Revenue Fund
Annual Financial Report

For the years ended June 30, 2023 and 2022

REVENUE FUND

MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Prepared by:

Minnesota State Colleges and Universities
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MINNESOTA STATE COLLEGES AND UNIVERSITIES
REVENUE FUND

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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INTRODUCTION

MINNESOTA STATE

November 14, 2023

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, 2023 and 2022. 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 2023 with total net position of $262.5 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 6,700 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

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Minnesota State Colleges and Universities Revenue Fund (the Revenue Fund), a department of the Minnesota State Colleges and University Fund, which is a proprietary fund of the State of Minnesota, as of and for the year ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise The Revenue Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Minnesota State Colleges and Universities as of June 30, 2023 and 2022, and the respective changes in financial position, or cash flows thereof for the year 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, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Revenue Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Board of Trustees
Minnesota State Colleges and Universities

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 14, 2023, on our consideration of the Revenue Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Revenue Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MN State Revenue Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 14, 2023

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INTRODUCTION

The following discussion and analysis provides 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, 2023, 2022 and 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes, which follow this section. For a more detailed narrative of the Revenue Fund's history, purpose and governance, users of this report should read the transmittal letter contained in the introduction.

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

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

	Program Type			
Institution Name	Residence Hall	Student Center	Parking	Wellness Center
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 2023, 2022 and 2021 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 $7.8 million, or 3.1 percent in fiscal year 2023. This follows a $4.9 million increase, or 2.0 percent in fiscal 2022. In fiscal year 2023 operating revenues increased by $6.6 million, or 6.8 percent compared to fiscal year 2022. Operating expenses increased by $4.2 million, or 4.5 percent, in fiscal year 2023 compared to fiscal year 2022. This follows a $0.5 million increase, or 0.5 percent in fiscal year 2022.

Excluding the GASB Statements No. 68 and No. 75 effect, fiscal year 2023 net position increased by $4.1 million, or 1.6 percent. This follows an increase of $0.7 million, or 0.2 percent, in fiscal year 2022 ending net position.

Cash and cash equivalents at year-end totaled $147.0 million, an increase of $1.9 million over fiscal year 2022. Capital and right to use assets, net decreased $15.1 million primarily due to $2.1 million in new projects completed offset by a $25.7 million increase in accumulated depreciation and amortization. In August 2021, the Revenue Fund refunded the Series 2011A and the Series 2011C revenue bonds saving approximately $12.8 million in future interest costs over the remaining 10 years of the bonds.

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, 2023, 2022, and 2021 follows:

(In Thousands)

	2023	2022	2021
Current assets	$ 152,063	$ 150,453	$ 154,937
Noncurrent assets	6,292	5,606	6,800
Capital and right to use assets, net	322,963	338,044	361,016
Deferred outflows of resources	4,586	6,060	4,333
Total assets and deferred outflows of resources	485,904	500,163	527,086
Current liabilities	28,225	33,391	41,383
Noncurrent liabilities	189,489	197,382	222,371
Deferred inflows of resources	5,738	14,708	13,599
Total liabilities and deferred inflows of resources	223,452	245,481	277,353
Net position	$ 262,452	$ 254,682	$ 249,733

The primary component of current assets is cash and cash equivalents (unrestricted), which increased by $3.6 million to total $103.1 million at June 30, 2023. This is compared to the increase of $20.3 million to total $99.5 million at June 30, 2022. Restricted cash and cash equivalents, which primarily consists of unspent bond proceeds and debt service monies, decreased $1.7 million and $11.7 million, respectively in fiscal years 2023 and 2022. The decreases in fiscal year 2023 and 2022 are 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 $6.3 million and $5.6 million in fiscal years 2023 and 2022, respectively, which represent land, construction in progress and leases receivable.

Food service vendor investments for the fiscal years ended June 30, 2023 and 2022 were valued at $6.2 million, and $10.3 million, respectively. The $4.1 million decrease is attributable to the annual depreciation and amortization exceeding the current year's investments. These investments were incurred at the state universities that provide dining services to students.

Deferred outflows of $4.6 million and $6.1 million were reported in fiscal years 2023 and 2022, 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 decreased by $5.2 million in fiscal year 2023 compared to fiscal year 2022. This reduction was primarily due to the amortization of vendor investments within the unearned revenue balance. This is compared to a $8.0 million decrease in fiscal year 2022 from fiscal year 2021.

Noncurrent liabilities consist primarily of revenue bonds payable, leases payable and net pension liability. Noncurrent liabilities decreased by $7.9 million to total $189.5 million at June 30, 2023. This was primarily due to $16.8 million of debt service paid during fiscal year 2023 offset with $7.9 million of new leases payable. This is compared to a decrease of $25.0 million in fiscal year 2022, which resulted from $76.9 million in revenue bond principal repaid during fiscal year 2022 offset with the $41.3 million issuance of the Series 2011A and Series 2011C revenue refunding bonds.

Deferred inflows of $5.7 million and $14.7 million were reported in fiscal years 2023 and 2022, 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 2023 and 2022 in the amounts of $5.2 million and $2.1 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 $15.0 million.

