



MINNESOTA STATE

Revenue Fund

Annual Financial Report

For the years ended June 30, 2024 and 2023

REVENUE FUND

MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Prepared by:

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

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MINNESOTA STATE COLLEGES AND UNIVERSITIES
REVENUE FUND

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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INTRODUCTION



November 19, 2024

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

Dear Board of Trustees and Chancellor Olson:

I am pleased to submit to you the audited financial statements for the Minnesota State Colleges and Universities (Minnesota State) Revenue Fund for the fiscal years ended June 30, 2024 and 2023. This report includes the financial statements and disclosures necessary to accurately present the financial condition and results of operations for each respective year. The financial statements are prepared by management and presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The Finance Division and the finance staff at the colleges and universities participating in the Revenue Fund are responsible for assuring the accuracy, reliability, fairness and completeness of the information presented in this report. For a summary review and explanation of the financial statements, please review the Management's Discussion and Analysis section of this report.

The Revenue Fund is administered under the direction of the Board of Trustees of Minnesota State. The Fund was established as a self-supporting, independent enterprise fund by the Minnesota legislature for the management of the residence halls, dining services, student unions, wellness centers and parking ramps at colleges and universities and currently operates on fifteen campuses.

Within the financial statements, which were audited by CliftonLarsonAllen LLP, and received an unmodified opinion, you will find statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. The Revenue Fund ended fiscal year 2024 with total net position of \$277.3 million. Reserve balances, including requirements mandated by bond covenants, are invested with the Minnesota State Board of Investment or a Trustee.

Revenue Fund program directors are responsible for designing programs and services that meet the needs of students at their individual colleges or universities. All revenues and expenses are managed at each of the colleges and universities. The Revenue Fund provides about 7,400 students with comfortable living accommodations and meals close to their academic setting at a reasonable cost.

Sincerely,

Bill Maki
Vice Chancellor for Finance and Facilities

Board of Trustees of the Minnesota State Colleges and Universities

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Dr. Jackie Bailey, Vice Chancellor of
Information Technology and Chief Information Officer

Scott Goings, General Counsel

Noelle Hawton, Chief Marketing and Communications Officer

The financial activity of the Revenue Fund is included in this report and the Minnesota State Colleges and Universities' Annual Financial Report.

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

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Minnesota State Colleges and Universities Revenue Fund (the Revenue Fund), a department of the Minnesota State Colleges and University Fund, which is a proprietary fund of the State of Minnesota, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise The Revenue Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Minnesota State Colleges and Universities as of June 30, 2024 and 2023, and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1, the financial statements present only the Revenue Fund and do not purport to, and do not present fairly the financial position of Minnesota State Colleges and Universities as of June 30, 2024 and 2023, the changes in its financial position, or 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Revenue Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Revenue Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024, on our consideration of the Revenue Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Revenue Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MN State Revenue Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2024

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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 Revenue Fund, a fund of Minnesota State Colleges and Universities (Minnesota State), for the fiscal years ended June 30, 2024, 2023 and 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes, which follow this section. For a more detailed narrative of the Revenue Fund's history, purpose and governance, users of this report should read the transmittal letter contained in the introduction.

Minnesota State, a state supported system, is the largest single provider of higher education in the state of Minnesota, and is comprised of 33 state universities, technical, community colleges and the System Office. Effective May 23, 2022, five colleges with six campuses were combined into one individual college, with fiscal year 2022 being the last year these five colleges were reported separately. The Revenue Fund was created for purposes of financing residence halls, dining halls, parking facilities, student and wellness centers and other revenue-producing buildings as deemed necessary for the benefit of the students.

A summary of the colleges and universities who have operations in the Revenue Fund follows:

Institution Name	Program Type				
	Residence Hall	Student Center	Parking	Wellness Center	Other
Alexandria Technical & Community College			x		
Anoka-Ramsey Community College				x	
Bemidji State University	x	x			
Century College			x		
Metropolitan State University		x	x		
Minneapolis College		x	x		
Minnesota North College	x				
Minnesota State University, Mankato	x	x			x
Minnesota State University Moorhead	x	x		x	
Minnesota State Community and Technical College				x	
Normandale Community College		x	x		
Saint Paul College			x		
St. Cloud State University	x	x			x
Southwest State University	x	x			
Winona State University	x	x		x	

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 Revenue Fund's financial position.

It is worth noting, that the impact on fiscal years 2024, 2023 and 2022 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 Revenue Fund's overall financial position increased by \$14.8 million, or 5.7 percent in fiscal year 2024. This follows a \$7.8 million increase, or 3.1 percent in fiscal 2023. In fiscal year 2024 operating revenues increased by \$7.8 million, or 7.6 percent compared to fiscal year 2023. This follows a \$6.6 million increase, or 6.8 percent in fiscal year 2023. Operating expenses increased by \$2.7 million, or 2.8 percent, in fiscal year 2024 compared to fiscal year 2023. This follows a \$4.2 million increase, or 4.5 percent in fiscal year 2023.

Excluding the GASB Statements No. 68 and No. 75 effect, fiscal year 2024 net position increased by \$14.5 million, or 5.4 percent. This follows an increase of \$4.1 million, or 1.6 percent, in fiscal year 2023 ending net position.

Cash and cash equivalents at year-end totaled \$159.4 million, an increase of \$12.4 million over fiscal year 2023. Capital and right to use assets, net decreased \$20.0 million primarily due to \$2.8 million in new projects completed offset by a \$25.0 million increase in accumulated depreciation and amortization.

USING THE FINANCIAL STATEMENTS

This annual financial report includes three financial statements as follows: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. These three financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). A summary of significant accounting policies followed by the Revenue Fund is included in Note 1 to the financial statements.

STATEMENTS OF NET POSITION

The statements of net position present the financial position of the Revenue Fund 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 Revenue Fund. 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 and amortization.

A summary of the Revenue Fund's statements of net position as of June 30, 2024, 2023, and 2022 follows:

(In Thousands)			
	2024	2023	2022
Current assets	\$ 165,665	\$ 152,063	\$ 150,453
Noncurrent assets	8,761	6,292	5,606
Capital and right to use assets, net	303,002	322,963	338,044
Deferred outflows of resources	3,971	4,586	6,060
Total assets and deferred outflows of resources	<u>481,399</u>	<u>485,904</u>	<u>500,163</u>
Current liabilities	30,090	28,328	33,391
Noncurrent liabilities	169,722	189,386	197,382
Deferred inflows of resources	4,292	5,738	14,708
Total liabilities and deferred inflows of resources	<u>204,104</u>	<u>223,452</u>	<u>245,481</u>
Net position	<u>\$ 277,295</u>	<u>\$ 262,452</u>	<u>\$ 254,682</u>

The primary component of current assets is cash and cash equivalents (unrestricted), which increased by \$11.5 million to total \$114.6 million at June 30, 2024. This is compared to the increase of \$3.6 million to total \$103.1 million at June 30, 2023. Restricted cash and cash equivalents, which primarily consists of unspent bond proceeds and debt service monies, increased \$0.9 million, or 2.1 percent in fiscal year 2024. This follows a decrease of \$1.7 million, or 3.8 percent in fiscal year 2023. The increase in fiscal year 2024 is due to the refunding of the 2011A & 2011C revenue bonds in fiscal year 2022 and the repayment schedules reflecting an intentional deferment of debt service costs to later years.

Noncurrent assets were \$8.8 million and \$6.3 million in fiscal years 2024 and 2023, respectively, which represent land, construction in progress and leases receivable.

