# Minnesota State

# Revenue Fund

# Annual Financial Report

**For the years ended June 30, 2025 and 2024**

# REVENUE FUND

## MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

# ANNUAL FINANCIAL REPORT

## FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

Prepared by:

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# MINNESOTA STATE COLLEGES AND UNIVERSITIES
# REVENUE FUND

## ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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### SUPPLEMENTARY SECTION

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# INTRODUCTION

November 18, 2025

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, 2025 and 2024. 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 2025 with total net position of $286.3 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 7,300 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

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

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# 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 Minnesota State Colleges and Universities, which is a proprietary fund of the state of Minnesota, as of and for the years ended June 30, 2025 and 2024, 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 Revenue Fund as of June 30, 2025 and 2024, 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, 2025 and 2024, 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 18, 2025, 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 Minnesota State Colleges and Universities Revenue Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
November 18, 2025

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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, 2025, 2024 and 2023. 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. 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:

| | Program Type | | | | |
|---|---|---|---|---|---|
| Institution Name | 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 Pension*s, 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 2025, 2024 and 2023 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 $9.0 million, or 3.3 percent in fiscal year 2025. This follows a $14.8 million increase, or 5.7 percent in fiscal 2024. In fiscal year 2025 operating revenues increased by $3.2 million, or 2.9 percent compared to fiscal year 2024. This follows a $7.8 million increase, or 7.6 percent in fiscal year 2024. Operating expenses increased by $6.2 million, or 6.2 percent, in fiscal year 2025 compared to fiscal year 2024. This follows a $2.7 million increase, or 2.8 percent in fiscal year 2024.

Excluding the GASB Statements No. 68 and No. 75 effect, fiscal year 2025 net position increased by $8.5 million, or 3.0 percent. This follows an increase of $14.5 million, or 5.4 percent, in fiscal year 2024 ending net position.

Cash and cash equivalents at year-end totaled $175.8 million, an increase of $16.4 million over fiscal year 2025. Capital and right to use assets, net decreased $22.3 million during fiscal year 2025 primarily due to a $24.2 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, 2025, 2024, and 2023 follows:

(In Thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Current assets | $ 186,725 | $ 165,665 | $ 152,063 |
| Noncurrent assets | 8,425 | 8,761 | 6,292 |
| Capital and right to use assets, net | 280,734 | 303,002 | 322,963 |
| Deferred outflows of resources | 3,201 | 3,971 | 4,586 |
| Total assets and deferred outflows of resources | 479,085 | 481,399 | 485,904 |
| Current liabilities | 41,939 | 30,090 | 28,328 |
| Noncurrent liabilities | 146,454 | 169,722 | 189,386 |
| Deferred inflows of resources | 4,372 | 4,292 | 5,738 |
| Total liabilities and deferred inflows of resources | 192,765 | 204,104 | 223,452 |
| Net position | $ 286,320 | $ 277,295 | $ 262,452 |

The primary component of current assets is cash and cash equivalents (unrestricted), which increased by $12.2 million to total $126.7 million at June 30, 2025. This is compared to the increase of $11.5 million to total $114.6 million at June 30, 2024. Restricted cash and cash equivalents, which primarily consists of unspent bond proceeds and debt service monies, increased $4.2 million, or 9.4 percent in fiscal year 2025. This follows an increase of $0.9 million, or 2.1 percent in fiscal year 2024. The increase in fiscal year 2025 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 $8.4 million and $8.8 million in fiscal years 2025 and 2024, respectively, which represent land, construction in progress and leases receivable.

Food service vendor investments for the fiscal years ended June 30, 2025 and 2024 were valued at $2.2 million, and $3.7 million, respectively. The $1.5 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 $3.2 million and $4.0 million were reported in fiscal years 2025 and 2024, 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 $11.8 million, or 39.4 percent, in fiscal year 2025 compared to fiscal year 2024. This increase was primarily due to $9.3 million of payables owed to the primary government. This is compared to a $1.8 million increase in fiscal year 2024 from fiscal year 2023.

Noncurrent liabilities consist primarily of revenue bonds payable, leases payable and net pension liability. Noncurrent liabilities decreased by $23.3 million to total $146.5 million at June 30, 2025. This was primarily due to $17.2 million of debt service paid during fiscal year 2025. This is compared to a decrease of $19.7 million in fiscal year 2024.

Deferred inflows of $4.4 million and $4.3 million were reported in fiscal years 2025 and 2024, 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 2025 and 2024 in the amounts of $2.5 million and $4.5 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 $21.1 million.

The Revenue Fund's net position as of June 30, 2025, 2024, and 2023 is summarized as follows:

(In Thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Net investment in capital assets | $ 153,116 | $ 153,498 | $ 152,626 |
| Restricted expendable | 21,797 | 17,319 | 15,474 |
| Unrestricted | 111,407 | 106,478 | 94,352 |
| Total net position | $ 286,320 | $ 277,295 | $ 262,452 |

The Revenue Fund's net position increased during fiscal year 2025 by $9.0 million, or 7.3 percent, of total revenues of $123.0 million. This compares to an increase of $14.8 million, or 12.3 percent, of total revenues of $120.2 million during fiscal year 2024.

Unrestricted net position increased by $4.9 million, or 4.6 percent over fiscal year 2025. This is compared to the increase of $12.1 million, or 12.9 percent over fiscal year 2024.

Without the effects of GASB Statements No. 68 and No.75, unrestricted net position increased $4.4 million, or 4.0 percent, in fiscal year 2025, and $11.8 million or 11.9 percent in fiscal year 2024.