The Revenue Fund's net position as of June 30, 2023, 2022, and 2021 is summarized as follows:

(In Thousands)

	2023	2022	2021
Net investment in capital assets	$ 152,626	$ 155,503	$ 156,686
Restricted expendable	15,474	13,735	20,145
Unrestricted	94,352	85,444	72,902
Total net position	$ 262,452	$ 254,682	$ 249,733

The Revenue Fund's net position increased during fiscal year 2023 by $7.8 million, or 7.0 percent, of total revenues of $110.8 million.

Unrestricted net position increased by $8.9 million, or 10.4 percent over fiscal year 2022. This is compared to the increase of $12.5 million, or 17.2 percent over fiscal year 2021.

Without the effects of GASB Statements No. 68 and No.75, unrestricted net position increased $5.3 million, or 5.6 percent, in fiscal year 2023, and $8.2 million or 9.7 percent in fiscal year 2022. Federal HEERF funding contributed $0.7 million and $6.8 million of the increases in fiscal years 2023 and 2022, respectively.

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

(In Thousands)

	2023	2022	2021
Unrestricted net position balance at June 30	$ 94,352	$ 85,444	$ 72,902
Prior year effect of GASB Statements No. 68 and No. 75	4,090	7,733	12,280
Current year effect of GASB Statements No. 68 and No. 75	510	490	240
Balance at June 30, without effect of GASB No. 68 and No. 75	$ 98,952	$ 93,667	$ 85,422

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 2023 capital outlays totaled $12.2 million, including $3.7 million of new construction in progress, compared to fiscal year 2022 capital outlays of $5.9 million, including $2.5 million of new construction in progress. Investments in capital assets consist largely of replacement and renovation of residence halls and student centers.

The percentage of total revenues expended to cover debt service (principal and interest payments on revenue bonds, leases and notes payable) decreased from $29.7 million or 28.3 percent in fiscal year 2022, to $24.1 million or 21.8 percent fiscal year 2023.

Additional information on capital and debt activities and can be found in Notes 4 and 6 to the financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statements of revenues, expenses, and changes in net position present the Revenue Fund's results of operations and the overall change in net position in the fiscal year. It is the difference between the year's revenue and expense activities that results in an overall increase or decrease to net position.

A summary of the Revenue Fund's statements of revenues, expenses and changes in net position as of June 30, 2023, 2022, and 2021 follows:

(In Thousands)

	2023	2022	2021
Operating revenues:			
Room and board, fees and sales	$ 98,316	$ 92,318	$ 78,304
Other income	4,614	4,062	3,912
Total operating revenues	102,930	96,380	82,216
Nonoperating revenues and other revenues:			
Federal grants (HEERF)	731	6,768	20,863
Interest	4,729	562	484
Other	2,368	1,194	524
Total nonoperating and other revenues	7,828	8,524	21,871
Total revenues	110,758	104,904	104,087
Operating expenses:			
Salaries and benefits	24,145	22,278	27,457
Depreciation and amortization	25,665	24,825	24,271
Other	48,084	46,619	41,534
Total operating expenses	97,894	93,722	93,262
Nonoperating expenses and other expenses:			
Interest expense	5,094	6,233	8,007
Total nonoperating and other expenses	5,094	6,233	8,007
Total expenses	102,988	99,955	101,269
Change in net position	7,770	4,949	2,818
Net position, beginning of year	254,682	249,733	246,915
Net position, end of year	$ 262,452	$ 254,682	$ 249,733

The fiscal year 2023 total revenues increased by $5.9 million, or 5.6 percent. This increase was due to the continued recovery in room and board revenue after the pandemic offset by a decrease in Higher Education Emergency Relief Fund (HEERF) monies received by the Revenue Fund. There was a 3.7 percent average increase to room and board rates charged to students coupled with a 1.6 percent increase in overall occupancy in the residence hall program in fiscal year 2023. This led to an increase in room and board revenues of $4.4 million, or a 6.6 percent increase over fiscal year 2022. HEERF monies received by the Revenue Fund in fiscal year 2023 were $0.7 million compared to $6.8 million in fiscal year 2022. HEERF monies were primarily used to recoup lost revenues due to the impact of the pandemic. This follows a $0.8 million, or 0.8 percent increase in total revenues in fiscal year 2022 compared to fiscal year 2021.

Compensation is the Revenue Fund's single largest expense component. Compensation expense increased $1.9 million, or 8.4 percent, to a total of $24.1 million in fiscal year 2023 compared to fiscal year 2022. Excluding the GASB Statements No. 68 and No. 75, the effect to compensation expense in fiscal year 2023 decreased by $1.2 million, or 4.4 percent, from fiscal year 2022. This follows a decrease of $0.6 million, or 2.3 percent in fiscal year 2022 compared to fiscal year 2021.

The Revenue Fund's overall financial position increased by $7.8 million in fiscal year 2023. Without the effect of GASB Statements No. 68 and No. 75, the Revenue Fund's overall financial position increased by $4.1 million in fiscal year 2023.

