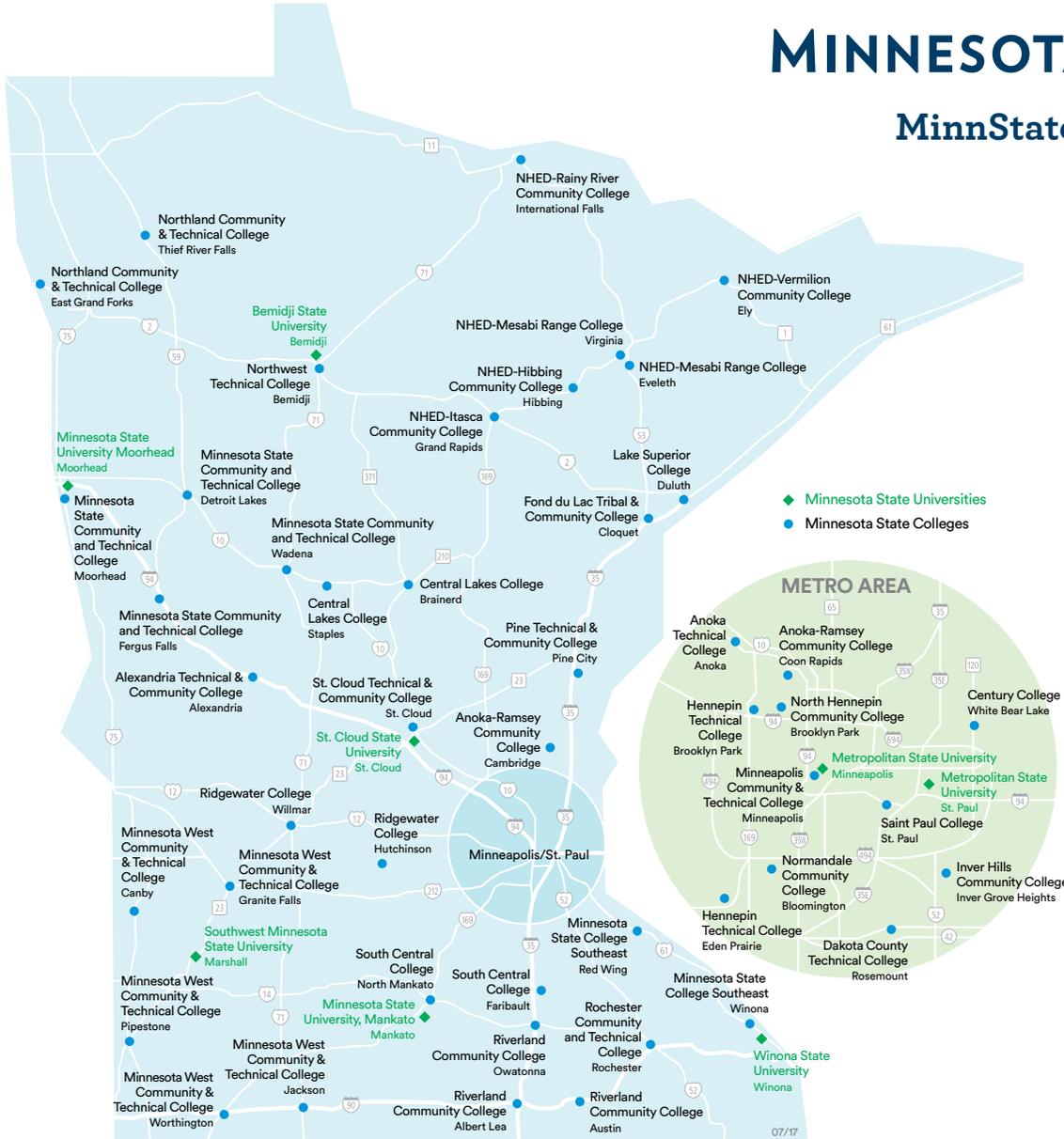
Bill Maki
Vice Chancellor for Finance and Facilities

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

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, President
(763) 433-1100
www.anokaramsey.edu

ANOKA TECHNICAL COLLEGE***

Anoka
Kent Hanson, President
(763) 576-4850
www.anokatech.edu

BEMIDJI STATE UNIVERSITY*

Bemidji
Faith Hensrud, 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.fdlccc.edu

HENNEPIN TECHNICAL COLLEGE

Brooklyn Park, Eden Prairie
Merrill Irving Jr, 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
Marcia Danielson, President
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

NORMANDEALE 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
Faith Hensrud, 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
Annesea Cheek, 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.

Board of Trustees of the Minnesota State Colleges and Universities

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Information Technology

Gary Cunningham, General Counsel

Noelle Hawton, Chief Marketing and Communications Officer

The financial activity of the Minnesota State Colleges and Universities is included in this report. It is comprised of 37 colleges and universities. The Revenue Fund activity is included in both this report and the separately issued Revenue Fund Annual Financial Report.

All financial activity of 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



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Minnesota State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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 58% of the total assets and 51% of the revenues 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.

Auditors' Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Minnesota State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Minnesota State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our 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, 2021 and 2020, 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.

Emphasis of Matters

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, 2021 and 2020, 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.

Other Matters

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, and the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Minnesota State's basic financial statements. The introductory section is presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, 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 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 Minnesota State's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 17, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the Minnesota State Colleges and Universities (Minnesota State) for the years ended June 30, 2021, 2020 and 2019. 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 37 state universities, technical, and community colleges. Offering almost 4,000 educational programs, the system serves approximately 233,000 students annually in credit-based courses, as measured by unduplicated headcount enrollment. The system serves over 66,000 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 15,000 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 2021, 2020, and 2019 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 \$10.5 million in fiscal year 2021.

Excluding the GASB Statements No. 68 and No. 75 effect, fiscal years 2021 and 2020 net position increased by \$23.9 million, or 1.0 percent and \$43.5 million or 1.9 percent, respectively.

- Gain (loss) before other revenues, expenses, gains, or losses, experienced a loss of (\$20.0) million and a loss of (\$41.7) million in fiscal years 2021 and 2020, respectively. This compares to a gain of \$199.5 million in fiscal year 2019. Excluding the effects of GASB Statements No. 68 and No. 75, the system experienced a loss of (\$6.6) million in fiscal year 2021, a loss of (\$24.0) million in fiscal year 2020 and a loss of (\$38.9) million in fiscal year 2019.

- Compensation, the largest cost category in the system, decreased (\$9.1) million, or 0.6 percent, in fiscal year 2021 and increased \$287.8 million, or 25.4 percent, in fiscal year 2020. Excluding the GASB Statements No. 68 and No. 75 adjustments, the net decrease in compensation was (\$4.8) million, or 0.3 percent, and a net increase of \$31.8 million, or 2.3 percent, in fiscal years 2021 and 2020, respectively. This cost constitutes 68.7 percent of the system's fiscal year 2021 total operating expenses, compared to 68.7 percent for fiscal year 2020.
- The state appropriation and tuition charged to students are the system's two largest revenue sources. The state appropriation increased by \$5.8 million, or 0.8 percent, in fiscal year 2021 following a 5.2 percent increase in fiscal year 2020. More than half of the appropriation increase, \$4.0 million, was for workforce development scholarships. Of this \$4.0 million, \$2.0 million was a one-time increase available only in fiscal year 2021. The remaining increase was driven primarily by normal inflationary increases in labor and other costs.
- Gross tuition revenue decreased (\$27.3) million, or 3.5 percent, in fiscal year 2021. This is compared to an increase of \$3.6 million, or 0.5 percent, and decrease of (\$11.4) million, or 1.4 percent, in fiscal years 2020 and 2019, respectively. Undergraduate tuition rates both for two-year colleges and for state universities increased by 3.0 percent in fiscal year 2021. However, increases were not effective until spring term, with summer and fall rates frozen at fiscal year 2020 rates. This follows tuition rates increasing 3.0 percent at two-year colleges and increasing an overall average of 3.2 percent at universities in 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 2021, 2020 and 2019 totaled 115,758, 122,483, and 126,094, respectively. Enrollment in fiscal year 2021 decreased 5.5 percent from fiscal year 2020. This follows an enrollment decrease of 2.9 percent between fiscal year 2020 and 2019.
- Federal grants increased by \$64.6 million, or 18.8 percent in fiscal year 2021 compared to fiscal year 2020, following an increase of 18.0 percent, or \$52.3 million, in fiscal year 2020 compared to fiscal year 2019. This increase is primarily attributable to \$156.2 million and \$56.9 million in the Higher Education Emergency Relief Fund (HEERF I, II and III) grant revenue in fiscal years 2021 and 2020 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 \$11.3 million or 11.9 percent in fiscal year 2021 compared to fiscal year 2020, following an increase of \$40.0 million or 72.5 percent in fiscal year 2020 compared to fiscal year 2019. The fiscal year 2021 and 2020 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 2021 by (\$44.4) million to a total of \$464.2 million, an 8.7 percent decrease. This decrease was primarily due to the repayment of general obligation bonds in the amount of \$21.0 million and repayment of revenue bonds in the amount of \$20.3 million. These decreases were offset by \$6.2 million of new general obligation 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. The increase in net position related to this is \$7.0 million and \$17.0 million for fiscal years 2021 and 2020 respectively.

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 (GASB).

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.

A summary of the system's statements of net position as of June 30, 2021, 2020 and 2019 follows:

	(In Thousands)		
	2021	2020	2019
Current assets	\$ 1,326,425	\$ 1,282,829	\$ 1,273,007
Noncurrent assets	11,254	15,627	20,121
Capital assets, net	1,940,573	2,003,641	2,004,961
Deferred outflows of resources	163,598	381,278	621,822
Total assets and deferred outflows of resources	<u>3,441,850</u>	<u>3,683,375</u>	<u>3,919,911</u>
Current liabilities	328,832	335,406	343,917
Noncurrent liabilities	967,667	990,728	1,019,859
Deferred inflows of resources	492,828	715,258	939,920
Total liabilities and deferred inflows of resources	<u>1,789,327</u>	<u>2,041,392</u>	<u>2,303,696</u>
Net position	<u>\$ 1,652,523</u>	<u>\$ 1,641,983</u>	<u>\$ 1,616,215</u>

The primary component of current assets is cash and cash equivalents (unrestricted), which increased by \$13.4 million to total \$1.1 billion at June 30, 2021. This \$1.1 billion of cash and cash equivalents plus investments of \$24.8 million represent approximately 6.8 months of fiscal year 2021 operating expenses (excluding depreciation), an increase of 0.1 months from fiscal year 2020. 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 \$163.6 million and \$381.3 million were reported in fiscal years 2021 and 2020, 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, 2021 decreased from the prior year by (\$0.4) million, or 0.3 percent, to a total of \$145.8 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, decreased by (\$7.2) million from fiscal year 2020 to fiscal year 2021.