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

(In Thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Unrestricted net position balance at June 30 | $ 111,407 | $ 106,478 | $ 94,352 |
| Prior year effect of GASB Statements No. 68 and No. 75 | 4,240 | 4,600 | 8,223 |
| Current year effect of GASB Statements No. 68 and No. 75 | (526) | (360) | (3,623) |
| Balance at June 30, without effect of GASB No. 68 and No. 75 | $ 115,121 | $ 110,718 | $ 98,952 |

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 2025 capital outlays totaled $6.5 million, including $5.9 million of new construction in progress, compared to fiscal year 2024 capital outlays of $6.4 million, including $6.2 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) increased during fiscal year 2025 to total $23.6 million or 19.2 percent. This follows an increase in fiscal year 2024 totaling $21.9 million or 18.2 percent.

Additional information on capital and debt activities 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, 2025, 2024, and 2023 follows:

(In Thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Operating revenues: | | | |
| Room and board, fees and sales | $ 111,423 | $ 106,049 | $ 98,316 |
| Other income | 2,528 | 4,711 | 4,614 |
| Total operating revenues | 113,951 | 110,760 | 102,930 |
| Nonoperating revenues and other revenues: | | | |
| Federal grants (HEERF) | - | - | 731 |
| Interest | 8,088 | 7,770 | 4,729 |
| Other | 977 | 1,679 | 2,368 |
| Total nonoperating and other revenues | 9,065 | 9,449 | 7,828 |
| Total revenues | 123,016 | 120,209 | 110,758 |
| Operating expenses: | | | |
| Salaries and benefits | 30,161 | 27,553 | 24,145 |
| Depreciation and amortization | 24,224 | 24,992 | 25,665 |
| Other | 52,454 | 48,072 | 48,084 |
| Total operating expenses | 106,839 | 100,617 | 97,894 |
| Nonoperating expenses and other expenses: | | | |
| Interest expense | 4,167 | 4,749 | 5,094 |
| Other | 2,985 | - | - |
| Total nonoperating and other expenses | 7,152 | 4,749 | 5,094 |
| Total expenses | 113,991 | 105,366 | 102,988 |
| Change in net position | 9,025 | 14,843 | 7,770 |
| Net position, beginning of year | 277,295 | 262,452 | 254,682 |
| Net position, end of year | $ 286,320 | $ 277,295 | $ 262,452 |

The fiscal year 2025 total revenues increased by $2.8 million, or 2.3 percent. This increase was due to the continued recovery in room and board revenue after the pandemic. There was a 4.5 percent average increase to room and board rates charged to students coupled with a 0.1 percent increase in overall occupancy in the residence hall program in fiscal year 2025. This led to an increase in room and board revenues of $3.5 million, or a 4.5 percent increase over fiscal year 2024. This follows a $9.4 million, or 8.5 percent increase in total revenues in fiscal year 2024 compared to fiscal year 2023.

Compensation is the Revenue Fund's single largest expense component. Compensation expense increased $2.6 million, or 9.5 percent, to a total of $30.2 million in fiscal year 2025 compared to fiscal year 2024. Excluding the GASB Statements No. 68 and No. 75, the effect to compensation expense in fiscal year 2025 increased by $2.7 million, or 9.8 percent, over fiscal year 2024. This follows an increase of $0.2 million, or 0.5 percent in fiscal year 2024 compared to fiscal year 2023.

The Revenue Fund's overall financial position increased by $9.0 million in fiscal year 2025. Without the effect of GASB Statements No. 68 and No. 75, the Revenue Fund's overall financial position increased by $8.5 million in fiscal year 2025.

(In Thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Increase in net position | | | |
| including GASB No. 68 and GASB No. 75 | $ 9,025 | $ 14,843 | $ 7,770 |
| Impact on compensation expense | | | |
| Pension | (601) | (416) | (3,643) |
| Other postemployment benefits | 75 | 56 | 20 |
| Total GASB No. 68 and No. 75 impact | (526) | (360) | (3,623) |
| Increase in net position | | | |
| excluding GASB No. 68 and No. 75 | $ 8,499 | $ 14,483 | $ 4,147 |

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 2025, continuing its recovery from the COVID-19 pandemic. Operating revenues increased by 2.9 percent (or by $3.2 million) after increasing by 7.6 percent in fiscal year 2024 and increasing by 6.8 percent in fiscal year 2023 from fiscal year 2022 levels. The fiscal year 2025 net position of the Revenue Fund increased by $9.0 million. Adjusting for the impact of GASB 68 and GASB 75, this is the third consecutive year there was a positive operating margin. The past two years have been close to 10.0 percent each year after experiencing negative operating margins during the pandemic.

With student affordability as a system priority, annual rate increases for the Revenue Fund were focused on covering inflationary costs as well as targeting reinvestments in facilities. Colleges and universities continue to balance generating sufficient operating revenue to pay debt service, operate, equip, maintain, and repair Revenue Fund facilities. Fiscal year 2026 rates on average for revenue program activities increased by 4.6 percent for room and board rates, 2.8 percent for student unions, 2.2 percent for wellness and recreation facilities, and 0.6 percent for parking. Our college and university leadership teams consult with their student leadership in establishing annual rates and operating budgets. In most cases, student leadership endorsed these rate increases and if they did not, they understood the rationale for the increases.

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 42.4 percent in the past seven years and by nearly $120.0 million ($277.5 million in fiscal year 2019 vs. $159.9 million in fiscal year 2025).