(In Thousands)

	2023	2022	2021
Increase in net position			
including GASB No. 68 and GASB No. 75	$ 7,770	$ 4,949	$ 2,818
Impact on compensation expense			
Pension	(3,643)	(4,347)	207
Other postemployment benefits	20	50	33
Total GASB No. 68 and No. 75 impact	(3,623)	(4,297)	240
Increase in net position			
excluding GASB No. 68 and No. 75	$ 4,147	$ 652	$ 3,058

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 we better understand the expectations of our students for services that align with the changes that have occurred with the instructional delivery of our academic programs.

The financial condition of Minnesota State's Revenue Fund operations again showed improvement in fiscal year 2023, continuing its recovery from the COVID-19 pandemic. Operating revenues increased by 6.8 percent from fiscal year 2022 after increasing by 17.2 percent the prior year. Colleges and universities continue to successfully manage their operating expenses as those increases were less than the changes in operating revenues, 5.1 percent between fiscal years 2023 and 2022 and 0.5 percent between fiscal years 2022 and 2021. With student affordability as a priority, cost containment is of importance as colleges and universities continue to ensure services and activities meet the needs and demand of our students.

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 nearly 29.2 percent the past five years ($277.5 million in fiscal year 2019 vs. $196.4 million in fiscal year 2023). The improvement in the revenue funds' unrestricted net position has allowed Minnesota State to increase the amount of resources that are available for maintaining and repairing our revenue fund facilities.

After six successful years as Minnesota State Chancellor, Devinder Malhotra retired on July 31, 2023 and Dr. Scott Olson was named the system's new Chancellor effective August 1, 2023. Dr. Olson served as president of Winona State University (one of Minnesota State's seven universities) since 2012. Under his leadership, and through the hard work of the faculty, staff, and administration, Winona State has earned a reputation for academic excellence and has become known for delivering high rates of student success. The university has appeared in several regional rankings including the "Top 40 institutions in the Midwest" by U.S. News, the "Best Colleges in the Midwest" by the Princeton Review, and several others. Prior to his appointment to Winona State, Dr. Olson served Minnesota State University, Mankato as provost and vice president for academic and student affairs from 2003 to 2012. He also served the Minnesota State system office as interim vice chancellor for academic and student affairs for 13 months from 2010 to 2011. He brings an intimate knowledge of the revenue fund to his new position having been responsible for residence halls, food service, student unions, and wellness centers in his previous positions.

Since Chancellor Olson has assumed his responsibilities, he has articulated a vision that includes continued focus on Equity 2030, implementation of NextGen (system's new ERP system), ease of transfer, student affordability, and workforce development. Strategic enrollment management supports all aspect of this vision and includes continued work on re-envisioning and enhancing the entire student experience to improve student success.

Enrollment numbers for fall 2023 indicate that the system may end fiscal year 2024 without enrollment loss for the first time in over a dozen years. Residential housing supported by the Revenue Fund show a 5.0 percent increase in occupancy with a corresponding increase in operating revenue projections for fiscal year 2024.

There is optimism that system enrollment has stabilized and could increase in the coming years as the State of Minnesota made a historic $650.0 million additional investment in higher education during the 2023 legislative session. Those investments included $292.9 million for Minnesota State along with $117.3 million to the Office of Higher Education for a free college component. The North Star Promise begins in the 2024-2025 academic year and will award scholarships to eligible students in an amount not to exceed 100.0 percent of tuition and fees after grants and other scholarships are deducted. Each scholarship is for one semester but may be renewed provided that the eligible student continues to meet the conditions of eligibility. Eligibility for the scholarship includes that the student has completed the FAFSA, has a family adjusted gross income below $80,000, has not earned a baccalaureate degree at the time the scholarship was awarded, is enrolled in at least one credit per semester, and is making satisfactory progress. It is expected that this program will benefit about 10,000 Minnesota State college and university students when it is implemented.

System Director Financial Reporting
Minnesota State
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MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 103,110	$ 99,469
Accounts receivable, net	4,142	4,393
Leases receivable	928	961
Total current assets	108,180	104,823
Current Restricted Assets		
Cash and cash equivalents	43,883	45,630
Total current restricted assets	43,883	45,630
Noncurrent Assets		
Leases receivable	1,764	2,692
Land and construction in progress	4,528	2,914
Capital and right to use assets, net	322,963	338,044
Total noncurrent assets	329,255	343,650
Total Assets	481,318	494,103
Deferred Outflows of Resources	4,586	6,060
Total Assets and Deferred Outflows of Resources	485,904	500,163
Liabilities		
Current Liabilities		
Salaries and benefits payable	649	1,434
Accounts payable	2,566	2,325
Unearned revenue	7,992	12,099
Interest payable	1,767	1,921
Current portion of long-term debt	15,003	15,328
Other compensation benefits	248	284
Total current liabilities	28,225	33,391
Noncurrent Liabilities		
Other liabilities	-	18
Noncurrent portion of long-term debt	181,368	192,277
Other compensation benefits	2,946	2,973
Net pension liability	5,175	2,114
Total noncurrent liabilities	189,489	197,382
Total Liabilities	217,714	230,773
Deferred Inflows of Resources	5,738	14,708
Total Liabilities and Deferred Inflows of Resources	223,452	245,481
Net Position		
Net investment in capital assets	152,626	155,503
Restricted expendable	15,474	13,735
Unrestricted	94,352	85,444
Total Net Position	$ 262,452	$ 254,682