The noncurrent liabilities decreased by (\$23.1) million or 2.3 percent in fiscal year 2021 compared to fiscal year 2020. This was primarily due to a decrease of (\$44.8) million in the noncurrent portion of long-term debt in fiscal year 2021 compared to fiscal year 2020.

Deferred inflows of \$492.8 million and \$715.3 million were reported in fiscal years 2021 and 2020, 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 2021 and 2020 in the amounts of \$344.7 million and \$325.9 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 assets restricted for debt service of \$45.4 million, and restrictions imposed by bond covenants of \$73.2 million, a combined (\$0.9) million decrease from fiscal year 2020.

The system's net position as of June 30, 2021, 2020 and 2019 follows:

(In Thousands)			
	2021	2020	2019
Net investment in capital assets	\$ 1,513,799	\$ 1,536,997	\$ 1,514,426
Restricted expendable, bond covenants	73,205	73,340	75,545
Restricted expendable, other	69,908	68,682	65,962
Unrestricted	(4,389)	(37,036)	(39,718)
Total net position	<u>\$ 1,652,523</u>	<u>\$ 1,641,983</u>	<u>\$ 1,616,215</u>

The system's financial position remained stable during fiscal year 2021 with net position increasing slightly by \$10.5 million, or 0.6 percent, on total revenues of \$2.1 billion.

Without the effect of GASB Statements No. 68 and No. 75, unrestricted net position increased \$46.0 million or 6.7 percent in fiscal year 2021, and \$20.4 million or 3.0 percent in fiscal year 2020. Of the \$46.0 million increase in fiscal year 2021, approximately \$7.0 million is due to the system building up a reserve for implementation of a new ERP system. One-time federal HEERF funding contributed to some of the remaining increase in unrestricted net position in fiscal year 2021, compared to fiscal year 2020. Of the \$20.4 million increase in fiscal year 2020, approximately \$17.0 million is due to the system building up a reserve for implementation of a new ERP system. This is primarily offset by operating losses due to the pandemic, timing of state appropriation as well as revenue losses due to enrollment decline.

Unrestricted net position increased by \$32.6 million, or 88.1 percent over fiscal year 2021. This is compared to the increase of \$2.7 million, or 6.8 percent in fiscal year 2020. During fiscal year 2019 unrestricted net position increased by \$240.7 million, or 85.8 percent. This is mainly due to GASB Statements No. 68 and No. 75, as seen in the table below.

(In Thousands)			
	2021	2020	2019
Unrestricted net position balance at June 30	\$ (4,389)	\$ (37,036)	\$ (39,718)
Prior year effect of GASB Statements No. 68 and No. 75	726,491	708,799	947,131
Current year effect of GASB Statements No. 68 and No. 75	13,381	17,692	(238,332)
Balance at June 30, without effect of GASB No. 68 and No. 75	<u>\$ 735,483</u>	<u>\$ 689,455</u>	<u>\$ 669,081</u>

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 2021 capital outlays totaled \$77.2 million, including \$60.4 million of new construction in progress, compared to fiscal year 2020 capital outlays which totaled \$134.0 million, including \$114.5 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 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 2021 was \$767.9 million of which \$2.0 million is included for asset repairs and improvements that are not capitalized. General obligation bonds payable totaled \$183.4 million at June 30, 2021, a net decrease of (\$14.8) million during the fiscal year. Revenue bonds payable at June 30, 2021 totaled \$222.2 million, a net decrease of (\$20.3) million from June 30, 2020.

The percentage of total revenue expended to cover debt service (principal and interest payments on general obligation and revenue bonds, capital leases and notes payable) has increased from 2.5 percent or \$52.1 million in fiscal year 2011, to 2.9 percent, or \$60.9 million in fiscal year 2021. This compares to 1.0 percent of total revenue to cover debt service (principal and interest payments) on general obligation bonds only for fiscal year 2021.

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, 2021, 2020 and 2019 follows:

(In Thousands)

	2021	2020	2019
Operating revenues:			
Tuition, fees and sales, net	\$ 655,102	\$ 684,104	\$ 690,874
Restricted student payments, net	75,271	90,398	110,507
Other income	20,824	19,518	19,108
Total operating revenues	<u>751,197</u>	<u>794,020</u>	<u>820,489</u>
Nonoperating revenues and other revenues:			
State appropriations	767,931	762,135	724,802
Capital appropriations	28,825	65,460	59,890
Grants	530,302	475,879	430,764
Other	8,781	17,230	23,114
Total nonoperating and other revenues	<u>1,335,839</u>	<u>1,320,704</u>	<u>1,238,570</u>
Total revenues	<u>2,087,036</u>	<u>2,114,724</u>	<u>2,059,059</u>
Operating expenses:			
Salaries and benefits	1,411,613	1,420,716	1,132,891
Depreciation	137,279	135,954	133,129
Financial aid, net	106,538	95,218	55,209
Other	393,657	406,818	442,792
Total operating expenses	<u>2,049,087</u>	<u>2,058,706</u>	<u>1,764,021</u>
Nonoperating expenses and other expenses:			
Interest expense	16,629	19,504	20,629
Other	10,780	10,746	11,047
Total nonoperating and other expenses	<u>27,409</u>	<u>30,250</u>	<u>31,676</u>
Total expenses	<u>2,076,496</u>	<u>2,088,956</u>	<u>1,795,697</u>
Change in net position	10,540	25,768	263,362
Net position, beginning of year	1,641,983	1,616,215	1,352,853
Net position, end of year	<u>\$ 1,652,523</u>	<u>\$ 1,641,983</u>	<u>\$ 1,616,215</u>

The fiscal year 2021 total revenues decreased by (\$27.7) million or 1.3 percent which was the result of increases in grant revenue of \$54.4 million, along with an increase in state appropriation of \$5.8 million, which help offset the decrease in operating revenue of (\$42.8) million. The operating revenue decrease was attributable to loss of student enrollment and the impact of the pandemic, which as a result also included less sales and room and board activity. Sales and room and board revenue decreased by (\$18.0) million or 20.0 percent in fiscal year 2021.

Compensation is the system's single largest expense component. Compensation expense decreased (\$9.1) million, or 0.6 percent, in fiscal year 2021 and represented 68.9 percent of total operating expense, compared to 69.0 percent in fiscal year 2020. Total compensation expense included fringe benefit costs of \$382.0 million and \$377.7 million in fiscal years 2021 and 2020, respectively. Fringe benefit costs in fiscal year 2021 increased \$13.4 million due to GASB Statements No. 68 and No.75 adjustments, compared to an increase of \$17.7 million in fiscal year 2020. Excluding the GASB Statements No. 68 and No. 75 adjustments, the net decrease in compensation was (\$4.8) million or 0.3 percent, for fiscal year 2021.

The total of all other operating expenses decreased for fiscal year 2021 by (\$0.5) million or 0.1 percent compared to fiscal year 2020. This follows an increase of 1.1 percent from fiscal year 2019 to fiscal year 2020. In fiscal year 2021 purchased services expense decreased slightly by (\$1.6) million or 1.0 percent, reflecting the continued decrease due to the previously listed factors, but offset by some increase due to expenses related to the new ERP system implementation. Purchased services decreased by (\$25.9) million or 10.2 percent in fiscal year 2020 due to following Center for Disease Control's and the state's executive orders to stay at home and travel restrictions due to the COVID-19 pandemic. Due to these mandates, the colleges and universities finished the rest of the school year virtually and had to cancel graduation, conferences, events, and travel, which resulted in lower contracted food service, utility, and travel expenses.

The system's overall financial position increased by \$10.5 million in fiscal year 2021. Without the effect of GASB Statements No. 68 and No. 75, the system's overall financial position increased by \$23.9 million in fiscal year 2021.

(In Thousands)			
	2021	2020	2019
Increase in net position including GASB No. 68 and GASB No. 75	\$ 10,540	\$ 25,768	\$ 263,362
Impact on compensation expense			
Pension	11,365	14,691	(241,769)
Other postemployment benefits	2,016	3,001	3,437
Total GASB No. 68 and No. 75 impact	\$ 13,381	\$ 17,692	\$ (238,332)
Increase in net position excluding GASB No. 68 and No. 75	\$ 23,921	\$ 43,460	\$ 25,030

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, 2021 and 2020 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

Despite the unprecedented impact of the COVID-19 pandemic, Minnesota State maintained a sound financial position in fiscal year 2021. Despite continued enrollment declines, net position improved including and excluding the effects of GASB No. 68 and 75. Federal HEERF funding provided one-time funding to assist with additional costs and lost revenue due to the pandemic. The three rounds of HEERF funding provided colleges and universities with \$346.9 million for institutional relief. The ability to use HEERF funds for lost revenues as far back as the declaration of the pandemic on March 13, 2020, gives colleges and universities the ability to sustain operations. However, this does not cover all the lost revenues that the system institutions have and will experience. HEERF funds have been a significant part of fiscal year 2020 through 2022 budgets. Since these are one-time funds, on-going revenues will need to recover in the future to avoid having the reductions of expenditures being the primary tool to having structurally balanced budgets going forward starting in fiscal year 2023.

That recovery will rely heavily on enrollment stabilizing for Minnesota State. Minnesota State credit enrollment has decreased by over 25.0 percent in the last decade. Pandemic health and safety mitigation measures have continued to have significant impacts for Fall 2021. Current projections indicate enrollment will decline an additional 6.5 percent for fiscal year 2022. This would be in addition to the 5.5 percent reduction in credit enrollment for fiscal year 2021. At the system level, in-person course delivery fell from 75.0 percent of courses in Fall 2019 (pre-pandemic) to 38.0 percent in Fall 2020, but in Fall 2021 were back to 50.0 percent. For universities, which have most of the Revenue Fund activities, Fall 2019 in-person classes were 81.0 percent in-person delivery. This fell to 42.0 percent for Fall 2020 and has come back to 64.0 percent for Fall 2021. The arrival of the Delta variant has been a significant factor in delaying the recovery of total revenues. Minnesota State will have experienced a double-digit percentage enrollment decline during the pandemic. That equates to the loss of approximately 14,000 full-year equivalents.