To modernize housing for students, Minnesota State universities have become more aggressive in partnering with their Foundations to create a public/private arrangement to update and/or expand their housing options on campus. Winona State University has entered into a ground lease and operating agreement with their Foundation to build a new 340-bed residence hall at a cost of approximately $30.0 million that is slated to be ready for Fall Semester 2027. Minnesota State University Mankato is entering into a ground lease with its Foundation for the purposes of constructing a new mixed-use student housing and retail complex. The project has an estimated cost of $88.0 million and is expected to be completed in fiscal year 2029.

Minnesota State has also become more aggressive in pursuing strategies and funding to right size its housing inventory at its six residential universities.  The system is requesting $25.0 million from the State of Minnesota to support the demolition of facilities that are both outdated programmatically as well as having a significant amount of deferred maintenance backlog. Universities such as St. Cloud State University that have experienced significant declines in on-campus students over the past decade are looking at reducing their housing stock, which will ultimately reduce operating costs and allow more focused investments in other campus facilities.

Minnesota State’s enrollment in fiscal year 2025 increased by 6.2 percent over fiscal year 2024 levels. Fiscal year 2024 enrollment increased by 2.5 percent after over a decade of enrollment declines. Fall semester 2025 30-day enrollment numbers indicate a third consecutive year of increases as headcount enrollment has increased by 4.2 percent for the system from fall semester 2024 numbers. Investments made by the state of Minnesota this biennium in financial aid are a primary factor in this increase. The North Star Promise program provides free public college and university tuition for Minnesota students and families with a family Adjusted Gross Income (AGI) below $80,000. In addition to the North Star Promise, the state of Minnesota supports a robust state grant program and added other financial aid programs during the FY2024-2025 biennium. Those programs include the Minnesota American Indian Scholarship program, Emergency Assistance for Students, a Student Parent Support Initiative, and a Next Generation Nursing Assistant Program. Minnesota State Colleges and Universities expect enrollment to stay stable and increase slightly over the next couple of years with projections a 2.6 percent increase in FY2026, 1.2 percent in FY2027, and 1.4 percent in FY2028.

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 centers as well as stabilizing the number of students living in residential housing.

System Director Financial Reporting
Minnesota State
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St. Paul, Minnesota 55101-7804

**MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND**
**STATEMENTS OF NET POSITION**
**AS OF JUNE 30, 2025 AND 2024**
**(IN THOUSANDS)**

| | 2025 | 2024 |
|---|---|---|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | $ 126,730 | $ 114,570 |
| Accounts receivable, net | 10,106 | 5,386 |
| Leases receivable | 867 | 897 |
| Total current assets | 137,703 | 120,853 |
| Current Restricted Assets | | |
| Cash and cash equivalents | 49,022 | 44,812 |
| Total current restricted assets | 49,022 | 44,812 |
| Noncurrent Assets | | |
| Leases receivable | - | 867 |
| Land and construction in progress | 8,425 | 7,894 |
| Capital and right to use assets, net | 280,734 | 303,002 |
| Total noncurrent assets | 289,159 | 311,763 |
| Total Assets | 475,884 | 477,428 |
| Deferred Outflows of Resources | 3,201 | 3,971 |
| Total Assets and Deferred Outflows of Resources | 479,085 | 481,399 |
| | | |
| Liabilities | | |
| Current Liabilities | | |
| Salaries and benefits payable | 766 | 653 |
| Accounts payable | 13,992 | 4,606 |
| Unearned revenue | 4,376 | 5,493 |
| Interest payable | 1,467 | 1,635 |
| Current portion of long-term debt | 20,694 | 17,218 |
| Other compensation benefits | 644 | 485 |
| Total current liabilities | 41,939 | 30,090 |
| Noncurrent Liabilities | | |
| Noncurrent portion of long-term debt | 139,188 | 162,016 |
| Other compensation benefits | 4,745 | 3,189 |
| Net pension liability | 2,521 | 4,517 |
| Total noncurrent liabilities | 146,454 | 169,722 |
| Total Liabilities | 188,393 | 199,812 |
| Deferred Inflows of Resources | 4,372 | 4,292 |
| Total Liabilities and Deferred Inflows of Resources | 192,765 | 204,104 |
| Net Position | | |
| Net investment in capital assets | 153,116 | 153,498 |
| Restricted expendable | 21,797 | 17,319 |
| Unrestricted | 111,407 | 106,478 |
| Total Net Position | $ 286,320 | $ 277,295 |

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, 2025 AND 2024**
**(IN THOUSANDS)**

| | 2025 | 2024 |
|---|---|---|
| Operating Revenues | | |
| Room and board | $ 81,719 | $ 78,182 |
| Fees | 23,797 | 22,552 |
| Sales and services | 5,907 | 5,315 |
| Other income | 2,528 | 4,711 |
| Total operating revenues | 113,951 | 110,760 |
| Operating Expenses | | |
| Salaries and benefits | 30,161 | 27,553 |
| Food service | 28,147 | 26,456 |
| Other purchased services | 12,148 | 11,264 |
| Supplies | 2,643 | 3,837 |
| Repairs and maintenance | 3,952 | 2,113 |
| Depreciation and amortization | 24,224 | 24,992 |
| Other expense | 5,564 | 4,402 |
| Total operating expenses | 106,839 | 100,617 |
| Operating income | 7,112 | 10,143 |
| Nonoperating Revenues (Expenses) | | |
| Private grants | 307 | 28 |
| Interest income | 8,088 | 7,770 |
| Interest expense | (4,167) | (4,749) |
| Total nonoperating revenues (expenses) | 4,228 | 3,049 |
| Income Before Other Revenues, Expenses, Gains, or Losses | 11,340 | 13,192 |
| Capital contributions | 670 | 1,651 |
| Loss on disposal of capital assets | (2,985) | - |
| Change in net position | 9,025 | 14,843 |
| Total Net Position, Beginning of Year | 277,295 | 262,452 |
| Total Net Position, End of Year | $ 286,320 | $ 277,295 |