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
Operating Revenues		
Room and board	$ 71,119	$ 66,692
Fees	21,789	21,382
Sales and services	5,408	4,244
Other income	4,614	4,062
Total operating revenues	102,930	96,380
Operating Expenses		
Salaries and benefits	24,145	22,278
Food service	25,163	24,082
Other purchased services	13,366	12,259
Supplies	3,051	2,630
Repairs and maintenance	2,288	2,750
Depreciation and amortization	25,665	24,825
Other expense	4,216	4,898
Total operating expenses	97,894	93,722
Operating income	5,036	2,658
Nonoperating Revenues (Expenses)		
Federal grant (HEERF)	731	6,768
Private grants	28	256
Interest income	4,729	562
Interest expense	(5,094)	(6,233)
Total nonoperating revenues (expenses)	394	1,353
Income Before Other Revenues, Expenses, Gains, or Losses	5,430	4,011
Capital contributions	2,337	152
Gain on disposal of capital assets	3	786
Change in net position	7,770	4,949
Total Net Position, Beginning of Year	254,682	249,733
Total Net Position, End of Year	$ 262,452	$ 254,682

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
Cash Flows from Operating Activities		
Cash received from customers	$ 98,707	$ 107,037
Cash payments to suppliers for goods or services	(49,106)	(47,273)
Cash payments to employees	(28,631)	(26,684)
Net cash flows provided by operating activities	20,970	33,080
Cash Flows from Noncapital and Related Financing Activities		
Federal grant (HEERF)	731	6,768
Private grants	28	256
Net cash flows provided by noncapital financing activities	759	7,024
Cash Flows from Capital and Related Financing Activities		
Investment in capital assets	(2,797)	(2,835)
Capital contributions	2,337	152
Proceeds from sale of capital assets	129	5,099
Proceeds from borrowing	-	41,310
Proceeds from bond premium	-	11,998
Interest paid	(7,415)	(8,632)
Repayment of lease principal	(1,802)	(2,198)
Repayment of note principal	(21)	(20)
Repayment of bond principal	(14,995)	(76,875)
Net cash flows used in capital and related financing activities	(24,564)	(32,001)
Cash Flows from Investing Activities		
Investment earnings	4,729	469
Net cash flows provided by investing activities	4,729	469
Net Increase in Cash and Cash Equivalents	1,894	8,572
Cash and Cash Equivalents, Beginning of Year	145,099	136,527
Cash and Cash Equivalents, End of Year	$ 146,993	$ 145,099

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
Operating income	$ 5,036	$ 2,658
Adjustment to Reconcile Operating Income to		
Net Cash Flows provided by Operating Activities		
Change in pension plan related items:		
Net pension liability	3,061	(3,537)
Deferred inflows of resources	(7,944)	1,182
Deferred outflows of resources	1,240	(1,992)
Depreciation and amortization	25,665	24,825
Change in assets and liabilities		
Accounts receivable	250	13,032
Leases receivable	33	57
Accounts payable	(914)	(636)
Salaries and benefits payable	(785)	66
Other compensation benefits and related deferred outflows and inflows	(58)	(127)
Unearned revenue	(4,507)	(2,432)
Other	(107)	(16)
Net reconciling items to adjust operating income	15,934	30,422
Net cash flows provided by operating activities	$ 20,970	$ 33,080
Non-Cash Investing, Capital, and Financing Activities:		
Buildings acquired through a lease	$ 7,881	$ -
Amortization of bond premium	2,298	2,302
Food service vendor investment	400	3,300

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	3-20 years

Equipment includes all items with an original cost of $10 and over. 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 $6,155 and $10,282 for fiscal years ended June 30, 2023 and 2022, respectively. The amount of revenue recognized from these vendor improvements was $1,972 and $2,501 for fiscal years ended June 30, 2023 and 2022, 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	
	2023	2022
Related to Pensions:		
Differences between projected and actual investment earnings	$ 159	$ -
Changes in actuarial assumptions	2,281	3,601
Contributions paid to plans subsequent to measurement date	449	488
Differences between expected and actual economic experience	26	48
Changes in proportion	36	55
Total related to pensions	2,951	4,192
Related to OPEB:		
Changes in actuarial assumptions	143	190
Contributions paid to plan subsequent to measurement date	74	75
Differences between expected and actual economic experience	35	-
Total related to OPEB	252	265
Related to Refunding:		
Economic loss on refunding of revenue bonds	1,383	1,603
Total	$ 4,586	$ 6,060

	Deferred Inflows of Resources Year Ended June 30	
	2023	2022
Related to Pensions:		
Differences between projected and actual investment earnings	$ -	$ 6,373
Changes in actuarial assumptions	1,658	3,174
Differences between expected and actual economic experience	29	26
Changes in proportion	180	238
Total related to pensions	1,867	9,811
Related to OPEB:		
Changes in actuarial assumptions	76	31
Differences between expected and actual economic experience	186	238
Total related to OPEB	262	269
Related to Refunding:		
Economic gain on refunding of revenue bonds	826	917
Related to Leases:		
Lease revenue	2,783	3,711
Total	$ 5,738	$ 14,708

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 $3,468 and $3,446, for fiscal years ended June 30, 2023 and 2022, respectively, are reported in Minnesota State system financial statements, but are not reflected in these statements.