The state of Minnesota's fiscal year 2022 and 2023 biennial budget invests an additional \$105.3 million in higher education. The total new amount invested in Minnesota State was \$56.4 million in new funding. The state of Minnesota's stable economic condition with a projected surplus allowed this additional investment where there had been past projections that the state was going to be in a deficit situation. Minnesota State is the beneficiary of the strong financial management of our state as well as the value the state has on our system. In addition, the higher education bill gave the Board the ability to adjust tuition rates to generate additional operating revenue. The language in the bill stated that for the 2021-2022 and 2022-2023 academic years, tuition rates for undergraduate students at colleges and universities must not be increased by more than 3.5 percent as compared to the previous academic year. For the 2021-2022 academic years, two-year college tuition rates increased by 3.3 percent and undergraduate tuition rates at the state universities increased by 3.5 percent. This additional revenue from state appropriation and tuition revenue will help cover inflationary costs as well as replace some of the one-time HEERF funding.

While there have been recent financial challenges, Minnesota State remains committed to focusing resources on investments that will ensure the success of students, continue our commitment to affordability and strengthen strategies that address workforce opportunity gaps. Strategic priorities include:

- The essential need to make sure that Minnesota State's programs provide for equitable educational success for all Minnesotans, regardless of race or ethnicity, economic status, or whether they are the first in their families to attend a college or university. The state of Minnesota needs all our students to complete their programs and contribute to the success of our economy and society. Equity 2030 establishes Minnesota State's framework to eliminate educational equity gaps at every Minnesota state college and university.
- The need to keep the net cost of higher education affordable to Minnesotans who may be even more interested in Minnesota State due to unemployment or other life changes caused by the COVID-19 pandemic.

- The need to maintain programs and services that serve our current and future students, including enterprise-wide technology infrastructure and the structural capacity for innovation. Minnesota State began the seven-year \$242.7 million ERP implementation of Workday in January 2021. Human Capital Management and Finance will go live in July 2023 followed by the roll out of Student modules over a four-year period through 2026.
- The need to ensure long-term financial sustainability.

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,062,418	\$ 1,049,039
Investments	24,813	22,925
Grants receivable	69,979	31,177
Accounts receivable, net	65,630	61,725
Prepaid expense	29,361	29,102
Inventory and other assets	14,178	15,342
Student loans, net	3,439	3,881
Total current assets	<u>1,269,818</u>	<u>1,213,191</u>
Current Restricted Cash and Cash Equivalents	<u>56,607</u>	<u>69,638</u>
Noncurrent Restricted Assets		
Investments	303	304
Construction in progress	94	762
Total noncurrent restricted assets	<u>397</u>	<u>1,066</u>
Total restricted assets	<u>57,004</u>	<u>70,704</u>
Noncurrent Assets		
Notes receivable	1,492	1,616
Student loans, net	9,459	13,707
Capital assets, net	1,940,479	2,002,879
Total noncurrent assets	<u>1,951,430</u>	<u>2,018,202</u>
Total Assets	<u>3,278,252</u>	<u>3,302,097</u>
Deferred Outflows of Resources	<u>163,598</u>	<u>381,278</u>
Total Assets and Deferred Outflows of Resources	<u>3,441,850</u>	<u>3,683,375</u>
Liabilities		
Current Liabilities		
Salaries and benefits payable	145,816	146,253
Accounts payable	41,763	40,326
Unearned revenue	57,335	51,877
Payable from restricted assets	6,696	15,289
Other liabilities	9,044	12,789
Current portion of long-term obligations	46,851	46,503
Other compensation benefits	21,327	22,369
Total current liabilities	<u>328,832</u>	<u>335,406</u>
Noncurrent Liabilities		
Noncurrent portion of long-term obligations	417,317	462,087
Other compensation benefits	205,604	202,752
Net pension liability	344,746	325,889
Total noncurrent liabilities	<u>967,667</u>	<u>990,728</u>
Total Liabilities	<u>1,296,499</u>	<u>1,326,134</u>
Deferred Inflows of Resources	<u>492,828</u>	<u>715,258</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,789,327</u>	<u>2,041,392</u>
Net Position		
Net investment in capital assets	1,513,799	1,536,997
Restricted expendable, bond covenants	73,205	73,340
Restricted expendable, other	69,908	68,682
Unrestricted	(4,389)	(37,036)
Total Net Position	<u>\$ 1,652,523</u>	<u>\$ 1,641,983</u>

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES FOUNDATIONS
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020
(IN THOUSANDS)

Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 11,566	\$ 11,975
Investments	75,662	60,153
Restricted cash and cash equivalents	1,022	1,029
Pledges and contributions receivable, net	7,392	7,775
Other receivables and Other assets	246	311
Annuities/Remainder interests/Trusts	247	230
Finance lease receivable	1,008	1,000
Total current assets	<u>97,143</u>	<u>82,473</u>
Noncurrent Assets		
Annuities/Remainder interests/Trusts	475	431
Long-term pledges receivable	9,038	6,904
Finance lease receivable, net	-	1,008
Investments	190,496	149,904
Restricted investments	40,943	31,476
Buildings, property and equipment, net	14,160	14,904
Other assets	3,893	4,131
Total noncurrent assets	<u>259,005</u>	<u>208,758</u>
Total Assets	<u>\$ 356,148</u>	<u>\$ 291,231</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,083	\$ 975
Interest payable	15	21
Unearned revenue	328	463
Annuities payable	636	966
Bonds payable	2,064	2,022
Scholarships payable and Other liabilities	2,096	2,078
Total current liabilities	<u>6,222</u>	<u>6,525</u>
Noncurrent Liabilities		
Annuities payable and Unitrust liabilities	968	1,012
Notes payable	540	620
Bonds payable	7,771	9,912
Total noncurrent liabilities	<u>9,279</u>	<u>11,544</u>
Total Liabilities	<u>15,501</u>	<u>18,069</u>
Net Assets		
Without donor restrictions	23,467	18,148
With donor restrictions	317,180	255,014
Total Net Assets	<u>340,647</u>	<u>273,162</u>
Total Liabilities and Net Assets	<u>\$ 356,148</u>	<u>\$ 291,231</u>

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, 2021 AND 2020
(IN THOUSANDS)**

	2021	2020
Operating Revenues		
Tuition, net	\$ 513,726	\$ 523,337
Fees, net	69,103	70,445
Sales and room and board, net	72,273	90,322
Restricted student payments, net	75,271	90,398
Other income	20,824	19,518
Total operating revenues	<u>751,197</u>	<u>794,020</u>
Operating Expenses		
Salaries and benefits	1,411,613	1,420,716
Purchased services	227,664	229,216
Supplies	109,644	118,157
Repairs and maintenance	19,796	23,005
Depreciation	137,279	135,954
Financial aid, net	106,538	95,218
Other expense	36,553	36,440
Total operating expenses	<u>2,049,087</u>	<u>2,058,706</u>
Operating loss	<u>(1,297,890)</u>	<u>(1,264,686)</u>
Nonoperating Revenues (Expenses)		
Appropriations	767,931	762,135
Federal grants	407,998	343,436
State grants	96,992	99,046
Private grants	25,312	33,383
Interest income	7,074	15,230
Interest expense	(16,629)	(19,504)
Grants to other organizations	(10,780)	(10,746)
Total nonoperating revenues (expenses)	<u>1,277,898</u>	<u>1,222,980</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(19,992)	(41,706)
Capital appropriations	28,825	65,460
Capital grants	-	14
Donated assets	858	1,927
Gain on disposal of capital assets	849	73
Change in net position	<u>10,540</u>	<u>25,768</u>
Total Net Position, Beginning of Year	1,641,983	1,616,215
Total Net Position, End of Year	<u>\$ 1,652,523</u>	<u>\$ 1,641,983</u>

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 Restriction	2021 Total
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 gain	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	<u>34,643</u>	<u>62,166</u>	<u>96,809</u>
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	<u>17,337</u>	<u>-</u>	<u>17,337</u>
Supporting services			
Management and general	3,608	-	3,608
Fundraising	8,379	-	8,379
Total supporting services	<u>11,987</u>	<u>-</u>	<u>11,987</u>
Total expenses	<u>29,324</u>	<u>-</u>	<u>29,324</u>
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	<u>\$ 23,467</u>	<u>\$ 317,180</u>	<u>\$ 340,647</u>

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, 2020
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restriction	2020 Total
Support and Revenue			
Contributions	\$ 2,380	\$ 23,002	\$ 25,382
Endowment gifts	-	1,218	1,218
In-kind contributions	5,650	986	6,636
Investment income	1,912	2,646	4,558
Realized loss	(14)	(67)	(81)
Unrealized gain	238	2,028	2,266
Program income	1,196	339	1,535
Special events	-	249	249
Fundraising income	-	86	86
Other income	867	101	968
Reclassification of net assets	1,180	(1,180)	-
Net assets released from restrictions	17,646	(17,646)	-
Total support and revenue	<u>31,055</u>	<u>11,762</u>	<u>42,817</u>
Expenses			
Program services			
Program services	3,604	-	3,604
Scholarships	14,484	-	14,484
Institutional activities	1,257	-	1,257
Special projects	1,409	-	1,409
Total program services	<u>20,754</u>	<u>-</u>	<u>20,754</u>
Supporting services			
Management and general	3,972	-	3,972
Fundraising	5,246	-	5,246
Total supporting services	<u>9,218</u>	<u>-</u>	<u>9,218</u>
Total expenses	<u>29,972</u>	<u>-</u>	<u>29,972</u>
Change in Net Assets	1,083	11,762	12,845
Net Assets, Beginning of Year	17,065	243,252	260,317
Net Assets, End of Year	<u>\$ 18,148</u>	<u>\$ 255,014</u>	<u>\$ 273,162</u>