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, 2025 AND 2024**
**(IN THOUSANDS)**

| | 2025 | 2024 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Cash received from customers | $ 107,677 | $ 107,017 |
| Cash payments to suppliers for goods or services | (51,440) | (45,779) |
| Cash payments to employees | (28,680) | (27,759) |
| Net cash flows provided by operating activities | 27,557 | 33,479 |
| | | |
| Cash Flows from Noncapital and Related Financing Activities | | |
| Private grants | 307 | 28 |
| Net cash flows provided by noncapital and related financing activities | 307 | 28 |
| | | |
| Cash Flows from Capital and Related Financing Activities | | |
| Investment in capital assets | (6,747) | (8,727) |
| Capital contributions | 670 | 1,651 |
| Proceeds from sale of capital assets | 734 | 77 |
| Interest paid | (6,248) | (6,795) |
| Repayment of lease principal | (1,764) | (1,781) |
| Repayment of note principal | (24) | (22) |
| Repayment of bond principal | (6,112) | (13,200) |
| Net cash flows used in capital and related financing activities | (19,491) | (28,797) |
| | | |
| Cash Flows from Investing Activities | | |
| Investment earnings | 7,997 | 7,679 |
| Net cash flows provided by investing activities | 7,997 | 7,679 |
| | | |
| Net Increase in Cash and Cash Equivalents | 16,370 | 12,389 |
| | | |
| Cash and Cash Equivalents, Beginning of Year | 159,382 | 146,993 |
| Cash and Cash Equivalents, End of Year | $ 175,752 | $ 159,382 |

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, 2025 AND 2024**
**(IN THOUSANDS)**

| | 2025 | 2024 |
|---|---|---|
| Operating income | $ 7,112 | $ 10,143 |
| Adjustment to Reconcile Operating Income to | | |
| Net Cash Flows provided by Operating Activities | | |
| Change in pension plan related items: | | |
| Net pension liability | (1,996) | (658) |
| Deferred inflows of resources | 944 | (357) |
| Deferred outflows of resources | 451 | 599 |
| Depreciation and amortization | 24,224 | 24,992 |
| Change in assets and liabilities | | |
| Accounts receivable | (4,719) | (1,244) |
| Leases receivable | (31) | 1 |
| Accounts payable | 1,013 | 963 |
| Salaries and benefits payable | 113 | 4 |
| Other compensation benefits and related deferred outflows and inflows | 1,969 | 206 |
| Unearned revenue | (1,517) | (2,500) |
| Other | (6) | 1,330 |
| Net reconciling items to adjust operating income | 20,445 | 23,336 |
| Net cash flows provided by operating activities | $ 27,557 | $ 33,479 |
| Non-Cash Investing, Capital, and Financing Activities: | | |
| Capital projects on account | $ 1,436 | $ 2,382 |
| Amortization of bond premium | 2,134 | 2,134 |

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:

| Asset Type | Useful Life |
|---|---|
| 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 $2,246 and $3,702 for fiscal years ended June 30, 2025 and 2024, respectively. The amount of revenue recognized from these vendor improvements was $1,855 and $1,677 for fiscal years ended June 30, 2025 and 2024, 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 | |
|---|---|---|
| | 2025 | 2024 |
| **Related to Pensions:** | | |
| Changes in actuarial assumptions | $ 811 | $ 1,588 |
| Contributions paid to plans subsequent to measurement date | 548 | 494 |
| Differences between expected and actual economic experience | 528 | 245 |
| Changes in proportion | 14 | 26 |
| Total related to pensions | 1,901 | 2,353 |
| **Related to OPEB:** | | |
| Changes in actuarial assumptions | 211 | 279 |
| Differences between expected and actual economic experience | 67 | 82 |
| Contributions paid to plan subsequent to measurement date | 79 | 95 |
| Total related to OPEB | 357 | 456 |
| **Related to Refunding:** | | |
| Economic loss on refunding of revenue bonds | 943 | 1,162 |
| Total | $ 3,201 | $ 3,971 |

| | Deferred Inflows of Resources Year Ended June 30 | |
|---|---|---|
| | 2025 | 2024 |
| **Related to Pensions:** | | |
| Differences between projected and actual investment earnings | $ 1,177 | $ 147 |
| Changes in actuarial assumptions | 1,157 | 1,242 |
| Differences between expected and actual economic experience | 5 | 10 |
| Changes in proportion | 115 | 111 |
| Total related to pensions | 2,454 | 1,510 |
| **Related to OPEB:** | | |
| Changes in actuarial assumptions | 205 | 56 |
| Differences between expected and actual economic experience | 141 | 136 |
| Total related to OPEB | 346 | 192 |
| **Related to Refunding:** | | |
| Economic gain on refunding of revenue bonds | 644 | 735 |
| **Related to Leases:** | | |
| Lease revenue | 928 | 1,855 |
| Total | $ 4,372 | $ 4,292 |

*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 $8,152 and $5,161, for fiscal years ended June 30, 2025 and 2024, respectively, are reported in Minnesota State system financial statements, but are not reflected in these statements.

*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 | | |
|---|---|---|
| | 2025 | 2024 |
| Debt service | $ 21,140 | $ 16,767 |
| Capital projects | 657 | 552 |
| Total | $ 21,797 | $ 17,319 |

- *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* — Minnesota State has implemented GASB 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.

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. Minnesota State has implemented GASB No. 101 in fiscal year 2025.

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.