Federal Grant (HEERF) — Higher Education Emergency Relief Fund (HEERF) grant revenue monies were received by the Revenue Fund to replace lost revenues caused by the pandemic. The federal grant revenue related to those grants was $731 and $6,768 for fiscal years 2023 and 2022, respectively. Federal Grant revenue is recognized as nonoperating revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the system will record such disallowance at the time the determination is made.

Other Postemployment Benefits (OPEB) — For purposes of measuring the total OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. The plan is not funded.

Defined Benefit Pensions — For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of the employer payroll paid dates and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The actuarially derived net pension liability, deferred outflows, and deferred inflows of resources can vary between years due to actuarial assumption changes, which can result in significant variability between years.

Use of Estimates — To prepare the basic financial statements in conformity with generally accepted accounting principles, management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas that require the use of management's estimates relate to compensated absences and allowances for uncollectible accounts.

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

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

- *Restricted expendable*: net position subject to externally imposed stipulations. Net position restrictions for the Revenue Fund are as follows:

  Restricted for debt service — legally restricted debt repayment.
  Restricted for capital projects — restricted for completion of capital projects.

Restricted Expendable	2023	2022
Debt service	$ 15,026	$ 13,378
Capital projects	448	357
Total	$ 15,474	$ 13,735

- *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. 96, *Subscription-Based Information Technology Arrangements,* which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The statement defines subscription-based technology arrangements, established that they are a right to use asset with a corresponding liability, provides capitalization criteria for outlays other than subscription payments including implementation costs, and requires footnote disclosure regarding the arrangements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations,* which provides a single method of reporting conduit debt obligations by issuers. It also eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB No. 91 is effective for the year beginning after December 15, 2021. Minnesota State has implemented GASB No. 91 in fiscal year 2023.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. The statement also provides guidance for accounting and financial reporting for availability payment arrangements. GASB Statement No. 94 is effective for the year beginning after June 15, 2022. Minnesota State has implemented GASB No. 94 in fiscal year 2023.

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

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

JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Cash and cash equivalents are categorized to give an indication of the level of custodial credit risk. Category 1 includes cash and cash equivalents insured or collateralized with securities held by the state or its agent in Minnesota State's name. All cash and cash equivalents are included in Category 1.

The following table summarizes cash and cash equivalents:

	Year Ended June 30	
Carrying Amount	2023	2022
Cash, treasury account	$ 126,332	$ 122,740
Cash, trustee account (US Bank)	20,661	22,359
Grand Total	$ 146,993	$ 145,099

Restricted cash of $43,883 and $45,630 as of June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022. At June 30, 2023 and 2022, the total accounts receivable balances were $7,447 and $7,211 respectively, less an allowance for uncollectible receivables of $3,305 and $2,818, respectively.

The following table summarizes accounts receivable, net:

	Year Ended June 30	
	2023	2022
Room and board	$ 4,651	$ 4,307
Fees	2,129	2,412
Sales and service	467	360
Other income	200	132
Total accounts receivable	7,447	7,211
Allowance for doubtful accounts	(3,305)	(2,818)
Accounts receivable, net	$ 4,142	$ 4,393

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, 2023 AND 2022 (DOLLARS IN THOUSANDS)

4. CAPITAL AND RIGHT TO USE ASSETS

Summaries of changes in capital and right to use assets for fiscal years 2023 and 2022 follow:

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

	Year Ended June 30, 2022				
	Beginning	Increases	Decreases	Completed	Ending
Capital assets, not depreciated/amortized:					
Land	$ 2,203	$ 7	$ 503	$ -	$ 1,707
Construction in progress	944	2,518	-	(2,255)	1,207
Total capital assets, not depreciated/amortized	3,147	2,525	503	(2,255)	2,914
Capital and right to use assets, depreciated/amortized:					
Buildings and improvements	734,249	3,300	7,680	2,255	732,124
Right to use building and improvements	1,842	-	-	-	1,842
Equipment	2,203	116	202	-	2,117
Total capital and right to use assets, depreciated/amortized	738,294	3,416	7,882	2,255	736,083
Less accumulated depreciation/amortization:					
Buildings and improvements	375,607	23,767	3,919	-	395,455
Right to use building and improvements	-	921	-	-	921
Equipment	1,671	137	145	-	1,663
Total accumulated depreciation/amortization	377,278	24,825	4,064	-	398,039
Total capital and right to use assets depreciated/amortized, net	361,016	(21,409)	3,818	2,255	338,044
Total capital and right to use assets, net	$ 364,163	$ (18,884)	$ 4,321	$ -	$ 340,958