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	\$ 754,052	\$ 778,107
Cash repayment of program loans	3,730	4,198
Cash paid to suppliers for goods or services	(395,198)	(404,883)
Cash payments for employees	(1,395,701)	(1,384,486)
Financial aid disbursements	(106,538)	(100,631)
Net cash flows used in operating activities	<u>(1,139,655)</u>	<u>(1,107,695)</u>
Cash Flows from Noncapital and Related Financing Activities		
Appropriations	767,931	762,135
Federal grants	369,548	339,085
State grants	96,992	99,046
Private grants	25,312	33,383
Agency activity	(3,421)	2,947
Grants to other organizations	(10,780)	(10,746)
Net cash flows provided by noncapital and related financing activities	<u>1,245,582</u>	<u>1,225,850</u>
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(84,265)	(134,915)
Capital appropriation	26,872	46,449
Capital grants	-	14
Proceeds from sale of capital assets and insurance proceeds	3,291	732
Proceeds from borrowing	6,195	29,987
Proceeds from bond premiums	1,925	5,691
Interest paid	(17,501)	(19,178)
Repayment of lease principal	(2,134)	(4,143)
Repayment of note principal	(960)	(589)
Repayment of bond principal	(40,932)	(55,984)
Net cash flows used in capital and related financing activities	<u>(107,509)</u>	<u>(131,936)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	556	4,046
Purchase of investments	(2,384)	(2,708)
Investment earnings	3,758	10,744
Net cash flows provided by investing activities	<u>1,930</u>	<u>12,082</u>
Net Increase (Decrease) in Cash and Cash Equivalents	348	(1,699)
Cash and Cash Equivalents, Beginning of Year	1,118,677	1,120,376
Cash and Cash Equivalents, End of Year	<u>\$ 1,119,025</u>	<u>\$ 1,118,677</u>

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, 2021 AND 2020
(IN THOUSANDS)**

	2021	2020
Operating Loss	\$ <u>(1,297,890)</u>	\$ <u>(1,264,686)</u>
Adjustment to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Change in pension plan related items:		
Net pension liability	18,857	3,183
Deferred inflows of resources	(234,280)	(228,607)
Deferred outflows of resources	226,790	240,114
Depreciation	137,279	135,954
Provision for loan defaults	(2,299)	(302)
Loan principal repayments	3,730	4,198
Forgiven loans	3,258	607
Change in assets and liabilities		
Inventory	1,039	309
Accounts receivable	(1,952)	(2,153)
Accounts payable	3,333	(3,068)
Salaries and benefits payable	(437)	15,011
Other compensation benefits and related deferred outflows and inflows	4,745	6,569
Capital contributions payable	(5,078)	(5,413)
Unearned revenue	4,806	(8,055)
Other	(1,556)	(1,356)
Net reconciling items to adjust operating loss	<u>158,235</u>	<u>156,991</u>
Net cash flows used in operating activities	\$ <u><u>(1,139,655)</u></u>	\$ <u><u>(1,107,695)</u></u>
Non-Cash Investing, Capital, and Financing Activities:		
Capital projects on account	\$ 9,690	\$ 20,000
Donated equipment	858	1,927
Amortization of bond premium	4,257	4,266

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
 DEFINED CONTRIBUTION RETIREMENT FUND
 STATEMENTS OF FIDUCIARY NET POSITION HELD FOR PENSION BENEFITS
 AS OF JUNE 30, 2021 AND 2020
 (IN THOUSANDS)**

	2021	2020
Assets		
Mutual Funds	\$ <u>2,823,069</u>	\$ <u>2,247,535</u>
Total Assets	<u>2,823,069</u>	<u>2,247,535</u>
Liabilities		
Total Liabilities	<u>-</u>	<u>-</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 2,823,069</u>	<u>\$ 2,247,535</u>

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, 2021 AND 2020
(IN THOUSANDS)**

	2021	2020
Additions:		
Contributions		
Employer	\$ 45,960	\$ 45,555
Member	48,079	45,178
Contributions from roll overs and other sources	4,098	3,952
Total Contributions	<u>98,137</u>	<u>94,685</u>
Net Investment Gain	<u>602,007</u>	<u>106,093</u>
Total Additions	<u>700,144</u>	<u>200,778</u>
Deductions:		
Benefits and refunds paid to plan members	122,951	112,903
Administrative fees	1,659	1,617
Total Deductions	<u>124,610</u>	<u>114,520</u>
Net Increase	575,534	86,258
Net Position Held in Trust for Pension Benefits, Beginning of Year	2,247,535	2,161,277
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 2,823,069</u>	<u>\$ 2,247,535</u>

The notes are an integral part of the financial statements.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

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. 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 #17
Bemidji, MN 56601-2699

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

MN 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 2021, joint ventures received revenues of \$7,867,900 and incurred expenses of \$7,141,049. In fiscal year 2020 the amounts for revenues and expenses were \$7,071,999 and \$7,291,241, 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 or Chief Financial Officer 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 \$2,022,005 and \$2,464,599 in fiscal years 2021 and 2020 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:

<u>Asset Type</u>	<u>Useful Life</u>
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 \$10,000 and over. Buildings, building improvements, and internally developed software include all projects with a cost of \$250,000 and over for projects started since July 1, 2008, and \$100,000 and over for projects started prior to July 1, 2008. All land and library collection purchases are capitalized regardless of amount spent.

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, 2021 and 2020, the food service vendor capital investment balances were \$9,483,170 and \$11,959,515, respectively. The amount of food service revenue recognized in fiscal years 2021 and 2020 was \$2,887,456 and \$2,807,098, 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 capital lease agreements for certain capital 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), and 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.

The following tables summarize Minnesota State deferred outflows and inflows:

	Deferred Outflows of Resources Year Ended June 30 (In Thousands)	
	2021	2020
<u>Related to Pensions:</u>		
Differences between projected and actual investment earnings	\$ 8,541	\$ -
Changes in actuarial assumptions	84,965	324,714
Contributions paid to plans subsequent to measurement date	31,323	30,490
Differences between expected and actual economic experience	6,592	3,500
Changes in proportion	11,196	10,703
Total related to pensions	<u>142,617</u>	<u>369,407</u>
<u>Related to OPEB:</u>		
Contributions paid to plan subsequent to measurement date	4,646	4,836
Changes in actuarial assumptions	14,512	4,992
Total related to OPEB	<u>19,158</u>	<u>9,828</u>
<u>Related to Refunding:</u>		
Economic loss on refunding of revenue bonds	1,823	2,043
Total	<u>\$ 163,598</u>	<u>\$ 381,278</u>

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2021	2020
<u>Related to Pensions:</u>		
Differences between projected and actual investment earnings	\$ -	\$ 44,089
Changes in actuarial assumptions	419,989	608,366
Differences between expected and actual economic experience	4,647	5,476
Changes in proportion	44,452	45,437
Total related to pensions	<u>469,088</u>	<u>703,368</u>
<u>Related to OPEB:</u>		
Changes in actuarial assumptions	2,583	3,226
Differences between expected and actual economic experience	17,967	5,059
Total related to OPEB	<u>20,550</u>	<u>8,285</u>
<u>Related to Refunding:</u>		
Economic gain on refunding of general obligation bonds	3,190	3,605
Total	<u>\$ 492,828</u>	<u>\$ 715,258</u>

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 2021 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 \$156,236,785 and \$56,954,890 for fiscal years 2021 and 2020, 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 \$2,016,000 and \$3,001,000 in fiscal years 2021 and 2020 respectively, related to OPEB. Those increases are comprised of OPEB expense of \$6,662,000 and \$7,837,000, net of reduction to expense for yearly contributions of (\$4,646,000) and (\$4,836,000) for fiscal years 2021 and 2020, 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, 2021 and 2020, Minnesota State recognized an increase in benefit expense of \$11,366,073 and \$14,690,735, respectively, related to defined benefit pensions. The increase in fiscal year 2021 is comprised of an increase in expense of \$42,689,735, plus a reduction in expense for yearly contributions of (\$31,323,662). The increase in fiscal year 2020 is comprised of an increase in expense of \$45,180,547, plus of reduction in expense for yearly contributions of (\$30,489,812).

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 compensated absences, workers’ compensation claims, allowances for uncollectible accounts, and scholarship allowances.

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 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.

Net Position Restricted for Other (In Thousands)		
	2021	2020
Capital projects	\$ 288	\$ 336
Debt service	45,430	46,221
Donations	7,050	8,045
Faculty contract obligations	15,231	11,544
Loans	1,909	2,536
Total	\$ 69,908	\$ 68,682

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

New Accounting Standards — In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes standards of accounting and financial reporting for fiduciary activities. Statement No. 84 is effective for the fiscal year beginning July 1, 2020. Minnesota State has implemented GASB No. 84 in fiscal year 2021.

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. Statement No. 87 is effective for the fiscal year beginning July 1, 2021. The effect GASB Statement No. 87 will have on the fiscal year 2022 financial statements has not yet been determined.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. GASB No. 90 is effective for the year beginning after December 15, 2019. Minnesota State has implemented GASB No. 90 in fiscal year 2021.

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. 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. The effect GASB Statement No. 93 will have on the fiscal year 2022 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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of certain provisions and in Statements and Implementation Guides that first became effective or scheduled to become effective for the periods beginning after June 15, 2018, and later. Minnesota State has adjusted the effective dates for all new accounting pronouncements described in these statements.

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 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. The effect GASB Statement No. 97 will have on the fiscal year 2022 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 — During fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to Minnesota State, COVID-19 did impact various parts of its fiscal year 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 is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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, 2021 and 2020, the local bank balances were \$101,539,760 and \$93,799,552, 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 (In Thousands)		
Carrying Amount	2021	2020
Cash, in bank	\$ 77,087	\$ 65,578
Money markets	7,308	9,400
Repurchase agreements	-	2,096
Cash, trustee account (US Bank)	26,141	28,436
Total local cash and cash equivalents	110,536	105,510
Total treasury cash accounts	1,008,489	1,013,167
Grand Total	\$ 1,119,025	\$ 1,118,677

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, 2021 and 2020, the fair value in U.S. Dollars is \$174,223 and \$101,579, 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, 2021 (In Thousands)					
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	<u>12,902</u>				
Portfolio weighted average maturity		4.40			
Certificates of deposit	9,344			x	
Stock	2,870			x	
Total	<u>\$ 25,116</u>				

Year Ended June 30, 2020 (In Thousands)					
Investment Type	Fair Value	Weighted Maturity (Years)	Level 1	Level 2	Level 3
Corporate/municipal bonds	\$ 8,266	4.41		x	
U.S. agencies	3,866	4.38	x		
Asset backed securities	50	3.27		x	
Total	<u>12,182</u>				
Portfolio weighted average maturity		4.40			
Certificates of deposit	8,960			x	
Stock	2,087			x	
Total	<u>\$ 23,229</u>				

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals not paid as of June 30, 2021 and 2020. At June 30, 2021 and 2020, the total accounts receivable balances were \$101,990,796 and \$95,264,496, respectively, less an allowance for uncollectible receivables of \$36,361,466 and \$33,539,099, respectively.