JUNE 30, 2025 AND 2024 (DOLLARS IN THOUSANDS)

The following table summarizes cash and cash equivalents:

| | Year Ended June 30 | |
|---|---|---|
| Carrying Amount | 2025 | 2024 |
| Cash, treasury account | $ 155,361 | $ 138,694 |
| Cash, trustee account (US Bank) | 20,391 | 20,688 |
| Grand Total | $ 175,752 | $ 159,382 |

Restricted cash of $49,022 and $44,812 as of June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024. At June 30, 2025 and 2024, the total accounts receivable balances were $14,096 and $8,792 respectively, less an allowance for uncollectible receivables of $3,990 and $3,406, respectively.

The following table summarizes accounts receivable, net:

| | Year Ended June 30 2025 | 2024 |
|---|---|---|
| Room and board | $ 7,301 | $ 6,043 |
| Fees | 2,150 | 2,108 |
| Sales and service | 300 | 399 |
| Other income | 4,345 | 242 |
| Total accounts receivable | 14,096 | 8,792 |
| Allowance for doubtful accounts | (3,990) | (3,406) |
| Accounts receivable, net | $ 10,106 | $ 5,386 |

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 |

JUNE 30, 2025 AND 2024 (DOLLARS IN THOUSANDS)

## 4. CAPITAL AND RIGHT TO USE ASSETS

Summaries of changes in capital and right to use assets for fiscal years 2025 and 2024 follow:

| | Year Ended June 30, 2025 | | | | |
|---|---|---|---|---|---|
| | Beginning | Increases | Decreases | Completed | Ending |
| Capital assets, not depreciated/amortized: | | | | | |
| Land | $ 1,707 | $ - | $ - | $ - | $ 1,707 |
| Construction in progress | 6,187 | 5,948 | - | (5,417) | 6,718 |
| Total capital assets, not depreciated/amortized | 7,894 | 5,948 | - | (5,417) | 8,425 |
| Capital and right to use assets, depreciated/amortized: | | | | | |
| Buildings and improvements | 738,129 | 399 | 13,430 | 5,417 | 730,515 |
| Right to use building and improvements | 9,723 | - | - | - | 9,723 |
| Equipment and furniture | 4,697 | 158 | 23 | - | 4,832 |
| Total capital and right to use assets, depreciated/amortized | 752,549 | 557 | 13,453 | 5,417 | 745,070 |
| Less accumulated depreciation/amortization: | | | | | |
| Buildings and improvements | 442,527 | 22,635 | 9,430 | - | 455,732 |
| Right to use building and improvements | 4,469 | 1,313 | - | - | 5,782 |
| Equipment and furniture | 2,551 | 276 | 5 | - | 2,822 |
| Total accumulated depreciation/amortization | 449,547 | 24,224 | 9,435 | - | 464,336 |
| Total capital and right to use assets depreciated/amortized, net | 303,002 | (23,667) | 4,018 | 5,417 | 280,734 |
| Total capital and right to use assets, net | $ 310,896 | $ (17,719) | $ 4,018 | $ - | $ 289,159 |

| | 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 | 4,528 | 6,178 | - | (2,812) | 7,894 |
| 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 | 748,931 | 1,286 | 480 | 2,812 | 752,549 |
| 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 | 424,251 | 25,372 | 76 | - | 449,547 |
| Total capital and right to use assets depreciated/amortized, net | 324,680 | (24,086) | 404 | 2,812 | 303,002 |
| Total capital and right to use assets, net | $ 329,208 | $ (17,908) | $ 404 | $ - | $ 310,896 |

5. ACCOUNTS PAYABLE

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

| | 2025 | 2024 |
|---|---|---|
| Due to primary government | $ 9,318 | $ - |
| Capital projects | 1,436 | 2,382 |
| Purchased services and other payables | 2,468 | 1,837 |
| Repairs and maintenance | 628 | 262 |
| Supplies | 142 | 125 |
| Total accounts payable | $ 13,992 | $ 4,606 |

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 2025 and 2024 follow:

| Year Ended June 30, 2025 | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Liabilities for: | | | | | |
| Revenue bonds | $ 157,510 | $ - | $ 15,430 | $ 142,080 | $ 18,920 |
| Revenue bond premium/discount | 15,043 | - | 2,134 | 12,909 | - |
| Leases | 6,314 | - | 1,764 | 4,550 | 1,748 |
| Notes payable | 367 | - | 24 | 343 | 26 |
| Total long-term obligations | $ 179,234 | $ - | $ 19,352 | $ 159,882 | $ 20,694 |

| 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 | $ 196,371 | $ - | $ 17,137 | $ 179,234 | $ 17,218 |

JUNE 30, 2025 AND 2024 (DOLLARS IN THOUSANDS)

The changes in other compensation benefits for fiscal years 2025 and 2024 follow:

| Year Ended June 30, 2025 | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Liabilities for: | | | | | |
| Compensated absences | $ 2,042 | $ 2,220 | $ 245 | $ 4,017 | $ 482 |
| Early termination benefits | 133 | 23 | 103 | 53 | 52 |
| Other postemployment benefits | 1,499 | 170 | 350 | 1,319 | 110 |
| Total other compensation benefits | $ 3,674 | $ 2,413 | $ 698 | $ 5,389 | $ 644 |

| 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 | $ 3,194 | $ 813 | $ 333 | $ 3,674 | $ 485 |

*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 2.8 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 2025 | Fiscal Year 2024 | Maturity Date |
|---|---|---|---|---|
| Series 2013A | 2.78 | $ 31,400 | $ 34,290 | October 1, 2033 |
| Series 2015A | 3.08 | 17,155 | 19,175 | October 1, 2035 |
| Series 2015B | 3.44 | 25,095 | 27,225 | October 1, 2035 |
| Series 2017A | 2.45 | 21,010 | 25,530 | October 1, 2037 |
| Series 2017B | 2.59 | 700 | 1,035 | October 1, 2026 |
| Series 2019A | 1.57 | 7,555 | 8,945 | October 1, 2029 |
| Series 2021A | 0.73 | 39,165 | 41,310 | October 1, 2032 |
| | Total | $ 142,080 | $ 157,510 | |

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 21.4 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $165,372. Revenue bond principal and interest paid for the current fiscal year was $21,605 and total customer net revenues were $113,951.