Food service vendor investments for the fiscal years ended June 30, 2024 and 2023 were valued at \$3.7 million, and \$6.2 million, respectively. The \$2.5 million decrease is attributable to the annual depreciation and amortization exceeding the current year's investments. These investments were incurred at the state universities that provide dining services to students.

Deferred outflows of \$4.0 million and \$4.6 million were reported in fiscal years 2024 and 2023, 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 accounts payable, unearned revenue, interest payable, and current portion of long-term debt. Current liabilities increased by \$1.8 million, or 6.2 percent, in fiscal year 2024 compared to fiscal year 2023. This increase was primarily due to the increase in the current portion of long-term debt related to revenue bonds. This is compared to a \$5.1 million decrease in fiscal year 2023 from fiscal year 2022.

Noncurrent liabilities consist primarily of revenue bonds payable, leases payable and net pension liability. Noncurrent liabilities decreased by \$19.7 million to total \$169.7 million at June 30, 2024. This was primarily due to \$15.0 million of debt service paid during fiscal year 2024. This is compared to a decrease of \$8.0 million in fiscal year 2023.

Deferred inflows of \$4.3 million and \$5.7 million were reported in fiscal years 2024 and 2023, 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 68 resulted in a net pension liability for fiscal years 2024 and 2023 in the amounts of \$4.5 million and \$5.2 million, respectively.

Net position represents Revenue Fund’s residual interest total assets and deferred outflows after deducting total liabilities and deferred inflows. Net investment in capital assets represent the largest portion of net position. Capital assets are carried at historical cost, not replacement cost. Restricted expendable net position primarily consists of assets restricted for debt service of \$16.8 million.

The Revenue Fund’s net position as of June 30, 2024, 2023, and 2022 is summarized as follows:

(In Thousands)			
	2024	2023	2022
Net investment in capital assets	\$ 153,498	\$ 152,626	\$ 155,503
Restricted expendable	17,319	15,474	13,735
Unrestricted	106,478	94,352	85,444
Total net position	<u>\$ 277,295</u>	<u>\$ 262,452</u>	<u>\$ 254,682</u>

The Revenue Fund’s net position increased during fiscal year 2024 by \$14.8 million, or 12.3 percent, of total revenues of \$120.2 million. This compares to an increase of \$7.8 million, or 7.0 percent, of total revenues of \$110.8 million during fiscal year 2023.

Unrestricted net position increased by \$12.1 million, or 12.9 percent over fiscal year 2023. This is compared to the increase of \$8.9 million, or 10.4 percent over fiscal year 2022.

Without the effects of GASB Statements No. 68 and No.75, unrestricted net position increased \$11.8 million, or 11.9 percent, in fiscal year 2024, and \$5.3 million or 5.6 percent in fiscal year 2023.

The following table shows the impact to unrestricted net position due to the implementation of GASB Statements No. 68 and No. 75:

(In Thousands)			
	2024	2023	2022
Unrestricted net position balance at June 30	\$ 106,478	\$ 94,352	\$ 85,444
Prior year effect of GASB Statements No. 68 and No. 75	3,674	4,090	7,733
Current year effect of GASB Statements No. 68 and No. 75	566	510	490
Balance at June 30, without effect of GASB No. 68 and No. 75	<u>\$ 110,718</u>	<u>\$ 98,952</u>	<u>\$ 93,667</u>

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in improving the quality of services provided at the colleges and universities is the development and renewal of the physical assets used to provide housing, dining, parking, wellness and student center facilities. The Revenue Fund continues to implement a long-range plan to eliminate identified deferred maintenance. Detail on commitments for construction projects is provided in Note 13 to the financial statements.

Fiscal year 2024 capital outlays totaled \$6.4 million, including \$6.2 million of new construction in progress, compared to fiscal year 2023 capital outlays of \$12.2 million, including \$3.7 million of new construction in progress. Investments in capital assets consist largely of replacement and renovation of residence halls and student centers.

The percentage of total revenues expended to cover debt service (principal and interest payments on revenue bonds, leases and notes payable) decreased from \$24.1 million or 21.8 percent in fiscal year 2023, to \$21.9 million or 18.2 percent in fiscal year 2024.

Additional information on capital and debt activities and can be found in Notes 4 and 6 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 Revenue Fund's results of operations and the overall change in net position in 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.

A summary of the Revenue Fund's statements of revenues, expenses and changes in net position as of June 30, 2024, 2023, and 2022 follows:

	(In Thousands)		
	2024	2023	2022
Operating revenues:			
Room and board, fees and sales	\$ 106,049	\$ 98,316	\$ 92,318
Other income	4,711	4,614	4,062
Total operating revenues	<u>110,760</u>	<u>102,930</u>	<u>96,380</u>
Nonoperating revenues and other revenues:			
Federal grants (HEERF)	-	731	6,768
Interest	7,770	4,729	562
Other	1,679	2,368	1,194
Total nonoperating and other revenues	<u>9,449</u>	<u>7,828</u>	<u>8,524</u>
Total revenues	<u>120,209</u>	<u>110,758</u>	<u>104,904</u>
Operating expenses:			
Salaries and benefits	27,553	24,145	22,278
Depreciation and amortization	24,992	25,665	24,825
Other	48,072	48,084	46,619
Total operating expenses	<u>100,617</u>	<u>97,894</u>	<u>93,722</u>
Nonoperating expenses and other expenses:			
Interest expense	4,749	5,094	6,233
Total nonoperating and other expenses	<u>4,749</u>	<u>5,094</u>	<u>6,233</u>
Total expenses	<u>105,366</u>	<u>102,988</u>	<u>99,955</u>
Change in net position	14,843	7,770	4,949
Net position, beginning of year	<u>262,452</u>	<u>254,682</u>	<u>249,733</u>
Net position, end of year	<u>\$ 277,295</u>	<u>\$ 262,452</u>	<u>\$ 254,682</u>

The fiscal year 2024 total revenues increased by \$9.4 million, or 8.5 percent. This increase was due to the continued recovery in room and board revenue after the pandemic. There was a 2.2 percent average increase to room and board rates charged to students coupled with a 5.3 percent increase in overall occupancy in the residence hall program in fiscal year 2024. This led to an increase in room and board revenues of \$7.1 million, or a 9.9 percent increase over fiscal year 2023. This follows a \$5.9 million, or 5.6 percent increase in total revenues in fiscal year 2023 compared to fiscal year 2022.

Compensation is the Revenue Fund’s single largest expense component. Compensation expense increased \$3.4 million, or 14.1 percent, to a total of \$27.6 million in fiscal year 2024 compared to fiscal year 2023. Excluding the GASB Statements No. 68 and No. 75, the effect to compensation expense in fiscal year 2024 increased by \$0.2 million, or 0.5 percent, over fiscal year 2023. This follows an increase of \$1.2 million, or 4.4 percent in fiscal year 2023 compared to fiscal year 2022.

The Revenue Fund’s overall financial position increased by \$14.8 million in fiscal year 2024. Without the effect of GASB Statements No. 68 and No. 75, the Revenue Fund’s overall financial position increased by \$14.5 million in fiscal year 2024.