	2021	2020
Tuition	\$ 48,326	\$ 42,090
Fees	11,592	9,723
Sales and service	9,095	8,377
Room and board	5,112	4,923
Third party obligations	6,488	6,253
Inventory	472	500
Financial aid	4,381	4,111
Capital projects	3,581	1,628
Direct loans	2,027	3,065
Other	10,917	14,594
Total accounts receivable	101,991	95,264
Allowance for doubtful accounts	(36,361)	(33,539)
Net accounts receivable	<u>\$ 65,630</u>	<u>\$ 61,725</u>

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

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

4. PREPAID EXPENSE

Prepaid expense consists primarily of funds which have been deposited in the state's Debt Service Fund for future general obligation bond payments in the amounts of \$25,572,881 and \$26,335,037 for fiscal years 2021 and 2020, 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 2021 and 2020 were \$3,787,702 and \$2,766,838, 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, 2021 and 2020, the loans receivable for this program totaled \$13,258,190 and \$20,247,133, respectively, less an allowance for uncollectible loans of \$359,927 and \$2,658,644, 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 fiscal year 2021. The change in allowance is also contributable to these collections and assignment efforts.

6. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2021 and 2020 follow:

Year Ended June 30, 2021					
(In Thousands)					
	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
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	189,973	60,979	1,068	(99,998)	149,886
Capital assets, depreciated:					
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
Library collections	35,784	4,766	5,864	-	34,686
Total capital assets, depreciated	4,024,775	16,211	44,794	99,998	4,096,190
Less accumulated depreciation:					
Buildings and improvements	2,029,964	119,286	30,648	-	2,118,602
Equipment	156,493	12,240	5,523	-	163,210
Internally developed software	3,170	798	848	-	3,120
Library collections	21,480	4,955	5,864	-	20,571
Total accumulated depreciation	2,211,107	137,279	42,883	-	2,305,503
Total capital assets depreciated, net	1,813,668	(121,068)	1,911	99,998	1,790,687
Total capital assets, net	\$ 2,003,641	\$ (60,089)	\$ 2,979	\$ -	\$ 1,940,573
Year Ended June 30, 2020					
(In Thousands)					
	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital assets, not depreciated:					
Land	\$ 86,656	\$ 1,746	\$ 6	\$ -	\$ 88,396
Construction in progress	116,695	114,535	-	(129,653)	101,577
Total capital assets, not depreciated	203,351	116,281	6	(129,653)	189,973
Capital assets, depreciated:					
Buildings and improvements	3,637,188	1,661	1,939	129,653	3,766,563
Equipment	210,829	10,669	4,950	-	216,548
Internally developed software	5,440	900	460	-	5,880
Library collections	37,230	4,490	5,936	-	35,784
Total capital assets, depreciated	3,890,687	17,720	13,285	129,653	4,024,775
Less accumulated depreciation:					
Buildings and improvements	1,914,563	117,340	1,939	-	2,029,964
Equipment	149,444	12,638	5,589	-	156,493
Internally developed software	2,766	864	460	-	3,170
Library collections	22,304	5,112	5,936	-	21,480
Total accumulated depreciation	2,089,077	135,954	13,924	-	2,211,107
Total capital assets, depreciated, net	1,801,610	(118,234)	(639)	129,653	1,813,668
Total capital assets, net	\$ 2,004,961	\$ (1,953)	\$ (633)	\$ -	\$ 2,003,641

7. ACCOUNTS PAYABLE

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

Summary of Accounts Payable at June 30 (In Thousands)

	2021	2020
Purchased services	\$ 17,636	\$ 14,561
Grants, loans and scholarships	1,610	1,442
Supplies	4,550	4,754
Repairs and maintenance	1,721	1,813
Other payables	6,897	6,522
Employee benefits	3,399	3,164
Inventory	652	876
Interest	2,304	2,483
Capital projects	2,994	4,711
Total accounts payable	<u>\$ 41,763</u>	<u>\$ 40,326</u>

In addition, as of June 30, 2021 and 2020, Minnesota State had payable from restricted assets in the amounts of \$6,695,920 and \$15,289,208, 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 2021 and 2020 follow:

	Year Ended June 30, 2021 (In Thousands)				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Bond premium	\$ 28,893	\$ 1,925	\$ 4,257	\$ 26,561	\$ -
Capital leases	5,351	1,147	2,134	4,364	1,699
General obligation bonds	198,206	6,195	20,980	183,421	20,652
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	<u>\$ 508,590</u>	<u>\$ 9,267</u>	<u>\$ 53,689</u>	<u>\$ 464,168</u>	<u>\$ 46,851</u>

Year Ended June 30, 2020					
(In Thousands)					
	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion
Liabilities for:					
Bond premium	\$ 27,468	\$ 5,691	\$ 4,266	\$ 28,893	\$ -
Capital leases	9,494	-	4,143	5,351	1,754
General obligation bonds	206,793	12,588	21,175	198,206	20,919
Notes payable	10,358	3,629	589	13,398	639
Revenue bonds	263,785	13,770	35,065	242,490	20,280
Capital contributions payable	25,663	-	5,411	20,252	2,911
Total long-term obligations	<u>\$ 543,561</u>	<u>\$ 35,678</u>	<u>\$ 70,649</u>	<u>\$ 508,590</u>	<u>\$ 46,503</u>

The changes in other compensation benefits for fiscal years 2021 and 2020 follow:

Year Ended June 30, 2021					
(In Thousands)					
	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	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	<u>\$ 225,121</u>	<u>\$ 43,128</u>	<u>\$ 41,318</u>	<u>\$ 226,931</u>	<u>\$ 21,327</u>

Year Ended June 30, 2020					
(In Thousands)					
	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion
Liabilities for:					
Compensated absences	\$ 146,919	\$ 21,697	\$ 17,716	\$ 150,900	\$ 18,141
Early termination benefits	1,652	1,876	1,290	2,238	2,023
Other postemployment benefits	70,054	8,263	10,135	68,182	-
Workers' compensation	4,799	1,674	2,672	3,801	2,205
Total other compensation benefits	<u>\$ 223,424</u>	<u>\$ 33,510</u>	<u>\$ 31,813</u>	<u>\$ 225,121</u>	<u>\$ 22,369</u>

Bond Premium — Bonds were issued in fiscal years 2021 and 2020, resulting in net premiums of \$1,924,949 and \$5,690,970, respectively. Amortization is calculated using the straight-line method and amortized over the average remaining life of the bonds.

Capital Leases — Liabilities for capital leases include those leases that are generally defined as one that transfers benefits and risk of ownership to the lessee. Note 11 to the financial statements provides additional information.

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.

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.

- In fiscal year 2016, Riverland Community College entered into an energy efficient loan. The loan was a \$1,690,400, fifteen-year note, with semi-annual payments each year for energy efficient upgrades throughout the school.
- In fiscal year 2018, Minnesota State University, Mankato, entered into an energy efficient loan. The loan was a \$7,505,102, eighteen-year note, with semi-annual payments each year for energy efficient upgrades throughout the school.
- In fiscal year 2020, Hennepin Technical College entered into an energy efficient loan. The loan was a \$3,628,975, eighteen-year note, with semi-annual payments each year for energy efficient upgrades throughout the school.

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 \$405,000,000 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 2.0 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 \$274,626,117. Principal and interest paid for the current year and total customer net revenues were \$29,400,799 and \$82,216,164, 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 \$1,037,781. For the current year, principal and interest paid and total customer net revenues were \$168,709 and \$361,673, respectively. These revenue bonds have a variable interest rate of 0.75 percent to 3.65 percent.

Capital Contributions Payable — The liabilities of \$15,173,516 and \$20,251,813 at June 30, 2021 and 2020, 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 \$3,858,746 and \$3,801,435 at June 30, 2021 and 2020, 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 \$344,745,851 and \$325,889,229 at June 30, 2021 and 2020, 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.

Principal and interest payment schedules are provided in the table below for general obligation bonds, revenue bonds, capital 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
(In Thousands)

Fiscal Years	General Obligation			
	Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 20,652	\$ 7,951	\$ 21,050	\$ 8,544
2023	19,143	6,950	19,685	7,745
2024	17,955	6,058	18,035	6,991
2025	16,738	5,249	18,295	6,251
2026	16,121	4,510	19,275	5,456
2027-2031	55,886	13,973	85,135	15,744
2032-2036	28,808	4,996	39,455	2,679
2037-2041	8,118	699	1,280	44
Total	\$ 183,421	\$ 50,386	\$ 222,210	\$ 53,454

Long-Term Obligation Repayment Schedule
(In Thousands)

Fiscal Years	Capital Leases		Notes Payable	
	Principal	Interest	Principal	Interest
2022	\$ 1,699	\$ 174	\$ 779	\$ 321
2023	691	93	765	294
2024	308	93	731	272
2025	309	92	779	250
2026	212	46	828	226
2027-2031	1,050	96	3,991	819
2032-2036	95	1	3,744	323
2037-2041	-	-	821	30
Total	\$ 4,364	\$ 595	\$ 12,438	\$ 2,535

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 2021 and 2020.