5. ACCOUNTS PAYABLE

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

Summary of Accounts Payable at June 30

	2023	2022
Capital projects	$ 1,305	$ 150
Purchased services and other payables	673	1,090
Repairs and maintenance	208	360
Supplies	380	725
Total accounts payable	$ 2,566	$ 2,325

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 2023 and 2022 follow:

Year Ended June 30, 2023

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

Year Ended June 30, 2022

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Revenue bonds	$ 221,270	$ 41,310	$ 76,875	$ 185,705	$ 14,995
Revenue bond premium/discount	10,783	11,998	3,306	19,475	-
Leases	4,214	-	2,198	2,016	313
Notes payable	429	-	20	409	20
Total long-term obligations	$ 236,696	$ 53,308	$ 82,399	$ 207,605	$ 15,328

JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

The changes in other compensation benefits for fiscal years 2023 and 2022 follow:

Year Ended June 30, 2023	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 2,068	$ 202	$ 250	$ 2,020	$ 243
Early termination benefits	36	5	36	5	5
Other postemployment benefits	1,153	156	140	1,169	-
Total other compensation benefits	$ 3,257	$ 363	$ 426	$ 3,194	$ 248

Year Ended June 30, 2022	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 2,281	$ 116	$ 329	$ 2,068	$ 248
Early termination benefits	-	36	-	36	36
Other postemployment benefits	1,085	115	47	1,153	-
Total other compensation benefits	$ 3,366	$ 267	$ 376	$ 3,257	$ 284

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

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

Bond Series	Average Interest Rate Percentage	Fiscal Year 2023	Fiscal Year 2022	Maturity Date
Series 2012A	1.84	$ -	$ 1,410	October 1, 2022
Series 2012B	2.03	-	915	October 1, 2022
Series 2013A	2.78	37,075	39,740	October 1, 2033
Series 2013B	1.97	425	835	October 1, 2023
Series 2015A	3.08	21,150	23,055	October 1, 2035
Series 2015B	3.44	29,300	31,325	October 1, 2035
Series 2017A	2.45	29,830	33,925	October 1, 2037
Series 2017B	2.59	1,365	1,690	October 1, 2026
Series 2019A	1.57	10,255	11,500	October 1, 2029
Series 2021A	0.73	41,310	41,310	October 1, 2032
	Total	$ 170,710	$ 185,705	

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 23.6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $206,949. Revenue bond principal and interest paid for the current fiscal year was $22,337 and total customer net revenues were $102,930.

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

Refunding Bonds — On August 11, 2021, Minnesota State board of trustees issued $41,300 in Series 2021A revenue refunding bonds with a true interest rate of 0.73 percent to redeem $48,365 of outstanding Series 2011A revenue bonds and $7,600 of outstanding Series 2011C revenue bonds. The cash savings from the refunding will be $12,962 with a net present value of $12,777.

Revenue Bond Premium/Discount — Bonds were issued in fiscal year 2022, resulting in net premiums of $11,998. 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 $1,781, discounted at an imputed interest rate of 3.5 percent, with the last repayment due in fiscal year 2032. Note 8 to the financial statements provides additional information.

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

Compensated Absences — Revenue Fund employees accrue vacation, sick, and compensatory leave at various rates within limits specified in the collective bargaining agreements. The liability for compensated absences will be converted to a health care savings plan account or severance pay under specific conditions as defined in bargaining unit contracts. This leave is liquidated only at the time of termination from state employment. There are no payment schedules for compensated absences.

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

Other Postemployment Benefits — Other postemployment benefits are health insurance benefits for certain retired employees under a single employer fully insured plan. Under the health benefits program, retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. Note 7 to the financial statements provides additional information.

Net Pension Liability — The net pension liability of $5,175 and $2,114 at June 30, 2023 and 2022, 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.

JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

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
2024	$ 13,200	$ 6,772	$ 1,781	$ 105	$ 22	$ 9
2025	15,430	6,175	1,764	155	24	9
2026	18,920	5,416	1,748	207	26	8
2027	19,180	4,565	1,731	258	27	8
2028	17,395	3,757	327	49	29	7
2029-2033	71,070	8,722	744	39	179	23
2034-2038	15,515	832	-	-	82	2
Total	$ 170,710	$ 36,239	$ 8,095	$ 813	$ 389	$ 66

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, 2022 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, 2023 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2022. The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to determine the June 30, 2022 OPEB liability. The total OPEB liability was measured based on the following actuarial assumptions:

Measurement Date	June 30, 2022	June 30, 2021
Payroll Growth	3.0 percent	3.0 percent
Inflation	2.25 percent per year	2.25 percent per year
Initial Medical Trend Rate	8.4 percent	7.2 percent
Ultimate Medical Trend Rate	3.7 percent	3.8 percent
Year Ultimate Trend Rate Reached	2073	2071

Discount Rate — The discount rate used to measure the total OPEB liability at June 30, 2022 and 2021 was 3.54 percent and 2.16 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 2022 and 2021. The plan is not funded by assets in a separate trust. Therefore, the municipal bond rate was applied to all period of projected benefit payments to determine the total OPEB liability.