(In Thousands)			
	2024	2023	2022
Increase in net position			
including GASB No. 68 and GASB No. 75	\$ 14,843	\$ 7,770	\$ 4,949
Impact on compensation expense			
Pension	(416)	(3,643)	(4,347)
Other postemployment benefits	56	20	50
Total GASB No. 68 and No. 75 impact	(360)	(3,623)	(4,297)
Increase in net position			
excluding GASB No. 68 and No. 75	\$ 14,483	\$ 4,147	\$ 652

CASH AND CASH EQUIVALENTS

All outstanding revenue bond issues have their debt service reserve balances deposited with a Trustee (US Bank) which is managing the cash. The debt service accounts for all revenue bond series, along with all operating funds, are on interest bearing deposit in the State Treasury.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Revenue Fund continues its support of providing the necessary facilities for Minnesota State students to achieve a robust on-campus experience that includes living accommodations, dining options at a reasonable cost, ample parking, and wellness facilities all within proximity to academic settings. The business model for providing these services in a financially sustainable fashion continues to be refined as institutions update their comprehensive academic, enrollment management, and facilities plans.

The financial condition of Minnesota State's Revenue Fund operations again showed improvement in fiscal year 2024, continuing its recovery from the COVID-19 pandemic. Operating revenues increased by 7.6 percent in fiscal year 2024 after increasing by 6.8 percent in fiscal year 2023 from fiscal year 2022 levels. Colleges and universities continue to successfully manage their operating expenses as those increases were less than the changes in operating revenues, 2.8 percent between fiscal years 2024 and 2023 and 4.5 percent between fiscal years 2023 and 2022. With student affordability as a priority, cost containment is of importance as colleges and universities continue to ensure services and activities meet the needs and demand of our students.

Fiscal year 2025 rates on average for revenue program activities increase by 4.5 percent for room and board rates, 2.2 percent for student unions, 1.1 percent for wellness and recreation facilities, and 0.5 percent for parking. Colleges and universities continue to balance generating sufficient operating revenue to pay debt service, operate, equip, maintain, and repair Revenue Fund facilities.

Minnesota State has continued its conservative approach in managing its revenue fund debt. No new revenue bond debt has been issued for the revenue fund since fiscal year 2017 and bonds have been refunded and reissued in fiscal years 2020 and 2022 resulting in significant savings. Along with annual payments, long-term debt has been reduced by 35.4 percent the past six years and by nearly \$100.0 million (\$277.5 million in fiscal year 2019 vs. \$179.2 million in fiscal year 2024).

Minnesota State's Revenue Fund outstanding revenue fund bonds and long-term outlook were both affirmed by Moody's Investor Services and S&P Global Ratings this past year. Moody's affirmed Minnesota State's Aa3 issuer rating and A1 debt rating. It was noted in their rationale that the system's debt affordability is favorable to peers with no identified plans for additional debt and noted that significant competition for students in the state is a key credit challenge. S&P Global Ratings affirmed its AA- long-term rating on the system's outstanding revenue fund bonds and provided a stable outlook rating. The stable outlook opinion was based on the system continuing to work on stabilizing its enrollment and maintaining budgetary balance that includes remaining in compliance with all its bond covenants.

Last year the system had an annual enrollment increase of 2.4 percent after over a decade of enrollment declines. Annual enrollment for fiscal year 2025 is currently projected to increase by approximately 5.0 percent. Fall semester 2024 30-day enrollment numbers indicate those projections are achievable as headcount enrollment has increased by 7.7 percent for the system from fall semester 2023 numbers. Investments made by the state of Minnesota this biennium in financial aid are likely a primary factor in this increase. Nearly 12,000 Minnesota State students are benefiting from the new North Star Promise program. This program provides free public college and university tuition for Minnesota students and families with a family Adjusted Gross Income (AGI) below \$80,000.

The more positive enrollment picture for the system has a direct benefit to the Revenue Fund as more students are paying fees to support student unions and wellness center as well as having more students living in residential housing. Residential housing supported by the Revenue Fund had a 6.9 percent increase in occupancy last academic year and fall 2024 numbers indicate a 2.0 percent increase for the 2024-2025 academic year.

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

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MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 114,570	\$ 103,110
Accounts receivable, net	5,386	4,142
Leases receivable	897	928
Total current assets	<u>120,853</u>	<u>108,180</u>
Current Restricted Assets		
Cash and cash equivalents	44,812	43,883
Total current restricted assets	<u>44,812</u>	<u>43,883</u>
Noncurrent Assets		
Leases receivable	867	1,764
Land and construction in progress	7,894	4,528
Capital and right to use assets, net	303,002	322,963
Total noncurrent assets	<u>311,763</u>	<u>329,255</u>
Total Assets	<u>477,428</u>	<u>481,318</u>
Deferred Outflows of Resources	3,971	4,586
Total Assets and Deferred Outflows of Resources	<u>481,399</u>	<u>485,904</u>
Liabilities		
Current Liabilities		
Salaries and benefits payable	653	649
Accounts payable	4,606	2,566
Unearned revenue	5,493	7,992
Interest payable	1,635	1,767
Current portion of long-term debt	17,218	15,003
Other compensation benefits	485	351
Total current liabilities	<u>30,090</u>	<u>28,328</u>
Noncurrent Liabilities		
Noncurrent portion of long-term debt	162,016	181,368
Other compensation benefits	3,189	2,843
Net pension liability	4,517	5,175
Total noncurrent liabilities	<u>169,722</u>	<u>189,386</u>
Total Liabilities	<u>199,812</u>	<u>217,714</u>
Deferred Inflows of Resources	4,292	5,738
Total Liabilities and Deferred Inflows of Resources	<u>204,104</u>	<u>223,452</u>
Net Position		
Net investment in capital assets	153,498	152,626
Restricted expendable	17,319	15,474
Unrestricted	106,478	94,352
Total Net Position	<u>\$ 277,295</u>	<u>\$ 262,452</u>

The notes are an integral part of the financial statements.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)**

	2024	2023
Operating Revenues		
Room and board	\$ 78,182	\$ 71,119
Fees	22,552	21,789
Sales and services	5,315	5,408
Other income	4,711	4,614
Total operating revenues	<u>110,760</u>	<u>102,930</u>
Operating Expenses		
Salaries and benefits	27,553	24,145
Food service	26,456	25,163
Other purchased services	11,264	13,366
Supplies	3,837	3,051
Repairs and maintenance	2,113	2,288
Depreciation and amortization	24,992	25,665
Other expense	4,402	4,216
Total operating expenses	<u>100,617</u>	<u>97,894</u>
Operating income	<u>10,143</u>	<u>5,036</u>
Nonoperating Revenues (Expenses)		
Federal grant (HEERF)	-	731
Private grants	28	28
Interest income	7,770	4,729
Interest expense	(4,749)	(5,094)
Total nonoperating revenues (expenses)	<u>3,049</u>	<u>394</u>
Income Before Other Revenues, Expenses, Gains, or Losses	13,192	5,430
Capital contributions	1,651	2,337
Gain on disposal of capital assets	-	3
Change in net position	<u>14,843</u>	<u>7,770</u>
Total Net Position, Beginning of Year	<u>262,452</u>	<u>254,682</u>
Total Net Position, End of Year	<u>\$ 277,295</u>	<u>\$ 262,452</u>

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
Cash Flows from Operating Activities		
Cash received from customers	\$ 107,017	\$ 98,707
Cash payments to suppliers for goods or services	(45,779)	(49,106)
Cash payments to employees	(27,759)	(28,631)
Net cash flows provided by operating activities	<u>33,479</u>	<u>20,970</u>
Cash Flows from Noncapital and Related Financing Activities		
Federal grant (HEERF)	-	731
Private grants	28	28
Net cash flows provided by noncapital and related financing activities	<u>28</u>	<u>759</u>
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(8,727)	(2,797)
Capital contributions	1,651	2,337
Proceeds from sale of capital assets	77	129
Interest paid	(6,795)	(7,415)
Repayment of lease principal	(1,781)	(1,802)
Repayment of note principal	(22)	(21)
Repayment of bond principal	(13,200)	(14,995)
Net cash flows used in capital and related financing activities	<u>(28,797)</u>	<u>(24,564)</u>
Cash Flows from Investing Activities		
Investment earnings	7,679	4,729
Net cash flows provided by investing activities	<u>7,679</u>	<u>4,729</u>
Net Increase in Cash and Cash Equivalents	12,389	1,894
Cash and Cash Equivalents, Beginning of Year	146,993	145,099
Cash and Cash Equivalents, End of Year	<u>\$ 159,382</u>	<u>\$ 146,993</u>

The notes are an integral part of the financial statements.

MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
Operating income	\$ <u>10,143</u>	\$ <u>5,036</u>
Adjustment to Reconcile Operating Income to Net Cash Flows provided by Operating Activities		
Change in pension plan related items:		
Net pension liability	(658)	3,061
Deferred inflows of resources	(357)	(7,944)
Deferred outflows of resources	599	1,240
Depreciation and amortization	24,992	25,665
Change in assets and liabilities		
Accounts receivable	(1,244)	250
Leases receivable	1	33
Accounts payable	963	(914)
Salaries and benefits payable	4	(785)
Other compensation benefits and related deferred outflows and inflows	206	(58)
Unearned revenue	(2,500)	(4,507)
Other	<u>1,330</u>	<u>(107)</u>
Net reconciling items to adjust operating income	<u>23,336</u>	<u>15,934</u>
Net cash flows provided by operating activities	\$ <u><u>33,479</u></u>	\$ <u><u>20,970</u></u>
Non-Cash Investing, Capital, and Financing Activities:		
Capital projects on account	\$ 2,382	\$ 1,305
Amortization of bond premium	2,134	2,298
Buildings acquired through a lease	-	7,881
Food service vendor investment	-	400

MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
IN THOUSANDS

1. LEGISLATIVE AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Authorizing Legislation — The 1955 Minnesota State Legislature established the Revenue Fund for the purpose of operating self-supporting residence halls, food services, and student union programs. In the enabling legislation, the board of trustees was authorized to acquire, construct, remodel, equip, operate, control, and manage residence halls, dining halls, student union buildings, and any other similar revenue-producing buildings as deemed necessary for the good and benefit of the students. The board is authorized to issue bonds and other obligations, upon approval by the state legislature, to fulfill its corporate purposes. During the 2012 legislative session, the state legislature increased the board’s authority to issue revenue bonds up to \$405,000 effective August 1, 2012.

Basis of Presentation — The reporting policies of the Revenue Fund, a fund of the Minnesota State Colleges and Universities (Minnesota State), conform to generally accepted accounting principles (GAAP) in the United States of America 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 the Revenue Fund.

The financial statements of the Revenue Fund are combined into a single enterprise fund and are intended to present only the financial activity of the Revenue Fund. The statements do not include other various activities of Minnesota State.

Basis of Accounting — The basis of accounting refers to when revenues and expenses are recognized in the accounts 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.

Cash and Cash Equivalents — The cash balance represents cash and cash equivalents in the state treasury and at US Bank, N.A. (trustee). Cash equivalents are short-term, highly 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. Amounts held for capital projects and debt service are recorded as restricted cash.

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

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	20 years
Equipment and Furniture	3-20 years

Equipment includes all items with an original cost of \$10 and over. Furniture purchased in aggregate above \$250 is capitalized. Buildings and building improvements include all projects with a cost of \$250 and over for projects started since July 1, 2008, and \$100 and over for projects started prior to July 1, 2008. All land purchases are capitalized regardless of amount spent.

Leases and Right to Use Assets — Minnesota State determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and lease liabilities in the statements of net position. Lease assets represent Minnesota State's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Right to use buildings are amortized over a life of two years. Lease liabilities represent Minnesota State's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that Minnesota State will exercise that option. Minnesota State has elected to recognize payments for short-term leases with a lease term of 12 months or less and leases with a present value of less than \$250 as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent Minnesota State's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Minnesota State recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. Minnesota State also recognizes payments received on leases with an initial calculated net present value of \$250 or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position.

Unearned Revenue — Unearned revenue consists of room deposits on account for fall semester in addition to room and board fees received but not earned for summer session. Also included are food service vendor capital investments that will benefit the Revenue Fund in the coming years. The unearned revenue balances related to these capital improvements were \$3,702 and \$6,155 for fiscal years ended June 30, 2024 and 2023, respectively. The amount of revenue recognized from these vendor improvements was \$1,677 and \$1,972 for fiscal years ended June 30, 2024 and 2023, respectively.

Long-Term Liabilities — The Revenue Fund sells revenue bonds to support construction and renovation of Revenue Fund facilities as approved by the Minnesota State board of trustees. The Revenue Fund is responsible for the full debt service on the revenue bonds sold for college and university projects. The Revenue Fund may also enter into lease agreements for certain capital and right to use assets.

Other long-term liabilities include compensated absences, net pension liability, early retirement benefits, other postemployment benefits, workers' compensation claims, leases, and notes payable.

Deferred Outflows and Deferred Inflows of Resources — Deferred outflows of resources represent the consumption of net position by the Revenue Fund 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), leases, and an economic gain/loss on refunding of the Series 2005A, Series 2007A, Series 2007C, Series 2008A, 2009A, 2011A, and 2011C revenue bonds that resulted from the difference in the carrying value of the refunded debt and its reacquisition price.

The following tables summarize the Revenue Fund deferred outflows and inflows:

	Deferred Outflows of Resources	
	Year Ended June 30	
	2024	2023
<u>Related to Pensions:</u>		
Differences between projected and actual investment earnings	\$ -	\$ 159
Changes in actuarial assumptions	1,588	2,281
Contributions paid to plans subsequent to measurement date	494	449
Differences between expected and actual economic experience	245	26
Changes in proportion	26	36
Total related to pensions	<u>2,353</u>	<u>2,951</u>
<u>Related to OPEB:</u>		
Changes in actuarial assumptions	279	143
Differences between expected and actual economic experience	82	35
Contributions paid to plan subsequent to measurement date	95	74
Total related to OPEB	<u>456</u>	<u>252</u>
<u>Related to Refunding:</u>		
Economic loss on refunding of revenue bonds	1,162	1,383
Total	<u>\$ 3,971</u>	<u>\$ 4,586</u>

	Deferred Inflows of Resources	
	Year Ended June 30	
	2024	2023
<u>Related to Pensions:</u>		
Differences between projected and actual investment earnings	\$ 147	\$ -
Changes in actuarial assumptions	1,242	1,658
Differences between expected and actual economic experience	10	29
Changes in proportion	111	180
Total related to pensions	<u>1,510</u>	<u>1,867</u>
<u>Related to OPEB:</u>		
Changes in actuarial assumptions	56	76
Differences between expected and actual economic experience	136	186
Total related to OPEB	<u>192</u>	<u>262</u>
<u>Related to Refunding:</u>		
Economic gain on refunding of revenue bonds	735	826
<u>Related to Leases:</u>		
Lease revenue	1,855	2,783
Total	<u>\$ 4,292</u>	<u>\$ 5,738</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 Revenue Fund's expenses are from exchange transactions. Interest income, which is relied upon for operations, is recorded as nonoperating revenue.