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 2021 and 2020 follow:

<u>Fiscal Year</u>	<u>Number of Employees</u>	<u>Future Liability (In Thousands)</u>
2021	24	\$ 1,075
2020	19	560

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 2021 and 2020 follow:

<u>Fiscal Year</u>	<u>Number of Faculty</u>	<u>Future Liability (In Thousands)</u>
2021	9	\$ 307
2020	24	944

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 2021 and 2020 follow:

<u>Fiscal Year</u>	<u>Number of Faculty</u>	<u>Future Liability (In Thousands)</u>
2021	9	\$ 323
2020	14	327

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 2021 and 2020 follow:

<u>Fiscal Year</u>	<u>Number of Faculty</u>	<u>Future Liability (In Thousands)</u>
2021	6	\$ 368
2020	6	173

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 2021 and 2020 follow:

<u>Fiscal Year</u>	<u>Number of Faculty</u>	<u>Future Liability (In Thousands)</u>
2021	8	\$ 294
2020	9	234

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	<u>12,633</u>

Actuarial Methods and Assumptions — The total OPEB liability for Minnesota State at June 30, 2021 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2020. The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to determine the June 30, 2020 total OPEB liability. The total OPEB liability was measured based on the following actuarial assumptions:

Measurement Date	June 30, 2020	June 30, 2019
Payroll Growth	3.0 percent	3.0 percent
Inflation	2.25 percent per year	2.25 percent per year
Initial Medical Trend Rate	7.5 percent	6.6 percent
Ultimate Medical Trend Rate	3.8 percent	3.8 percent
Year Ultimate Trend Rate Reached	2071	2068

Discount Rate — The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 was 2.21 percent and 3.5 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 2020 and 2019. 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:

Changes in Total OPEB Liability (In Thousands)		
	2021	2020
Balance, Beginning of Year	\$ 68,182	\$ 70,054
Changes for the Year		
Service Cost	5,137	5,424
Interest	2,482	2,839
Changes in Assumptions	12,399	(2,264)
Differences Between Expected and Actual Experience	(16,101)	(3,602)
Benefit Payments	(4,836)	(4,269)
Net Changes	(919)	(1,872)
Balance, End of Year	<u>\$ 67,263</u>	<u>\$ 68,182</u>

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 3.5 percent to 2.21 percent. Mortality assumptions, salary increase assumptions, and medical trend rates were updated. The initial medical trend rate increased by 0.9 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 (In Thousands)				
	2021		2020	
	Percent	Amount	Percent	Amount
1 Percent Lower	1.21	\$ 70,458	2.50	\$ 71,563
Current Discount Rate	2.21	67,263	3.50	68,182
1 Percent Higher	3.21	64,001	4.50	64,815

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 (6.5 percent decreasing to 2.8 percent and 5.6 percent decreasing to 2.8 percent) or one percentage higher (8.5 percent decreasing to 4.8 percent and 7.6 percent decreasing to 4.8 percent) than the current healthcare cost trend rate (7.5 percent decreasing to 3.8 percent and 6.6 percent decreasing to 3.8 percent):

Sensitivity of Total OPEB Liability to Changes in the Health Care Trend Rate (In Thousands)				
	2021		2020	
	1 Percent Lower	\$	60,995	\$
Current Trend Rate		67,263		68,182
1 Percent Higher		74,562		75,984

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources — For the years ended June 30, 2021 and 2020, Minnesota State recognized an increase in benefit expense of \$6,662,000 and \$7,837,000, respectively, related to OPEB.

At June 30, 2021 and 2020, 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 (In Thousands)	
	2021	2020
	Contributions made subsequent to measurement date	\$ 4,646
Changes in actuarial assumptions	14,512	4,992
Total	\$ 19,158	\$ 9,828

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2021	2020
	Changes in actuarial assumptions	\$ 2,583
Differences between expected and actual economic experience	17,967	5,059
Total	\$ 20,550	\$ 8,285

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:

(In Thousands)	
Fiscal Year	Amount
2022	\$ (957)
2023	(957)
2024	(1,338)
2025	(1,056)
2026	(1,214)
Thereafter	(516)
Total	\$ <u>(6,038)</u>

11. LEASE AGREEMENTS

Operating Leases — Minnesota State is committed under various leases primarily for building space. These leases are considered for accounting purposes to be operating leases. Lease expenses for the fiscal years ended June 30, 2021 and 2020, totaled \$15,398,549 and \$15,905,389, respectively, and are included in purchased services expense on the statements of revenues, expenses, and changes in net position.

In March 2005, an operating lease agreement between Zeller-World Trade, L.L.C. and the state of Minnesota on behalf of the System Office was executed for existing and additional expansion leased space in the amount of \$11,025,612. The lease was effective beginning August 1, 2005 and was for a period of 10 years. In March 2011, the lease was amended to a 17-year period and a total amount of \$18,558,680. Future minimum payments under the operating lease include the System Office's current share of real estate taxes and other operating expenses.

On August 1, 2017, an operating lease agreement between Stadium Heights Apartments, LLLP and the state of Minnesota on behalf of Minnesota State University, Mankato was extended for existing leased space in the amount of \$8,489,424 for a period of 5 years.

Future minimum operating lease payments for existing lease agreements are as follows:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2022	\$ 12,211
2023	6,093
2024	2,766
2025	1,750
2026	1,152
2027-2031	2,625
2032-2036	340
2037-2041	321
2042-2046	287
2047-2051	306
2052-2055	226
Total	\$ <u>28,077</u>

Capital Leases — Minnesota State has entered into several capital lease agreements. Current and noncurrent portions of the capital leases are reported separately.

- In fiscal year 2002, St. Cloud State University guaranteed revenue bonds issued by the city of St. Cloud Housing and Redevelopment Authority to the foundation. The proceeds of the bonds in the amount of \$16,515,000 were used to construct and equip a stadium, fitness center and an addition to the Atwood Memorial Center.
- In fiscal year 2003, Minnesota State University Moorhead entered into a lease with the Minnesota State University Moorhead Foundation, Inc. The lease was a \$3,940,000, thirty-year capital lease for John Neumaier Hall Apartments.

The total cost of all capital assets acquired with capital leases and corresponding accumulated depreciation at June 30, 2021 are \$23,452,913 and \$14,261,927, respectively.

Income Leases — Minnesota State has entered into several income lease agreements, primarily for building space. Lease income for the fiscal years ended June 30, 2021 and 2020 totaled \$3,801,024 and \$3,727,802, respectively, and are included in other income in the statements of revenues, expenses, and changes in net position.

Future expected income receipts for existing lease agreements are as follows:

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2022	\$ 2,778
2023	1,843
2024	1,484
2025	1,021
2026	816
2027-2031	2,642
2032-2035	1,443
Total	\$ <u>12,027</u>

12. TUITION, FEES, SALES AND ROOM AND BOARD

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

	Year Ended June 30 (In Thousands)					
	2021			2020		
	Gross	Scholarship Allowance	Net	Gross	Scholarship Allowance	Net
Tuition	\$ 759,868	\$ (246,142)	\$ 513,726	\$ 787,205	\$ (263,868)	\$ 523,337
Fees	87,365	(18,262)	69,103	91,401	(20,956)	70,445
Sales and room and board	79,632	(7,359)	72,273	99,868	(9,546)	90,322
Restricted student payments	78,645	(3,374)	75,271	93,656	(3,258)	90,398
Total	\$ <u>1,005,510</u>	\$ <u>(275,137)</u>	\$ <u>730,373</u>	\$ <u>1,072,130</u>	\$ <u>(297,628)</u>	\$ <u>774,502</u>

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

Year Ended June 30, 2021					
(In Thousands)					
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

Year Ended June 30, 2020					
(In Thousands)					
Description	Salaries	Benefits	Other	Interest	Total
Academic support	\$ 138,263	\$ 50,054	\$ 77,835	\$ 1,250	\$ 267,402
Institutional support	142,474	48,072	81,711	1,269	273,526
Instruction	542,231	184,230	153,330	5,342	885,133
Public service	6,374	2,021	5,932	56	14,383
Research	4,957	1,333	4,276	43	10,609
Student services	165,251	57,434	80,794	1,480	304,959
Auxiliary enterprises	43,491	16,839	138,894	10,064	209,288
Scholarships and fellowships	-	-	95,218	-	95,218
GASB 68/75 expense	-	17,692	-	-	17,692
Less interest expense	-	-	-	(19,504)	(19,504)
Total operating expenses	\$ 1,043,041	\$ 377,675	\$ 637,990	\$ -	\$ 2,058,706

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

Plan Description — 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 2021 and 2020. Participating employers were required to contribute 6.25 percent of employee annual covered salary in fiscal years 2021 and 2020. The Minnesota State contributions to the General Plan for the fiscal years ending June 30, 2021 and 2020 were \$15,318,312 and \$14,946,336, 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, 2020 and 2019, 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, 2020	June 30, 2019
Inflation	2.25 percent per year	2.5 percent per year
Active member payroll growth	3.0 percent per year	3.25 percent per year
Investment rate of return	7.5 percent	7.5 percent

Salary increases for the June 30, 2020 and 2019 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 from January 1, 2019 through December 31, 2023 and 1.5 percent from January 1, 2024 and onward.

Actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the last experience study dated June 29, 2019 and June 30, 2015, respectively, and a review of inflation and investment return assumptions, dated June 27, 2019. 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 7.5 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 June 30, 2020 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	36	5.10
International equity	17	5.30
Private markets	25	5.90
Fixed income	20	0.75
Cash	2	0.00
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2020 and 2019, was 7.5 percent.

As of June 30, 2020 and 2019, 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 7.5 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, 2021 and 2020, Minnesota State reported a liability of \$97,845,899 and \$104,997,138, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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, 2019, through June 30, 2020, and July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2021 and 2020, the Minnesota State proportion was 7.37 percent and 7.46 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 price inflation assumption was decreased from 2.5 percent to 2.25 percent. The payroll growth assumption was 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.

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 (In Thousands)				
	2021		2020	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.50	\$ 232,255	6.50	\$ 244,548
Current Discount Rate	7.50	97,846	7.50	104,997
1 Percent Higher	8.50	(14,015)	8.50	(10,845)

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, 2021 and 2020, Minnesota State recognized an increase in benefit expense of \$15,780,090 and \$14,230,893, respectively, related to pensions. At June 30, 2021 and 2020, 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 (In Thousands)	
	2021	2020
	Differences between projected and actual investment earnings	\$ 4,667
Changes in actuarial assumptions	-	147,942
Contributions paid to MSRS subsequent to measurement date	15,318	14,946
Differences between expected and actual economic experience	1,756	3,183
Total	\$ 21,741	\$ 166,071

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2021	2020
	Differences between projected and actual investment earnings	\$ -
Changes in actuarial assumptions	220,891	328,976
Differences between expected and actual economic experience	1,005	364
Changes in proportion	12,975	16,604
Total	\$ 234,871	\$ 371,588

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:

(In Thousands)	
Fiscal Year	Amount
2022	\$ (154,763)
2023	(70,998)
2024	(1,396)
2025	(1,291)
Total	\$ <u>(228,448)</u>

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.