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 $1,748, 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* — The liability for compensated absences reported consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but not yet been paid in cash or settled through noncash means and certain other types of leave. The liability for compensated absences will be converted to a health care savings plan account or severance pay under specific conditions as defined in bargaining unit contracts. This leave is liquidated only at the time of termination from state employment.

*Early Termination Benefits* — Early termination benefits are benefits received for discontinuing service earlier than planned, as well as the right to continue, at the employer's expense, health insurance benefits until death.

*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 $2,521 and $4,517 at June 30, 2025 and 2024, 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

| | Revenue Bonds | | Leases | | Notes Payable | |
|---|---|---|---|---|---|---|
| Fiscal Years | Principal | Interest | Principal | Interest | Principal | Interest |
| 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 | 15,685 | 2,273 | 216 | 13 | 33 | 5 |
| 2031-2035 | 47,845 | 4,137 | 223 | 6 | 197 | 14 |
| 2036-2040 | 4,855 | 155 | 95 | 1 | - | - |
| Total | $ 142,080 | $ 23,292 | $ 4,550 | $ 553 | $ 343 | $ 48 |

JUNE 30, 2025 AND 2024 (DOLLARS IN THOUSANDS)

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, 2024 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 | 195 |

*Actuarial Methods and Assumptions* — The total other postemployment benefits (OPEB) liability for Minnesota State at June 30, 2025 was measured as of July 1, 2024 and was determined by an actuarial valuation as of July 1, 2024. The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2022 that was rolled forward to determine the June 30, 2024 OPEB liability.

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

| | | |
|---|---|---|
| Measurement Date | July 1, 2024 | July 1, 2022 |
| Payroll Growth | 3.0 percent | 3.0 percent |
| Inflation | 2.25 percent per year | 2.25 percent per year |
| Initial Medical Trend Rate | 7.46 percent | 8.4 percent |
| Ultimate Medical Trend Rate | 3.68 percent | 3.7 percent |
| Year Ultimate Trend Rate Reached | 2075 | 2073 |

*Discount Rate* — The discount rate used to measure the total OPEB liability at June 30, 2024 and 2023 was 3.93 percent and 3.65 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 2024 and 2023. The plan is not funded by assets in a separate trust. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

| | 2025 | 2024 |
|---|---|---|
| Balance, Beginning of Year | $ 1,499 | $ 1,169 |
| Changes for the Year | | |
| Service Cost | 113 | 94 |
| Interest | 57 | 43 |
| Changes in Assumptions | (189) | 206 |
| Differences Between Expected and Actual Economic Experience | (66) | 61 |
| Benefit Payments | (95) | (74) |
| Net Changes | (180) | 330 |
| Balance, End of Year | $ 1,319 | $ 1,499 |

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 annual medical claims costs and premiums were updated based on recent experience. The discount rate was increased from 3.65 percent to 3.93 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. The demographic assumptions for salary increase rates, mortality rates, withdrawal rates and retirement rates were updated consistent with assumptions used in the most recent experience studies.

*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 | | | |
|---|---|---|---|---|
| | 2025 | | 2024 | |
| | Percent | Amount | Percent | Amount |
| 1 Percent Lower | 2.93 | $ 1,391 | 2.65 | $ 1,580 |
| Current Discount Rate | 3.93 | 1,319 | 3.65 | 1,499 |
| 1 Percent Higher | 4.93 | 1,248 | 4.65 | 1,421 |

*Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* — The following presents the total OPEB liability, calculated using the healthcare cost trend rates, that is one percentage lower (6.46 percent decreasing to 2.68 percent and 7.4 percent decreasing to 2.7 percent) or one percentage higher (8.46 percent decreasing to 4.68 percent and 9.4 percent decreasing to 4.7 percent) than the current healthcare cost trend rate (7.46 percent decreasing to 3.68 percent and 8.4 percent decreasing to 3.7 percent):

| | Sensitivity of Total OPEB Liability to Changes in the Health Care Trend Rate | |
|---|---|---|
| | 2025 | 2024 |
| 1 Percent Lower | $ 1,196 | $ 1,350 |
| Current Trend Rate | 1,319 | 1,499 |
| 1 Percent Higher | 1,461 | 1,673 |

*OPEB Expense and Deferred Outflows and Deferred Inflows of Resources* — For the years ended June 30, 2025 and 2024, the Revenue Fund recognized an increase in benefit expense of $154 and $97, respectively, related to OPEB.

JUNE 30, 2025 AND 2024 (DOLLARS IN THOUSANDS)

At June 30, 2025 and 2024, 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 | |
|---|---|---|
| | 2025 | 2024 |
| Changes in actuarial assumptions | $ 211 | $ 279 |
| Differences between expected and actual economic experience | 67 | 82 |
| Contributions made subsequent to the measurement date | 79 | 95 |
| Total | $ 357 | $ 456 |

| | Deferred Inflows of Resources Year Ended June 30 | |
|---|---|---|
| | 2025 | 2024 |
| Changes in actuarial assumptions | $ 205 | $ 56 |
| Differences between expected and actual economic experience | 141 | 136 |
| Total | $ 346 | $ 192 |

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 |
|---|---|
| 2026 | $ (19) |
| 2027 | (8) |
| 2028 | 1 |
| 2029 | (1) |
| 2030 | 3 |
| Thereafter | (44) |
| Total | $ (68) |

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, 2025 and 2024, Minnesota State recognized revenues and interest income of $897 and $132, and $928 and $101 respectively, related to these lease agreements.