Room and Board, Fees, Sales and Services — Fees and room and board are presented before scholarship allowances. Scholarship allowances of \$5,161 and \$3,468, for fiscal years ended June 30, 2024 and 2023, respectively, are reported in Minnesota State system financial statements, but are not reflected in these statements.

Federal Grant (HEERF) — Higher Education Emergency Relief Fund (HEERF) grant revenue monies were received by the Revenue Fund to replace lost revenues caused by the pandemic. The federal grant revenue related to those grants was \$0 and \$731 for fiscal years 2024 and 2023, 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.

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.

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.

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, 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 and allowances for uncollectible accounts.

Net Position — The difference between assets and deferred outflows and total 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 amortization and outstanding principal balances of debt and other borrowings attributable to the acquisition, construction or improvement of those assets.
- *Restricted expendable*: net position subject to externally imposed stipulations. Net position restrictions for the Revenue Fund are as follows:

Restricted for debt service — legally restricted debt repayment.

Restricted for capital projects — restricted for completion of capital projects.

	Restricted Expendable	
	2024	2023
Debt service	\$ 16,767	\$ 15,026
Capital projects	552	448
Total	\$ 17,319	\$ 15,474

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which provides timely information with which to understand and anticipate certain risks to financial condition. GASB Statement No. 102 is effective for years beginning after June 15, 2024. The effect GASB Statement No. 102 will have on the fiscal year 2025 financial statement has not yet been determined.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. GASB Statement No. 103 is effective for years beginning after June 15, 2025. The effect GASB Statement No. 103 will have on the fiscal year 2026 financial statements has not yet been determined.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which is to provide users of government financial statements with essential information about certain types of capital asset. GASB Statement No. 104 is effective for year beginning after June 15, 2025. The effect GASB Statement No. 104 will have on the fiscal year 2026 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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents — All balances related to room and board and most fees are held in the state treasury. 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 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.

The following table summarizes cash and cash equivalents:

Carrying Amount	Year Ended June 30	
	2024	2023
Cash, treasury account	\$ 138,694	\$ 126,332
Cash, trustee account (US Bank)	20,688	20,661
Grand Total	<u>\$ 159,382</u>	<u>\$ 146,993</u>

Restricted cash of \$44,812 and \$43,883 as of June 30, 2024 and 2023, respectively, represents unexpended bond proceeds, debt service monies, and debt service reserve balances. Bond covenants restrict the use of this cash to capital construction or reduction of bonds payable.

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 the 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 yet 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.

At June 30, 2024 and 2023, the Revenue Fund had no debt securities.

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, Chapter 118A.04. This statute limits 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.

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.

At June 30, 2024 and 2023, the Revenue Fund had no investments.

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of receivables from individuals not paid as of June 30, 2024 and 2023. At June 30, 2024 and 2023, the total accounts receivable balances were \$8,792 and \$7,447 respectively, less an allowance for uncollectible receivables of \$3,406 and \$3,305, respectively.

The following table summarizes accounts receivable, net:

	Year Ended June 30	
	2024	2023
Room and board	\$ 6,043	\$ 4,651
Fees	2,108	2,129
Sales and service	399	467
Other income	242	200
Total accounts receivable	8,792	7,447
Allowance for doubtful accounts	(3,406)	(3,305)
Accounts receivable, net	\$ 5,386	\$ 4,142

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

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

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

4. CAPITAL AND RIGHT TO USE ASSETS

Summaries of changes in capital and right to use assets for fiscal years 2024 and 2023 follow:

	Year Ended June 30, 2024				
	Beginning	Increases	Decreases	Completed	Ending
Capital assets, not depreciated/amortized:					
Land	\$ 1,707	\$ -	\$ -	\$ -	\$ 1,707
Construction in progress	2,821	6,178	-	(2,812)	6,187
Total capital assets, not depreciated/amortized	<u>4,528</u>	<u>6,178</u>	<u>-</u>	<u>(2,812)</u>	<u>7,894</u>
Capital and right to use assets, depreciated/amortized:					
Buildings and improvements	734,627	1,094	404	2,812	738,129
Right to use building and improvements	9,723	-	-	-	9,723
Equipment and furniture	4,581	192	76	-	4,697
Total capital and right to use assets, depreciated/amortized	<u>748,931</u>	<u>1,286</u>	<u>480</u>	<u>2,812</u>	<u>752,549</u>
Less accumulated depreciation/amortization:					
Buildings and improvements	418,756	23,771	-	-	442,527
Right to use building and improvements	3,156	1,313	-	-	4,469
Equipment and furniture	2,339	288	76	-	2,551
Total accumulated depreciation/amortization	<u>424,251</u>	<u>25,372</u>	<u>76</u>	<u>-</u>	<u>449,547</u>
Total capital and right to use assets depreciated/amortized, net	<u>324,680</u>	<u>(24,086)</u>	<u>404</u>	<u>2,812</u>	<u>303,002</u>
Total capital and right to use assets, net	<u>\$ 329,208</u>	<u>\$ (17,908)</u>	<u>\$ 404</u>	<u>\$ -</u>	<u>\$ 310,896</u>

	Year Ended June 30, 2023				
	Beginning	Increases	Decreases	Completed	Ending
Capital assets, not depreciated/amortized:					
Land	\$ 1,707	\$ -	\$ -	\$ -	\$ 1,707
Construction in progress	1,207	3,717	-	(2,103)	2,821
Total capital assets, not depreciated/amortized	<u>2,914</u>	<u>3,717</u>	<u>-</u>	<u>(2,103)</u>	<u>4,528</u>
Capital and right to use assets, depreciated/amortized:					
Buildings and improvements	732,124	400	-	2,103	734,627
Right to use building and improvements	1,842	7,881	-	-	9,723
Equipment and furniture	2,117	235	111	-	2,241
Total capital and right to use assets, depreciated/amortized	<u>736,083</u>	<u>8,516</u>	<u>111</u>	<u>2,103</u>	<u>746,591</u>
Less accumulated depreciation/amortization:					
Buildings and improvements	395,455	23,301	-	-	418,756
Right to use building and improvements	921	2,235	-	-	3,156
Equipment and furniture	1,663	129	76	-	1,716
Total accumulated depreciation/amortization	<u>398,039</u>	<u>25,665</u>	<u>76</u>	<u>-</u>	<u>423,628</u>
Total capital and right to use assets depreciated/amortized, net	<u>338,044</u>	<u>(17,149)</u>	<u>35</u>	<u>2,103</u>	<u>322,963</u>
Total capital and right to use assets, net	<u>\$ 340,958</u>	<u>\$ (13,432)</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 327,491</u>

5. 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

	2024	2023
Capital projects	\$ 2,382	\$ 1,305
Purchased services and other payables	1,837	873
Repairs and maintenance	262	208
Supplies	125	180
Total accounts payable	<u>\$ 4,606</u>	<u>\$ 2,566</u>

6. 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 2024 and 2023 follow:

	Year Ended June 30, 2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Revenue bonds	\$ 170,710	\$ -	\$ 13,200	\$ 157,510	\$ 15,430
Revenue bond premium/discount	17,177	-	2,134	15,043	-
Leases	8,095	-	1,781	6,314	1,764
Notes payable	389	-	22	367	24
Total long-term obligations	<u>\$ 196,371</u>	<u>\$ -</u>	<u>\$ 17,137</u>	<u>\$ 179,234</u>	<u>\$ 17,218</u>