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 for January 2019 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 2021 and 2020. 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. In fiscal year 2020, the employer was required to contribute 11.92 percent of pay for Basic Plan members and 7.92 percent for Coordinated Plan members. Minnesota State contributions to the TRA for the fiscal years ended June 30, 2021 and 2020, were \$15,225,111 and \$14,643,434, 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, 2020 and 2019, 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, 2020 and 2019 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 for January 2019 through January 2023, then increasing by 0.1 percent each year up to 1.5 percent annually.

Actuarial assumptions used in the June 30, 2020 valuation was based on the experience study dated June 28, 2019 and the study of economic assumptions presented to the Board in November 2017 and approved by the LCPR on February 18, 2018. Actuarial assumption used in the June 30, 2019 valuations were based on the results of actuarial experience studies dated June 10, 2015 and the study of economic assumptions presented to the Board in November 2017.

The long-term expected rate of return on pension plan investments is 7.5 percent. An experience study of the economic assumptions prepared in 2017 recommended that the long-term rate of return be reduced to 7.5 percent from 8.0 percent. The review considered long-term historical data, estimates inherent in current market data, and an analysis in which best estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) were developed using assumptions for each major asset class, as well as estimates of variability and correlations, provided by the Minnesota State Board of Investment (SBI). These ranges were 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 then adding expected inflation.

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) Percentage
Domestic equity	36	5.10
International equity	17	5.30
Private markets	25	5.90
Fixed income	20	0.75
Cash	2	0.00
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2020 and 2019, was 7.5 percent.

As of June 30, 2020 and 2019, 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 7.5 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, 2021 and 2020, Minnesota State reported a liability of \$236,737,980 and \$209,985,748, respectively, for its proportionate share of TRF net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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, 2019 through June 30, 2020 and July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of TRF’s participating employers. At June 30, 2021 and 2020, the Minnesota State proportion was 3.20 percent and 3.29 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. 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 the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

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:

	2021		2020	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.50	\$ 362,443	6.50	\$ 334,769
Current Discount Rate	7.50	236,738	7.50	209,986
1 Percent Higher	8.50	133,163	8.50	107,104

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, 2021 and 2020, Minnesota State recognized an increase in benefit expense of \$27,993,801 and \$31,416,080, respectively, related to pensions. At June 30, 2021 and 2020, 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 (In Thousands)	
	2021	2020
	Differences between projected and actual investment earnings	\$ 3,666
Changes in actuarial assumptions	84,942	176,712
Contributions paid to TRA subsequent to measurement date	15,225	14,644
Differences between expected and actual economic experience	4,748	30
Changes in proportion	11,196	10,695
Total	\$ 119,777	\$ 202,081

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2021	2020
	Differences between projected and actual investment earnings	\$ -
Changes in actuarial assumptions	198,736	278,573
Differences between expected and actual economic experience	3,588	5,099
Changes in proportion	29,051	26,589
Total	\$ 231,375	\$ 327,662

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:

(In Thousands)	
Fiscal Year	Amount
2022	\$ (1,328)
2023	(76,051)
2024	(53,058)
2025	4,152
2026	(538)
Total	\$ <u>(126,823)</u>

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.

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 2021 and 2020. In calendar years 2021 and 2020, 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, 2021 and 2020 were \$753,112 and \$861,902, 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, 2020 and 2019, 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, 2020	June 30, 2019
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	7.50 percent	7.50 percent

Salary increases for the June 30, 2020 and 2019 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-2019 and MP-2018, respectively, with slight adjustments.

Actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of actuarial experience studies dated June 27, 2019 and June 30, 2015, respectively.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.5 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, 2020 and 2019, 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	36	5.10
International equity	17	5.30
Private markets	25	5.90
Fixed income	20	0.75
Cash	2	0.00
Total	100	

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2020 and 2019 was 7.5 percent. 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, 2021 and 2020, Minnesota State reported a liability of \$9,658,682 and \$10,289,054, respectively, for its proportionate share of the GERS’ net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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, 2019 through June 30, 2020 and July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all PERA’s participating employers. At June 30, 2021 and 2020, the Minnesota State proportion was 0.1611 percent and 0.1861 percent, respectively.

There were changes in plan provisions that affected the measurement of the total pension liability since the prior actuarial valuation. 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.

Changes have been made in assumptions that affect the measurement of the total pension liability since the prior measurement date. 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.

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:

	2021		2020	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.50	\$ 15,480	6.50	\$ 16,915
Current Discount Rate	7.50	9,659	7.50	10,289
1 Percent Higher	8.50	4,857	8.50	4,818

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, 2021 and 2020, Minnesota State recognized a decrease in benefit expense of (\$989,118) and (\$248,933), respectively, related to pensions. At June 30, 2021 and 2020, 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 (In Thousands)	
	2021	2020
Differences between projected and actual investment earnings	\$ 167	\$ -
Contributions paid to PERA subsequent to measurement date	753	862
Differences between expected and actual economic experience	88	285
Total	<u>\$ 1,008</u>	<u>\$ 1,147</u>

	Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
	2021	2020
Differences between projected and actual investment earnings	\$ -	\$ 1,043
Changes in actuarial assumptions	358	809
Differences between expected and actual economic experience	37	-
Changes in proportion	2,220	2,014
Total	<u>\$ 2,615</u>	<u>\$ 3,866</u>

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:

(In Thousands)	
Fiscal Year	Amount
2022	\$ (1,628)
2023	(751)
2024	(214)
2025	233
Total	<u>\$ (2,360)</u>

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).

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 10.0 percent and 7.5 percent, respectively, of their annual covered salary in fiscal years 2021 and 2020. In fiscal years 2021 and 2020, the employer was required to contribute 12.22 percent and 12.01 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, 2021 and 2020, were \$27,127 and \$38,140, 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, 2020 and 2019, 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, 2020 and 2019 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-2018 and MP-2017, respectively, from a base year of 2014 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, 2020, 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, 2020 and 2019 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, 2021 and 2020, Minnesota State reported a liability of \$503,290 and \$617,289, respectively, for its proportionate share of the SPTRFA’s net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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, 2019 through June 30, 2020 and July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all SPTRA’s participating employers. At June 30, 2021 and 2020, the Minnesota State proportion was 0.077 percent and 0.101 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 projection scale was changed from MP-2018 to MP-2019.

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:

	2021		2020	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.50	\$ 658	6.50	\$ 820
Current Discount Rate	7.50	503	7.50	617
1 Percent Higher	8.50	375	8.50	449

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, 2021 and 2020, Minnesota State recognized a decrease in benefit expense of (\$95,038) and (\$217,493), respectively, related to pensions.

At June 30, 2021 and 2020, 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 (In Thousands)	
		2021	2020
Differences between projected and actual investment earnings	\$	41	\$ -
Changes in actuarial assumptions		23	60
Contributions paid to SPTRFA subsequent to measurement date		27	38
Differences between expected and actual economic experience		-	2
Changes in proportion		-	8
Total	\$	<u>91</u>	<u>\$ 108</u>

		Deferred Inflows of Resources Year Ended June 30 (In Thousands)	
		2021	2020
Differences between projected and actual investment earnings	\$	-	\$ 1
Changes in actuarial assumptions		4	8
Differences between expected and actual economic experience		17	13
Changes in proportion		206	230
Total	\$	<u>227</u>	<u>\$ 252</u>

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:

(In Thousands)	
Fiscal Year	Amount
2022	\$ (148)
2023	(41)
2024	14
2025	12
Total	<u>\$ (163)</u>

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 25.0 percent of a full academic year, excluding summer session. An employee remains a participant of the plan even if employed for less than 25.0 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. As of June 30, 2021 and 2020, for both faculty and administrators, the employer and employee statutory contribution rates are 6.0 percent and 5.8 percent and 6.0 percent and 5.15 percent, respectively. The contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Required contributions for Minnesota State were:

(In Thousands)		
Fiscal Year	Employer	Employee
2021	\$ 30,380	\$ 32,565
2020	30,012	29,704
2019	29,390	22,042

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

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.

Required contributions for Minnesota State were:

(In Thousands)	
Fiscal Year	Amount
2021	\$ 15,217
2020	15,233
2019	15,531

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, 2021, the plan has 5,465 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, 2021, the plan has 4,433 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, 2021 and 2020 follows:

Summary Financial Information for Revenue Fund (In Thousands)		
	2021	2020
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	\$ 96,575	\$ 95,665
Restricted assets	57,377	57,996
Capital assets, net	362,321	383,693
Total assets	<u>516,273</u>	<u>537,354</u>
Deferred outflows of resources	4,333	8,877
Total assets and deferred outflows of resources	<u>520,606</u>	<u>546,231</u>
Liabilities		
Current liabilities	39,678	41,302
Noncurrent liabilities	222,234	244,737
Total liabilities	<u>261,912</u>	<u>286,039</u>
Deferred inflows of resources	8,961	13,277
Total liabilities and deferred inflows of resources	<u>270,873</u>	<u>299,316</u>
Net Position		
Net investment in capital assets	156,686	153,658
Restricted	93,047	93,257
Total net position	<u>\$ 249,733</u>	<u>\$ 246,915</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	\$ 82,216	\$ 98,172
Depreciation expense	(24,271)	(24,177)
Other operating expenses	(68,991)	(76,121)
Net operating loss	<u>(11,046)</u>	<u>(2,126)</u>
Nonoperating revenues (expenses)		
Federal grant (HEERF)	20,863	6,666
Private grant	339	-
Interest income	484	2,571
Capital contributions	185	-
Interest expense	(8,007)	(8,798)
Total nonoperating revenues (expenses)	<u>13,864</u>	<u>439</u>
Change in net position	2,818	(1,687)
Total net position, beginning of year	246,915	248,602
Total net position, end of year	<u>\$ 249,733</u>	<u>\$ 246,915</u>
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in)		
Operating activities	\$ 150	\$ 17,884
Noncapital and related financing activities	21,202	6,666
Capital and related financing activities	(32,947)	(34,477)
Investing activities	483	2,614
Net decrease in cash and cash equivalents	<u>(11,112)</u>	<u>(7,313)</u>
Cash and cash equivalents, beginning of year	147,639	154,952
Cash and cash equivalents, end of year	<u>\$ 136,527</u>	<u>\$ 147,639</u>