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

| Fiscal Year | | Principal | | Interest |
|---|---|---|---|---|
| 2026 | $ | 867 | $ | 163 |
| Total | $ | 867 | $ | 163 |

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 of their annual covered salary in fiscal years 2025 and 2024. Participating employers were required to contribute 6.25 percent of employee annual covered salary in fiscal years 2025 and 2024. The Minnesota State Revenue Fund contributions to the General Plan for the fiscal years ending June 30, 2025 and 2024 were $548 and $494, respectively. These contributions were equal to the contractually required contributions for each year as set by state statute.

JUNE 30, 2025 AND 2024 (DOLLARS IN THOUSANDS)

Actuarial Assumptions - The Minnesota State Revenue Fund net pension liability was measured as of June 30, 2024 and 2023, 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:

| | |
|---|---|
| Inflation | 2.25 percent per year |
| Active member payroll growth | 3.00 percent per year |
| Investment rate of return | 7.00 percent |

Salary increases for the June 30, 2024 and 2023 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, 2024 valuations were based on the last experience study dated June 29, 2023 and June 30, 2023 valuations were based on the last experience study dated June 27, 2019. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and a documented in a report dated October 2016.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.0 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, 2024 and 2023, was 7.0 percent.

At June 30, 2024 and 2023, 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 on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Net Pension Liability - At June 30, 2025 and 2024, the Minnesota State Revenue Fund reported a liability of $2,521 and $4,517, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2024 and 2023, 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, 2023 through June 30, 2024 and July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2025 and 2024, the Minnesota State Revenue Fund proportion was 7.58 percent 0.47 percent, respectively.

Changes have been made in plan provisions that affect the measurement of the total pension liability since the prior measurement date. The actuarial equivalent factors were updated to reflect changes in assumptions.

Changes have been made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021. Assumed rates of salary increases were modified as recommended in the experience study dated June 29, 2023. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the recent experience study. The changes result in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rates for Tier 1 members, and slightly lower early retirement rates for Tier 2 members. Assumed rates of withdrawal were changed as recommended in the recent experience study. The changes result in slightly more assumed terminations for males and fewer terminations for females. Assumed rates of disability were lowered. Assumed percent married for male retirees was changed from 80 percent to 75 percent and for female retirees 60 percent to 65 percent. Minor changes to form of payment assumptions and missing participant data assumptions were made as recommended in the recent experience study.

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

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Percent | Amount | Percent | Amount |
| 1 Percent Lower | 6.00 | $ 173,472 | 6.00 | $ 15,226 |
| Current Discount Rate | 7.00 | 2,521 | 7.00 | 4,517 |
| 1 Percent Higher | 8.00 | (139,474) | 8.00 | (3,706) |

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, 2025 and 2024 Minnesota State Revenue Fund recognized a decrease in expense of $584 and $421, respectively, related to pensions.

JUNE 30, 2025 AND 2024 (DOLLARS IN THOUSANDS)

At June 30, 2025 and 2024, 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 | |
|---|---|---|
| | 2025 | 2024 |
| Changes in actuarial assumptions | $ 811 | $ 1,588 |
| Contributions paid to MSRS subsequent to measurement date | 548 | 494 |
| Differences between expected and actual economic experience | 528 | 245 |
| Changes in proportion | 14 | 26 |
| Total | $ 1,901 | $ 2,353 |

| | Deferred Inflows of Resources Year Ended June 30 | |
|---|---|---|
| | 2025 | 2024 |
| Differences between projected and actual investment earnings | $ 1,177 | $ 147 |
| Changes in actuarial assumptions | 1,157 | 1,242 |
| Differences between expected and actual economic experience | 5 | 10 |
| Changes in proportion | 115 | 111 |
| Total | $ 2,454 | $ 1,510 |

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 |
|---|---|
| 2026 | $ (354) |
| 2027 | 15 |
| 2028 | (500) |
| 2029 | (262) |
| Total | $ (1,101) |

*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, 8000 Tower Normandale Lake Office Park, 8300 Norman Center Drive, Suite 230, 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, 2025 and 2024, are 8.75 percent and 7.75 percent. For those participants eligible after July 1, 2018, the employer and employee statutory contribution rates for both faculty and administrators as of June 30, 2025 and 2024, are 8.75 percent and 7.75 percent. 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 |
| Commissioner's Plan | 6 to 40 | 1.70 |

The Revenue Fund's contributions under both plans for the fiscal years ended June 30, 2025, 2024, and 2023 were equal to the required contributions for each year, which were $1,190, $1,254, and $1,056, 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.

JUNE 30, 2025 AND 2024 (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 | 2025 | 2024 |
|---|---|---|
| Maintenance and operations | $ 65,278 | $ 71,710 |
| Repairs and replacements | 46,129 | 34,768 |
| Total | $ 111,407 | $ 106,478 |

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 $6,370 and $6,703 for the years ended June 30, 2025 and 2024, respectively.