	Year Ended June 30, 2023				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Revenue bonds	\$ 185,705	\$ -	\$ 14,995	\$ 170,710	\$ 13,200
Revenue bond premium/discount	19,475	-	2,298	17,177	-
Leases	2,016	7,881	1,802	8,095	1,781
Notes payable	409	-	20	389	22
Total long-term obligations	<u>\$ 207,605</u>	<u>\$ 7,881</u>	<u>\$ 19,115</u>	<u>\$ 196,371</u>	<u>\$ 15,003</u>

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

The changes in other compensation benefits for fiscal years 2024 and 2023 follow:

	Year Ended June 30, 2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 2,020	\$ 276	\$ 254	\$ 2,042	\$ 245
Early termination benefits	5	133	5	133	127
Other postemployment benefits	1,169	404	74	1,499	113
Total other compensation benefits	<u>\$ 3,194</u>	<u>\$ 813</u>	<u>\$ 333</u>	<u>\$ 3,674</u>	<u>\$ 485</u>

	Year Ended June 30, 2023				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 2,068	\$ 202	\$ 250	\$ 2,020	\$ 243
Early termination benefits	36	5	36	5	5
Other postemployment benefits	1,153	156	140	1,169	103
Total other compensation benefits	<u>\$ 3,257</u>	<u>\$ 363</u>	<u>\$ 426</u>	<u>\$ 3,194</u>	<u>\$ 351</u>

Revenue Bonds — The board of trustees for Minnesota State is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed \$405,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and renovation of buildings for residence halls, dining halls, parking facilities, student and wellness centers, and other revenue-producing and related facilities at the institutions who participate in the Revenue Fund. Revenue bonds currently outstanding have coupon rates between 2.5 to 5.0 percent.

The following table shows the amount of outstanding revenue bonds payable by individual bond series:

Bond Series	Average Interest Rate Percentage	Fiscal Year 2024	Fiscal Year 2023	Maturity Date
Series 2013A	2.78	\$ 34,290	\$ 37,075	October 1, 2033
Series 2013B	1.97	-	425	October 1, 2023
Series 2015A	3.08	19,175	21,150	October 1, 2035
Series 2015B	3.44	27,225	29,300	October 1, 2035
Series 2017A	2.45	25,530	29,830	October 1, 2037
Series 2017B	2.59	1,035	1,365	October 1, 2026
Series 2019A	1.57	8,945	10,255	October 1, 2029
Series 2021A	0.73	41,310	41,310	October 1, 2032
Total		<u>\$ 157,510</u>	<u>\$ 170,710</u>	

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. Annual principal and interest payments on the bonds are expected to require less than 22.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$186,977. Revenue bond principal and interest paid for the current fiscal year was \$19,972 and total customer net revenues were \$110,760.

Bond covenants require the board to set fees and rates sufficient to cover debt service and debt service reserve requirements.

Revenue Bond Premium/Discount — Amortization is calculated using the straight-line method and amortized over the remaining life of the bonds. Bond discounts and premiums are combined on the statements of net position.

Leases — Liabilities for leases include those leases that are generally defined as one that transfers benefits and risk of ownership to the lessee. Annual principal repayments in future years for real estate leases range between \$95 and \$1,578, discounted at an imputed interest rate of 3.5 percent, with the last repayment due in fiscal year 2032. Note 8 to the financial statements provides additional information.

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

Compensated Absences — Revenue Fund 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. There are no payment schedules for compensated absences.

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.

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 7 to the financial statements provides additional information.

Net Pension Liability — The net pension liability of \$4,517 and \$5,175 at June 30, 2024 and 2023, respectively, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 9 to the financial statements provides additional information.

Principal and interest payment schedules are provided in the table below for revenue bonds payable, leases, and notes payable. There are no payment schedules for bond premium/discount, compensated absences, other postemployment benefits and net pension liability.

Long-Term Obligation Repayment Schedule						
Fiscal Years	Revenue Bonds		Leases		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 15,430	\$ 6,175	\$ 1,764	\$ 155	\$ 24	\$ 9
2026	18,920	5,416	1,748	207	26	8
2027	19,180	4,565	1,731	258	27	8
2028	17,395	3,757	327	49	29	7
2029	18,200	2,989	210	19	31	6
2030-2034	60,080	6,164	534	20	190	18
2035-2039	8,305	401	-	-	40	1
Total	\$ 157,510	\$ 29,467	\$ 6,314	\$ 708	\$ 367	\$ 57

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description — The Revenue Fund 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, 2023 actuarial valuation, the following current and former employees were covered by benefit terms under the plan:

Active employees	188
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	-
Total	<u><u>195</u></u>

Actuarial Methods and Assumptions — The total other postemployment benefits (OPEB) liability for Minnesota State at June 30, 2024 was measured as of July 1, 2023 and was determined by an actuarial valuation as of July 1, 2022 that was rolled forward to determine the June 30, 2024 total OPEB liability. The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of July 1, 2022.

The total OPEB liability was measured based on the following actuarial assumptions:

Payroll Growth	3.0 percent
Inflation	2.25 percent per year
Initial Medical Trend Rate	8.4 percent
Ultimate Medical Trend Rate	3.7 percent
Year Ultimate Trend Rate Reached	2073

Discount Rate — The discount rate used to measure the total OPEB liability at June 30, 2023 and 2022 was 3.65 percent and 3.54 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 2023 and 2022. 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		
	2024	2023
Balance, Beginning of Year	\$ 1,169	\$ 1,153
Changes for the Year		
Service Cost	94	89
Interest	43	26
Changes in Assumptions	207	(64)
Differences Between Expected and Actual Economic Experience	61	41
Benefit Payments	(74)	(76)
Net Changes	<u>331</u>	<u>16</u>
Balance, End of Year	<u><u>\$ 1,500</u></u>	<u><u>\$ 1,169</u></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 projected mortality improvement scale assumption was updated to Scale MP-2021. The annual medical claims costs and premiums were updated based on recent experience. The discount rate was increased from 3.54 percent to 3.65 percent. The annual medical trend was updated based on recent trend surveys, short-term expectations specific to Minnesota State plans, and adjustment to short-term trend rates to estimate the impact of the current general inflation environment, and the current version of the SOA-Getzen trend model.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate — The following presents the Revenue Fund 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			
	2024		2023	
	Percent	Amount	Percent	Amount
1 Percent Lower	2.65	\$ 1,580	2.54	\$ 1,226
Current Discount Rate	3.65	1,500	3.54	1,169
1 Percent Higher	4.65	1,421	4.54	1,111

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 (7.4 percent decreasing to 2.7 percent) or one percentage higher (9.4 percent decreasing to 4.7 percent) than the current healthcare cost trend rate (8.4 percent decreasing to 3.7 percent):

	Sensitivity of Total OPEB Liability to Changes in the Health Care Trend Rate			
	2024		2023	
		Amount		Amount
1 Percent Lower	\$	1,350	\$	1,059
Current Trend Rate		1,500		1,169
1 Percent Higher		1,673		1,295

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources — For the years ended June 30, 2024 and 2023, the Revenue Fund recognized an increase in benefit expense of \$97 and \$124, respectively, related to OPEB.