Summary financial information for Itasca Community College's student housing program for the fiscal years ended June 30, 2021 and 2020 follows:

Summary Financial Information for Itasca Community College (In Thousands)		
	2021	2020
CONDENSED STATEMENTS OF NET POSITION		
Assets		
Current assets	\$ 767	\$ 716
Restricted assets	303	304
Capital assets, net	<u>2,241</u>	<u>2,360</u>
Total assets	<u>3,311</u>	<u>3,380</u>
Deferred outflows of resources	<u>18</u>	<u>47</u>
Total assets and deferred outflows of resources	<u>3,329</u>	<u>3,427</u>
Liabilities		
Current liabilities	157	162
Noncurrent liabilities	<u>865</u>	<u>1,002</u>
Total liabilities	<u>1,022</u>	<u>1,164</u>
Deferred inflows of resources	<u>60</u>	<u>87</u>
Total liabilities and deferred inflows of resources	<u>1,082</u>	<u>1,251</u>
Net Position		
Net investment in capital assets	1,301	1,285
Restricted	303	304
Unrestricted	<u>643</u>	<u>587</u>
Total net position	<u>\$ 2,247</u>	<u>\$ 2,176</u>
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	\$ 362	\$ 380
Depreciation expense	(119)	(119)
Other operating expenses	<u>(301)</u>	<u>(233)</u>
Net operating income (loss)	<u>(58)</u>	<u>28</u>
Nonoperating revenues (expenses)		
Federal grant (HEERF)	157	90
Interest income	6	6
Interest expense	<u>(34)</u>	<u>(37)</u>
Total nonoperating revenues (expenses)	<u>129</u>	<u>59</u>
Change in net position	71	87
Total net position, beginning of year	<u>2,176</u>	<u>2,089</u>
Total net position, end of year	<u>\$ 2,247</u>	<u>\$ 2,176</u>
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in)		
Operating activities	\$ 52	\$ 161
Noncapital and related financing activities	157	90
Capital and related financing activities	(168)	(172)
Investing activities	<u>6</u>	<u>5</u>
Net increase in cash and cash equivalents	47	84
Cash and cash equivalents, beginning of year	<u>661</u>	<u>577</u>
Cash and cash equivalents, end of year	<u>\$ 708</u>	<u>\$ 661</u>

16. COMMITMENTS

Minnesota State Involvement in Ongoing Projects as of June 30, 2021
(In Thousands)

Institution *	Project	Total Cost	Spent to Date	Balance	Completion Date
Anoka-Ramsey	Business and Nursing Renovation	\$ 16,851	\$ 1,511	\$ 15,340	Sep 2024
Century	Applied Technology Center Renovation	6,966	5,855	1,111	Nov 2021
Normandale	Classroom Renovation	26,634	12,554	14,080	Dec 2022
System	Replacement of Legacy ERP System **	64,524	19,982	44,542	Sep 2023

* Anoka-Ramsey Community College; Century College; Normandale Community College; Minnesota State

** 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 2021 and 2020.

Coverage Type	Amount
Property and contents institution deductible	\$1,000 to \$250,000
Property and contents fund responsibility	\$1,000,000
Property and contents primary re-insurer coverage	\$1,000,001 to \$1,250,000,000
Third party bodily injury and property damage per person	\$500,000
Third party bodily injury and property damage per occurrence	\$1,500,000

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.

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, 2021 and 2020.

(In Thousands)				
	Beginning Liability	Additions	Payments & Other Reductions	Ending Liability
Fiscal Year Ended 6/30/21	\$ 3,801	\$ 1,537	\$ 1,480	\$ 3,858
Fiscal Year Ended 6/30/20	4,799	1,674	2,672	3,801

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 \$16,170,082 and \$17,471,281 in fiscal years 2021 and 2020, respectively, from the foundations for scholarships and other educational program support. Information about lease agreements between Minnesota State and the foundations can be found in Note 11. 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.

Schedule of Investments
As of June 30
(In Thousands)

	Fair Value Measurements Using				Net Asset Value
	2021	Level 1	Level 2	Level 3	
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	<u>\$ 307,101</u>	<u>\$ 154,523</u>	<u>\$ 79,514</u>	<u>\$ 4,314</u>	<u>\$ 68,750</u>

Schedule of Investments
As of June 30
(In Thousands)

	Fair Value Measurements Using				Net Asset Value
	2020	Level 1	Level 2	Level 3	
Money market	\$ 33,449	\$ 33,437	\$ 12	\$ -	\$ -
Fixed income	6,634	152	6,482	-	-
Mutual funds	129,146	95,365	32,754	1,027	-
Equity securities	33,170	33,170	-	-	-
Bonds/U.S treasuries	28,939	-	28,939	-	-
Other	10,195	-	26	2,674	7,495
Total	<u>\$ 241,533</u>	<u>\$ 162,124</u>	<u>\$ 68,213</u>	<u>\$ 3,701</u>	<u>\$ 7,495</u>

Buildings, Property and Equipment — Summaries of the foundations' buildings, property, and equipment for fiscal years 2021 and 2020 follow:

Schedules of Buildings, Property and Equipment, Net
As of June 30
(In Thousands)

	2021	2020
Buildings, property and equipment, not depreciated:		
Land	\$ 2,431	\$ 2,490
Total buildings, property and equipment, not depreciated	<u>2,431</u>	<u>2,490</u>
Buildings, property and equipment, depreciated:		
Buildings and improvements	23,392	23,392
Equipment	730	730
Leasehold improvements	107	107
Total buildings, property and equipment, depreciated	<u>24,229</u>	<u>24,229</u>
Total accumulated depreciation	<u>(12,500)</u>	<u>(11,815)</u>
Total buildings, property and equipment depreciated, net	<u>11,729</u>	<u>12,414</u>
Total buildings, property and equipment, net	<u>\$ 14,160</u>	<u>\$ 14,904</u>

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 \$180,498 and unamortized debt issuance costs of (\$50,886), 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 \$540,000.

Year Ended June 30 (In Thousands)	
Fiscal Year	Amount
2022	\$ 2,064
2023	2,117
2024	1,129
2025	1,138
2026	882
Thereafter	2,375
Total	\$ <u>9,705</u>

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, 2021 are as follows:

Schedule of Endowment Net Assets As of June 30, 2021 (In Thousands)			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Net assets, beginning of year	\$ 3,088	\$ 198,678	\$ 201,766
Contributions	445	10,627	11,072
Investment income	835	53,165	54,000
Amounts appropriated for expenditures	(65)	330	265
Other transfers	(3)	(8,219)	(8,222)
Net assets, end of year	\$ <u>4,300</u>	\$ <u>254,581</u>	\$ <u>258,881</u>

Changes in endowment net assets as of June 30, 2020 are as follows:

Schedule of Endowment Net Assets As of June 30, 2020 (In Thousands)			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Net assets, beginning of year	\$ 3,645	\$ 189,923	\$ 193,568
Contributions	96	12,804	12,900
Investment income	(5)	3,572	3,567
Amounts appropriated for expenditures	(131)	(8,522)	(8,653)
Other transfers	(517)	901	384
Net assets, end of year	\$ <u>3,088</u>	\$ <u>198,678</u>	\$ <u>201,766</u>

19. SUBSEQUENT EVENTS

General Obligation Bond Issuances — In September 2021 \$33.7 million in general obligation state bonds Series 2021A were authorized at a true interest rate of 1.710167 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 2021.

Revenue Bond Issuances — In August 2021 \$41.3 million in Series 2021A revenue bonds were issued at a true interest rate of 0.726 percent. This issuance will refund the Series 2009A and Series 2011C revenue bonds. The first debt service payment on these revenue bonds will be April 2022. The cash savings from the refunding will be \$12,962,074 with a net present value of \$12,776,595.

GESP Note Issuance — In September 2021 Winona State University arranged for a loan of \$11.9 million under the Guaranteed Energy Savings Program (GESP). Under the terms of this loan, the principal amount and the total calculated interest at a rate of 2.399 percent will be paid off in 36 semi-annual payments beginning in March 2023.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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MINNESOTA STATE COLLEGES AND UNIVERSITIES
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Schedule of Changes in Total OPEB Liability
(In Thousands)

	2021	2020	2019	2018	2017
Balance, Beginning of Year	\$ 68,182	\$ 70,054	\$ 65,158	\$ 64,823	\$ 60,831
Changes for the Year					
Service Cost	5,137	5,424	4,869	5,167	4,404
Interest	2,482	2,839	2,421	1,931	2,374
Changes in Assumptions	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	(4,836)	(4,269)	(4,849)	(4,522)	(5,621)
Net Changes	(919)	(1,872)	4,896	335	3,992
Balance, End of Year	\$ 67,263	\$ 68,182	\$ 70,054	\$ 65,158	\$ 64,823
Covered Employee Payroll	\$ 1,003,002	\$ 970,494	\$ 945,338	\$ 950,401	\$ 938,713
Total OPEB Liability as a Percentage of Covered Employee Payroll	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

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

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

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

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

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

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

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

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, 2021 AND 2020**

OTHER POSTEMPLOYMENT BENEFITS PLAN

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

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

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

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

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 from 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 from 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



**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, 2021, 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 17, 2021. Our report includes references to other auditors who audited the financial statements of Bemidji State University Foundation, Metropolitan State University Foundation, Minnesota State University Moorhead Foundation, Inc., Southwest Minnesota State University Foundation, and Winona State University Foundation, which cumulatively represent 58% of the total assets and 51% of the total revenues of the 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 the other auditors. The financial statements of Minnesota State Colleges and Universities Foundations were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota State's 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minnesota State's internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Minnesota State's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

Internal Control Over Financial Reporting (Continued)

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota State's financial statements are free of 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*.

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 Minnesota State's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 17, 2021

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MINNESOTA STATE

**30 East 7th Street, Suite 350
St. Paul, MN 55101-7804**

Phone: 651-201-1800

MinnState.edu

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