Within the accounts receivable balance, $1,392 and $1,437 is due from other funds as of June 30, 2025 and 2024, 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 2025 and 2024.

| 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, 2025

| Institution * | Project | Total Cost | Spent to Date | Balance | Completion Date |
|---|---|---|---|---|---|
| MSU, Mankato | Crawford - A-Hall Bathroom Renovation | $ 2,147 | $ 2,130 | $ 17 | Jul 2025 |
| MSU, Mankato | Crawford - B-Hall Bathroom Renovation | 2,402 | 2,286 | 116 | Jul 2026 |
| MSU, Mankato | Crawford - C-Hall Renovation | 2,164 | 15 | 2,149 | Jul 2026 |
| Normandale | Kopp Student Center Remodel | 6,500 | 308 | 6,192 | Aug 2026 |

* Minnesota State University, Mankato; Normandale Community College

# REQUIRED SUPPPLEMENTARY 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)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Balance, Beginning of Year | $ 1,499 | 1,169 | $ 1,153 | $ 1,085 | $ 1,100 | $ 1,131 | $ 1,054 | $ 1,219 | $ 1,144 |
| Changes for the Year | | | | | | | | | |
| Service Cost | 113 | 94 | 89 | 87 | 83 | 88 | 83 | 84 | 83 |
| Interest | 57 | 43 | 26 | 25 | 40 | 45 | 39 | 31 | 45 |
| Changes in Assumptions | (189) | 206 | (64) | 3 | 200 | (37) | 34 | (207) | 53 |
| Differences between Expected and Actual Economic Experience | (66) | 61 | 41 | - | (260) | (58) | (1) | - | - |
| Benefit Payments | (95) | (74) | (76) | (47) | (78) | (69) | (78) | (73) | (106) |
| Net Changes | (180) | 330 | 16 | 68 | (15) | (31) | 77 | (165) | 75 |
| Balance, End of Year | $ 1,319 | 1,499 | $ 1,169 | $ 1,153 | $ 1,085 | $ 1,100 | $ 1,131 | $ 1,054 | $ 1,219 |
| Covered Employee Payroll | $ 17,718 | 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 | 7.44 | 8.70 | 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 UNVERSITIES 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, 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 |
| June 30, 2024 | 7.58 | 2,521 | 8,272 | 30.48 | 99.82 |

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, 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 |
| June 30, 2025 | 548 | 548 | — | 8,768 | 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, 2025 AND 2024**

**OTHER POSTEMPLOYMENT BENEFITS PLAN**

2025 CHANGES IN ACTUARIAL ASSUMPTIONS
- The discount rate increased from 3.65 percent to 3.93 percent.
- The initial medical trend rate was changed from 8.40 percent to 7.46 percent.
- The ultimate medical trend was changed from 3.70 percent to 3.68 percent.
- The year ultimate trend rate reached was changed from 2073 to 2075.

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**

2025 CHANGES IN PLAN PROVISIONS

- The actuarial equivalent factors were updated to reflect changes in assumptions

2025 CHANGES IN ACTUARIAL ASSUMPTIONS

- The adjustments applied to the mortality table rates were modified slightly, and the mortality improvement scale was updated from MP-2019 to MP-2021.
- Assumed rates of salary increases were modified as recommended in the experience study dated June 29, 2023. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the recent experience study. The changes result in slightly higher unreduced (Normal) retirement rates, slightly lower Rule of 90 rates, slightly higher early retirement rate for Tier 1 members, and slightly lower early retirement rates for Tier 2 members.
- Assumed rates of withdrawal were changed as recommended in the recent experience study. The changes result in slightly more assumed terminations for males and fewer terminations for females.
- Assumed rates of disability were lowered.
- Assumed percent married for male retirees was changed from 80% to 75% and for female retirees 60% to 65%.
- Minor changes to form of payment assumptions and missing participant data assumptions were made as recommended in the recent experience study.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Minnesota State Colleges and Universities Revenue Fund (the Revenue Fund), a department of Minnesota State Colleges and Universities and a proprietary fund of the state of Minnesota as of and for the year ended June 30, 2025, 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 18, 2025.

## 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minnesota State Colleges and Universities 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.*

***The Revenue Fund's Response to Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Revenue Fund's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Revenue Fund's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of This Report***

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

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
November 18, 2025

## 2025 – 001 Cash Reconciliations

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** Minnesota State Colleges and Universities Revenue Fund did not perform timely and routine reconciliations of cash balances between its general ledger and bank accounts throughout the fiscal year. Significant and material reconciling items accumulated and were not identified or resolved promptly.

**Criteria or specific requirement:** Internal control guidance under the COSO framework, entities must maintain effective controls over financial reporting, including timely reconciliation of cash accounts. Timely reconciliations are essential to ensure the accuracy of financial records, detect errors, and prevent misappropriation of assets.

**Effect:** The lack of timely cash reconciliations significantly increased the risk of undetected errors or misstatements in Minnesota State Colleges and Universities Revenue Fund's financial records. Without regular reconciliation, unauthorized transactions or misappropriation of assets may go undetected, compromising the integrity of financial reporting.

**Cause:** Minnesota State Colleges and Universities implemented a new enterprise resource planning (ERP) system, Workday, during the fiscal year. The transition resulted in delays and disruptions to established reconciliation processes, as staff adjusted to new workflows, system functionality, and reporting tools. These challenges contributed to the lack of timely cash reconciliations.

**Repeat finding:** No

**Recommendation:** We recommend that management implement and enforce procedures requiring monthly cash reconciliations to be completed in a timely manner and reviewed by appropriate personnel. Also, we recommend management determine the controls that will be utilized by all colleges and universities in order to eliminate inconsistent processes and controls from the centralized systems implemented. Reconciling items should be investigated and resolved promptly. Management should also consider enhancing staff training and accountability measures to ensure compliance with reconciliation policies.

**Views of responsible officials and planned corrective actions:** In agreement.

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