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At June 30, 2024 and 2023, the Revenue Fund reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	
	Year Ended June 30	
	2024	2023
Changes in actuarial assumptions	\$ 279	\$ 143
Differences between expected and actual economic experience	82	35
Contributions made subsequent to the measurement date	95	74
Total	\$ 456	\$ 252

	Deferred Inflows of Resources	
	Year Ended June 30	
	2024	2023
Changes in actuarial assumptions	\$ 56	\$ 76
Differences between expected and actual economic experience	136	186
Total	\$ 192	\$ 262

Amounts reported as deferred outflows of resources related to OPEB resulting from the Revenue Fund contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the total OPEB liability in the following fiscal year.

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

Fiscal Year	Amount
2025	\$ 18
2026	16
2027	27
2028	35
2029	35
Thereafter	38
Total	\$ 169

8. LEASE AGREEMENTS

Lessee Agreements — Minnesota State is committed under various leases primarily for building space. The leases expire at various dates through 2032. In accordance with GASB Statement No. 87, Minnesota State records right to use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or otherwise discounted using the system’s imputed interest rate of 3.5 percent. See Note 4 for information on right to use assets and associated accumulated depreciation and amortization. See Note 6 for the future payment schedule.

Lessor Agreements — Minnesota State has entered in several lease agreements, primarily for building space. Minnesota State records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease or using the system’s imputed interest rate of 3.5 percent. During the years ended June 30, 2024 and 2023, Minnesota State recognized revenues and interest income of \$928 and \$101, and \$961 and \$68 respectively, related to these lease agreements.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 897	\$ 132
2026	867	163
Total	\$ <u>1,764</u>	\$ <u>295</u>

9. EMPLOYEE PENSION PLANS

The Revenue Fund participates in two retirement plans; the State Employees’ Defined Benefit Retirement Fund, administered by the Minnesota State Retirement System and a Defined Contribution Retirement Plan, administered by the Teachers Insurance and Annuity Association College Retirement Equities Fund.

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. For retirements starting after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors).

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 5.5 percent 6.0 percent of their annual covered salary in fiscal years 2024 and 2023. Participating employers were required to contribute 6.25 percent of employee annual covered salary in fiscal years 2024 and 2023. The Minnesota State Revenue Fund contributions to the General Plan for the fiscal years ending June 30, 2024 and 2023 were \$494 and \$449, respectively. These contributions were equal to the contractually required contributions for each year as set by state statute.

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

Actuarial Assumptions - The Minnesota State Revenue Fund net pension liability was measured as of June 30, 2023 and 2022, 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, 2023	June 30, 2022
Inflation	2.25 percent per year	2.25 percent per year
Active member payroll growth	3.00 percent per year	3.00 percent per year
Investment rate of return	7.00 percent	6.75 percent

Salary increases for the June 30, 2023 and 2022 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 thereafter.

Actuarial assumptions used in the June 30, 2023 and 2022 valuations were based on the last experience study dated June 27, 2019 and a review of inflation and investment return assumptions, dated June 29, 2023. 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 7.0 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.

Inflation expectations were applied to derive the nominal 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, 2023 measurement date, these best estimates are summarized in the following table:

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

Discount Rate — The discount rate used to measure the total pension liability as of June 30, 2023 and 2022, was 7.0 percent and 6.75 percent, respectively.

At June 30, 2023 and 2022, 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 7.0 percent and 6.75 percent, respectively, on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Net Pension Liability - At June 30, 2024 and 2023, the Minnesota State Revenue Fund reported a liability of \$4,517 and \$5,175, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, 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 periods July 1, 2022 through June 30, 2023 and July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2024 and 2023, the Minnesota State Revenue Fund proportion was 0.47 percent 0.31 percent, respectively.

Changes have been made in plan provisions that affect the measurement of the total pension liability since the prior measurement date. The member contribution rate was changed from 6.0 percent to 5.5 percent of pay for two years, effective July 1, 2023 (also applies to Unclassified Members). An additional one-time direct state aid contribution of \$76.4 million will be contributed to the Plan on October 1, 2023. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time, non-compounding benefit increase of 1.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024. The vesting period for members hired after June 30, 2010 was changed from five years to three years.

Changes have been made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The long-term investment rate of return and single discount rates were changed from 6.75 percent to 7.0 percent.

Pension Liability Sensitivity - The following presents the Minnesota State Revenue Fund's 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			
	2024		2023	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.00	\$ 15,226	5.75	\$ 11,917
Current Discount Rate	7.00	4,517	6.75	5,175
1 Percent Higher	8.00	(3,706)	7.75	(579)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the MSRS Annual Comprehensive Financial 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, 2024 and 2023 Minnesota State Revenue Fund recognized a decrease in expense of \$421 and \$2,207, respectively, related to pensions.

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JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

At June 30, 2024 and 2023, Minnesota State Revenue Fund 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	
	2024	2023
Differences between projected and actual investment earnings	\$ -	\$ 159
Changes in actuarial assumptions	1,588	2,281
Contributions paid to MSRS subsequent to measurement date	494	449
Differences between expected and actual economic experience	245	26
Changes in proportion	26	36
Total	\$ 2,353	\$ 2,951

	Deferred Inflows of Resources	
	Year Ended June 30	
	2024	2023
Differences between projected and actual investment earnings	\$ 147	\$ -
Changes in actuarial assumptions	1,242	1,658
Differences between expected and actual economic experience	10	29
Changes in proportion	111	180
Total	\$ 1,510	\$ 1,867

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

Fiscal Year	Amount
2025	\$ 247
2026	188
2027	(574)
2028	488
Total	\$ 349

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

General Information - The Minnesota State Defined Contribution Retirement Fund include two plans: an Individual Retirement Account Plan and a Supplemental Retirement Plan. Both plans are mandatory, tax deferred, single employer, defined contribution plans authorized by Minnesota Statutes, Chapters 354B and 354C. The plans are designed to provide retirement benefits to Minnesota State unclassified employees. An unclassified employee is one who belongs to Minnesota State 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 (Teacher’s Retirement Fund) or IRAP upon achieving eligibility. An unclassified employee is one who serves in a position deemed unclassified according to Minnesota Statutes. This includes presidents, vice presidents, deans, administrative or service faculty, teachers and other managers, and professionals in academic and academic support programs. Eligibility begins with the employment contract for the first year of unclassified service in which the employee is hired for more than 25 percent of a full academic year, excluding summer session. An employee remains a participant of the plan even if employed for less than 25 percent of a full academic year in subsequent years.

Contributions - There are two-member groups participating in the IRAP, a faculty group and an administrator group. For those participants eligible before July 1, 2018, the employer and employee statutory contribution rates for both faculty and administrators as of June 30, 2024 and 2023, are 8.75 percent and 7.75 percent and 8.75 percent and 7.1 percent, respectively. For those participants eligible after July 1, 2018, the employer and employee statutory contribution rates for both faculty and administrators as of June 30, 2024 and 2023, are 8.75 percent and 7.75 percent and 8.75 percent and 7.5 percent, respectively. Contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Supplemental Retirement Plan (SRP)

Participation - Every unclassified employee who has completed two full-time years of unclassified service with Minnesota State 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 the eligible compensation up to a defined maximum annual contribution as specified in the following table.