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

Changes in Total OPEB Liability

	2023	2022
Balance, Beginning of Year	$ 1,153	$ 1,085
Changes for the Year		
Service Cost	89	87
Interest	26	25
Changes in Assumptions	(64)	3
Differences Between Expected and Actual Economic Experience	41	-
Benefit Payments	(76)	(47)
Net Changes	16	68
Balance, End of Year	$ 1,169	$ 1,153

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

Changes were made in assumptions that affect the total OPEB liability since the prior valuation. The projected mortality improvement scale assumption was updated to Scale MP-2021. The annual medical claims costs and premiums were updated based on recent experience. The discount rate was increased from 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.

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

	2023		2022	
	Percent	Amount	Percent	Amount
1 Percent Lower	2.54	$ 1,226	1.16	$ 1,205
Current Discount Rate	3.54	1,169	2.16	1,153
1 Percent Higher	4.54	1,111	3.16	1,099

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates — The following presents the total OPEB liability, calculated using the healthcare cost trend rates, that is one percentage lower (7.4 percent decreasing to 2.7 percent and 6.2 percent decreasing to 2.8 percent) or one percentage higher (9.4 percent decreasing to 4.7 percent and 8.2 percent decreasing to 4.8 percent) than the current healthcare cost trend rate (8.4 percent decreasing to 3.7 percent and 7.2 percent decreasing to 3.8 percent):

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

	2023	2022
1 Percent Lower	$ 1,059	$ 1,038
Current Trend Rate	1,169	1,153
1 Percent Higher	1,295	1,287

JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources — For the years ended June 30, 2023 and 2022, the Revenue Fund recognized an increase in benefit expense of $97 and $124, respectively, related to OPEB.

At June 30, 2023 and 2022, 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	
	2023	2022
Differences between expected and actual economic experience	$ 35	$ -
Changes in actuarial assumptions	143	190
Contributions made subsequent to the measurement date	74	75
Total	$ 252	$ 265

	Deferred Inflows of Resources Year Ended June 30	
	2023	2022
Changes in actuarial assumptions	$ 76	$ 31
Differences between expected and actual economic experience	186	238
Total	$ 262	$ 269

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
2024	$ (25)
2025	(20)
2026	(22)
2027	(11)
2028	(3)
Thereafter	(3)
Total	$ (84)

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, 2023 and 2022, Minnesota State recognized revenues related to these lease agreements totaling $1,029 and $985, respectively.

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

Fiscal Year	Principal	Interest
2024	$ 928	$ 101
2025	897	132
2026	867	163
Total	$ 2,692	$ 396

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.

JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

Contributions - Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 6.0 percent of their annual covered salary in fiscal years 2023 and 2022. Participating employers were required to contribute 6.25 percent of employee annual covered salary in fiscal years 2023 and 2022. The Minnesota State Revenue Fund contributions to the General Plan for the fiscal years ending June 30, 2023 and 2022 were $449 and $488, respectively. These contributions were equal to the contractually required contributions for each year as set by state statute.

Actuarial Assumptions - The Minnesota State Revenue Fund net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions:

Measurement Date	June 30, 2022	June 30, 2021
Inflation	2.25 percent per year	2.25 percent per year
Active member payroll growth	3.00 percent per year	3.00 percent per year
Investment rate of return	6.75 percent	6.50 percent

Salary increases for the June 30, 2022 and 2021 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. 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, 2022 and 2021 valuations were based on the last experience study dated June 27, 2019 and a review of inflation and investment return assumptions, dated July 12, 2022. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and a documented in a report dated October 2016.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.75 percent. The expected rate of return was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce geometric, long-term expected rate of return for the portfolio.

For each major asset class that is included in the pension fund target asset allocation as of the June 30, 2022 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, 2022 and 2021, was 6.75 percent and 6.5 percent, respectively.

At June 30, 2022 and 2021, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan fiduciary net position was available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return of 6.75 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, 2023 and 2022, the Minnesota State Revenue Fund reported a liability of $5,175 and $2,114, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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, 2021 through June 30, 2022 and July 1, 2020, through June 30, 2019, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2023 and 2022, the Minnesota State Revenue Fund proportion was 0.34 percent 0.38 percent, respectively.

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

Changes have been made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The long-term investment rate of return and single discount rates were changed from 6.5 percent to 6.75 percent.

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

	Sensitivity of Net Pension Liability at Current Single Discount Rate			
	2023		2022	
	Percent	Amount	Percent	Amount
1 Percent Lower	5.75	$ 11,917	5.50	$ 60,602
Current Discount Rate	6.75	5,175	6.50	2,114
1 Percent Higher	7.75	(579)	7.50	(46,231)

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, 2023 and 2022 Minnesota State Revenue Fund recognized a decrease in expense of $2,207 and $4,347, respectively, related to pensions.