Member Group	Eligible Compensation	Maximum Annual Contributions
Administrators	\$ 6 to 60	\$ 2.70
Middle Management Association Unclassified	6 to 40	1.70
Minnesota Association of Professional Employees Unclassified	6 to 40	1.70
Minnesota State University Association of Administrative & Service Faculty	6 to 51	2.25
Other Unclassified Members	6 to 40	1.70

The Revenue Fund’s contributions under both plans for the fiscal years ended June 30, 2024, 2023, and 2022 were equal to the required contributions for each year, which were \$1,254, \$1,056, and \$1,076, respectively.

10. UNRESTRICTED NET POSITION

Unrestricted net position are those assets having no constraints placed on their use by external creditors, grantors, contributors, laws, or regulations. Unrestricted net position is either designated or undesignated. Designated net position is not available for general operations.

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JUNE 30, 2024 AND 2023 (DOLLARS IN THOUSANDS)

The Revenue Fund has placed constraints on the use of the resources. The Revenue Fund has designated net positions for the following:

Unrestricted Net Position		
	2024	2023
Maintenance and operations	\$ 71,710	\$ 66,898
Repairs and replacements	34,768	27,454
Total	<u>\$ 106,478</u>	<u>\$ 94,352</u>

11. RELATED PARTIES

The Revenue Fund is one of the funds comprising the accounting structure of Minnesota State. The funds operate under common management control. Common costs are allocated to the Revenue Fund for utilities and operating expenses. The amounts allocated were \$6,703 and \$7,027 for the years ended June 30, 2024 and 2023, respectively.

Within the accounts receivable balance, \$1,437 and \$1,446 is due from other funds as of June 30, 2024 and 2023, respectively, which is cash held in a local account outside of the Revenue Fund.

In 2002, the Revenue Fund leased a parcel of land to the Minnesota State University Moorhead Foundation, Inc. to construct a student housing apartment building. The duration of the lease is for 30 years. In consideration of the lease agreement, the Foundation is to pay total lease payments of one dollar. The Minnesota State board of trustees has guaranteed the \$3,940 Clay County note payable amount issued to the Foundation.

12. RISK MANAGEMENT

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.

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

While property and casualty coverage is required by Minnesota State 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 2024 and 2023.

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

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

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.

13. COMMITMENTS

Minnesota State Revenue Fund Involvement in Ongoing Projects as of June 30, 2024

Institution *	Project	Total Cost	Spent to Date	Balance	Completion Date
MSU, Mankato	Centennial - Window Replacement	\$ 1,381	\$ 890	\$ 491	Oct 2024
MSU, Mankato	Crawford - A-Hall Bathroom Renovation	2,580	144	2,436	Jul 2025
MSU, Mankato	Crawford - B-Hall Bathroom Renovation	1,617	1,105	512	Nov 2024
Normandale	Kopp Student Center Remodel	6,500	149	6,351	Aug 2026

* Minnesota State University, Mankato; Normandale Community College

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

Schedule of Changes in Total OPEB Liability (In Thousands)								
	2024	2023	2022	2021	2020	2019	2018	2017
Balance, Beginning of Year	\$ 1,169	\$ 1,153	\$ 1,085	\$ 1,100	\$ 1,131	\$ 1,054	\$ 1,219	\$ 1,144
Changes for the Year								
Service Cost	94	89	87	83	88	83	84	83
Interest	43	26	25	40	45	39	31	45
Changes in Assumptions	207	(64)	3	200	(37)	34	(207)	53
Differences between Expected and Actual Economic Experience	61	41	-	(260)	(58)	(1)	-	-
Benefit Payments	(74)	(76)	(47)	(78)	(69)	(78)	(73)	(106)
Net Changes	331	16	68	(15)	(31)	77	(165)	75
Balance, End of Year	\$ 1,500	\$ 1,169	\$ 1,153	\$ 1,085	\$ 1,100	\$ 1,131	\$ 1,054	\$ 1,219
Covered Employee Payroll	\$ 17,229	\$ 16,984	\$ 16,822	\$ 17,078	\$ 16,380	\$ 15,949	\$ 16,122	\$ 18,246
Total OPEB Liability as a Percentage of Covered Employee Payroll	8.71	6.88	6.85	6.35	6.72	7.09	6.54	6.68

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 REVENUE FUND
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	0.34	\$ 5,582	\$ 8,339	66.95	87.64
June 30, 2015	0.33	5,974	8,494	70.33	88.32
June 30, 2016	0.33	33,878	8,470	399.98	47.51
June 30, 2017	0.38	22,890	8,736	262.02	62.73
June 30, 2018	0.39	5,348	8,839	60.50	90.56
June 30, 2019	0.38	5,403	8,802	61.38	90.73
June 30, 2020	0.38	5,651	8,866	63.73	91.25
June 30, 2021	0.38	2,114	9,036	23.39	99.53
June 30, 2022	0.31	5,175	9,200	56.25	90.60
June 30, 2023	0.47	4,517	8,154	55.40	94.54

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	\$ 467	\$ 467	\$ —	\$ 8,494	5.50
June 30, 2016	466	466	—	8,470	5.50
June 30, 2017	480	480	—	8,736	5.50
June 30, 2018	486	486	—	8,839	5.50
June 30, 2019	517	517	—	8,839	5.875
June 30, 2020	554	554	—	8,866	6.25
June 30, 2021	565	565	—	9,036	6.25
June 30, 2022	575	575	—	9,200	6.25
June 30, 2023	510	510	—	8,154	6.25
June 30, 2024	517	517	—	8,272	6.25

Minnesota State Retirement System (MSRS)

**MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

OTHER POSTEMPLOYMENT BENEFITS PLAN

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.54 percent to 3.65 percent.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The projected mortality improvement scale assumption was updated to Scale MP-2021.
- The annual medical claims costs and premiums were updated based on recent experience.
- The discount rate increased from 2.16 percent to 3.54 percent.
- The annual medical trend was updated based on recent trend surveys, short-term expectations specific to Minnesota State plans, and adjustment to short-term trend rates to estimate the impact of the current general inflation environment, and the current version of the SOA-Getzen trend model.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

STATE EMPLOYEES RETIREMENT FUND

2024 CHANGES IN PLAN PROVISIONS

- The member contribution rate was changed from 6.0 percent to 5.5 percent of pay for two years, effective July 1, 2023 (also applies to Unclassified Members).
- An additional one-time direct state aid contribution of \$76.4 million will be contributed to the Plan on October 1, 2023.

- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
 - A one-time, non-compounding benefit increase of 1.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
 - The vesting period for members hired after June 30, 2010 was changed from five years to three years.
- 2024 CHANGES IN ACTUARIAL ASSUMPTIONS
- The long-term investment rate of return and single discount rate were changed from 6.75 percent to 7.0 percent.
- 2023 CHANGES IN ACTUARIAL ASSUMPTIONS
- The long-term investment rate of return and single discount rate were changed from 6.5 percent to 6.75 percent.
- 2022 CHANGES IN ACTUARIAL ASSUMPTIONS
- The long-term investment rate of return and single discount rates were decreased from 7.5 percent to 6.5 percent.
- 2021 CHANGES IN ACTUARIAL ASSUMPTIONS
- The price inflation assumption was decreased from 2.5 percent to 2.25 percent.
 - The payroll growth assumption 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.
- 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.

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
MN State Revenue Fund
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 Minnesota State Colleges and Universities Revenue Fund (the Revenue Fund), a department of the Minnesota State Colleges and University Fund and a proprietary fund of the state of Minnesota as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Revenue Fund's basic financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Revenue Fund'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 the Revenue Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Revenue Fund's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Revenue Fund’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2024

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