JUNE 30, 2023 AND 2022 (DOLLARS IN THOUSANDS)

At June 30, 2023 and 2022, 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	
	2023	2022
Differences between projected and actual investment earnings	$ 159	$ -
Changes in actuarial assumptions	2,281	3,601
Contributions paid to MSRS subsequent to measurement date	449	488
Differences between expected and actual economic experience	26	48
Changes in proportion	36	55
Total	$ 2,951	$ 4,192

	Deferred Inflows of Resources Year Ended June 30	
	2023	2022
Differences between projected and actual investment earnings	$ -	$ 6,373
Changes in actuarial assumptions	1,658	3,174
Differences between expected and actual economic experience	29	26
Changes in proportion	180	238
Total	$ 1,867	$ 9,811

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
2024	$ 82
2025	83
2026	104
2027	366
Total	$ 635

Minnesota State Colleges and Universities Defined Contribution Retirement Fund

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

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

Individual Retirement Account Plan (IRAP)

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

Contributions - There are two member groups participating in the IRAP, a faculty group and an administrator group. For those participants eligible before July 1, 2018, the employer and employee statutory contribution rates for both faculty and administrators as of June 30, 2023 and 2022, are 8.75 percent and 7.1 percent and 6.0 percent and 6.45 percent, respectively. For those participants eligible after July 1, 2018, the employer and employee statutory contribution rates for both faculty and administrators as of June 30, 2023 and 2022, are 8.75 percent and 7.5 percent and 6.0 percent and 7.5 percent, respectively. Contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Supplemental Retirement Plan (SRP)

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

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

Member Group	Eligible Compensation	Maximum Annual Contributions
Administrators	$ 6 to 60	$ 2.7
Middle Management Association Unclassified	6 to 40	1.7
Minnesota Association of Professional Employees Unclassified	6 to 40	1.7
Minnesota State University Association of Administrative & Service Faculty	6 to 50	2.2
Other Unclassified Members	6 to 40	1.7

The Revenue Fund's contributions under both plans for the fiscal years ended June 30, 2023, 2022, and 2021 were equal to the required contributions for each year, which were $1,056, $1,076, and $1,091, 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, 2023 AND 2022 (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	2023	2022
Maintenance and operations	$ 66,898	$ 55,540
Repairs and replacements	27,454	29,904
Total	$ 94,352	$ 85,444

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 $7,027 and $6,273 for the years ended June 30, 2023 and 2022, respectively.

Within the accounts receivable balance, $1,446 and $1,372 is due from other funds as of June 30, 2023 and 2022, 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 2023 and 2022.

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, 2023

Institution *	Project	Total Cost	Spent to Date	Balance	Completion Date
MSU, Mankato	Centennial - Window Replacement	$ 1,381	$ 80	$ 1,301	Aug 2024
MSU, Mankato	Crawford - B-Hall Bathroom Renovation	1,617	64	1,553	Dec 2024

* Minnesota State University, Mankato

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)

	2023	2022	2021	2020	2019	2018	2017
Balance, Beginning of Year	$ 1,153	$ 1,085	$ 1,100	$ 1,131	$ 1,054	$ 1,219	$ 1,144
Changes for the Year							
Service Cost	89	87	83	88	83	84	83
Interest	26	25	40	45	39	31	45
Changes in Assumptions	(64)	3	200	(37)	34	(207)	53
Differences between Expected and Actual Economic Experience	41	-	(260)	(58)	(1)	-	-
Benefit Payments	(76)	(47)	(78)	(69)	(78)	(73)	(106)
Net Changes	16	68	(15)	(31)	77	(165)	75
Balance, End of Year	$ 1,169	$ 1,153	$ 1,085	$ 1,100	$ 1,131	$ 1,054	$ 1,219
Covered Employee Payroll	$ 16,984	$ 16,822	$ 17,078	$ 16,380	$ 15,949	$ 16,122	$ 18,246
Total OPEB Liability as a Percentage of Covered Employee Payroll	6.88	6.85	6.36	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, 2014	0.34	$ 5,582	$ 8,339	66.95	87.64
June 30, 2015	0.33	5,974	8,494	70.33	88.32
June 30, 2016	0.33	33,878	8,470	399.98	47.51
June 30, 2017	0.38	22,890	8,736	262.02	62.73
June 30, 2018	0.39	5,348	8,839	60.50	90.56
June 30, 2019	0.38	5,403	8,802	61.38	90.73
June 30, 2020	0.38	5,651	8,866	63.73	91.25
June 30, 2021	0.38	2,114	9,036	23.39	99.53
June 30, 2022	0.34	5,175	9,200	56.25	90.60

Schedule of Employer Contributions
(In Thousands)

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 467	$ 467	$ —	$ 8,494	5.50
June 30, 2016	466	466	—	8,470	5.50
June 30, 2017	480	480	—	8,736	5.50
June 30, 2018	486	486	—	8,839	5.50
June 30, 2019	517	517	—	8,802	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

Minnesota State Retirement System (MSRS)

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

MINNESOTA STATE COLLEGES AND UNIVERSITIES REVENUE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

OTHER POSTEMPLOYMENT BENEFITS PLAN

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

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.

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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
MN State Revenue Fund
St, Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Minnesota State Colleges and Universities Revenue Fund (the Revenue Fund), a department of the Minnesota State Colleges and University Fund and a proprietary fund of the state of Minnesota as of and for the year ended June 30, 2023, 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 14, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Trustees
MN State Revenue Fund

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 14, 2023

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