MIDDLE TENNESSEE STATE UNIVERSITY

Financial Report

for the year ended June 30, 2021

Middle Tennessee State University

Financial Report

For the year ended June 30, 2021

MIDDLE TENNESSEE STATE UNIVERSITY

Vice President for Business and Finance
Cope Administration Building 119
1301 East Main Street
Murfreesboro, Tennessee 37132
o: 615-898-2852 * f: (615) 898-5906

MIDDLE TENNESSEE STATE UNIVERSITY.

December 20, 2021

Dr. Sidney A. McPhee
President
Middle Tennessee State University
Murfreesboro, TN 37132

Dear Dr. McPhee:

I am transmitting the annual Financial Report for the fiscal year ended June 30, 2021.

This report has been prepared in accordance with accounting principles generally accepted in the United States of America. The Financial Report has not been audited. The last audit by the State Comptroller's Office was completed as of June 30, 2020. An audit is currently in progress for fiscal year ended June 30, 2021.

Sincerely,

Alan R. Thomas
Vice President for Business and Finance

Enclosures

MIDDLE TENNESSEE STATE UNIVERSITY

FINANCIAL REPORT

For the Year Ended June 30, 2021

TABLE OF CONTENTS

MIDDLE TENNESSEE STATE UNIVERSITY
Management's Discussion and Analysis
For the Year Ended June 30, 2021

This section of Middle Tennessee State University's annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2021, with comparative information presented for the fiscal years ended June 30, 2020. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

The University has one discretely presented component unit, the Middle Tennessee State University Foundation. More detailed information about the Foundation is presented in Note 19 to the financial statements. This discussion and analysis focuses on the University and does not include the Foundation.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity, and accordingly, is reported within a single column in the basic financial statements.

The University's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The Statement of Net Position is a point-in-time financial statement. The Statement of Net Position presents the financial position of the University at the end of the fiscal year. To aid the reader in determining the University's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows, and net position of the University and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The Statement of Net Position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, lenders, and others. Net position represents the difference between the University's assets and liabilities, along with the difference between deferred outflows and deferred inflows and is one indicator of the University's current financial condition.

The Statement of Net Position also indicates the availability of net position for expenditure by the University. Net position is divided into three major categories. The first category, net investment in capital assets, represents the University's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is sub-divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the University for any lawful purpose of the University.

The following table summarizes the University's assets, liabilities, deferred outflows/ inflows, and net position at June 30, 2021, and June 30, 2020.

Summary of Net Position
(in thousands of dollars)

	2021	2020
Assets:		
Current assets	$ 93,679	$ 85,507
Capital assets, net	541,827	544,904
Other assets	92,896	76,375
Total assets	728,402	706,786
Deferred outflows of resources		
Deferred loss on debt refunding	4,497	4,264
Deferred outflows - OPEB	7,009	6,724
Deferred outflows - pensions	12,869	13,405
Total deferred outflows	24,375	24,393
Liabilities:		
Current liabilities	57,224	54,869
Noncurrent liabilities	208,508	221,733
Total liabilities	265,732	276,602
Deferred inflows of resources		
Deferred gain on debt refunding	2,020	292
Deferred inflows - OPEB	10,414	10,713
Deferred inflows - pensions	357	4,441
Total deferred inflows	12,791	15,446
Net Position:		
Net investment in capital assets	384,947	374,717
Restricted - nonexpendable	1,226	1,072
Restricted - expendable	10,359	8,139
Unrestricted	77,722	55,203
Total net position	$ 474,254	$ 439,131

The University had the following significant changes between fiscal years on the statement of net position:

- The increase in deferred gain on debt refunding is the result of fifteen debt refundings that occurred during the fiscal year. Additional detailed information is presented in Note 8 to the financial statements.

- Deferred inflows related to pensions decreased primarily for two reasons. First, there was amortization of approximately $2.8 million of previously established deferred inflow pertaining to net difference between projected and actual earnings. And secondly, the current year net difference between projected and actual earnings is a deferred outflow of approximately $5.8 million which exceeds previously established deferred inflows of approximately $3.6 million. Detailed information related to pension plans is presented in Note 11 to the financial statements.

- ♦ The increase in Restricted – expendable is primarily due to an increase in restricted funds available from student activity fees by approximately $1 million. This increase resulted from normal student events and activities not being allowed due to protocols established to safeguard the campus during the pandemic. Additionally, this category increased $720 thousand in the pension stabilization fund, Investment in Tennessee Retiree Group Trust, during this fiscal year.

- ♦ Unrestricted net position increased primarily from increases in education and general reserves, as well as increases in renewal and replacement reserves. Education and general reserves increased from course fees collected, but not spent due to normal on-campus classes forced to transition to mostly online and events being suspended during the pandemic. Renewal and replacement reserve increases were noted mainly for auxiliaries and Aerospace. Auxiliaries benefited from higher transfers to renewal and replacement reserves resulting from Higher Education Emergency Relief Fund (HEERF) monies allocated as foregone revenue. Also, an increase in the Aerospace program enrollment, coupled with an aging fleet of planes, will require increased reserves for the continuing replacement or refurbishment of existing aircraft.

- ♦ The remaining categories remained relatively unchanged.

The Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the University's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, or losses received or spent by the University.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Middle Tennessee State University is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the University has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

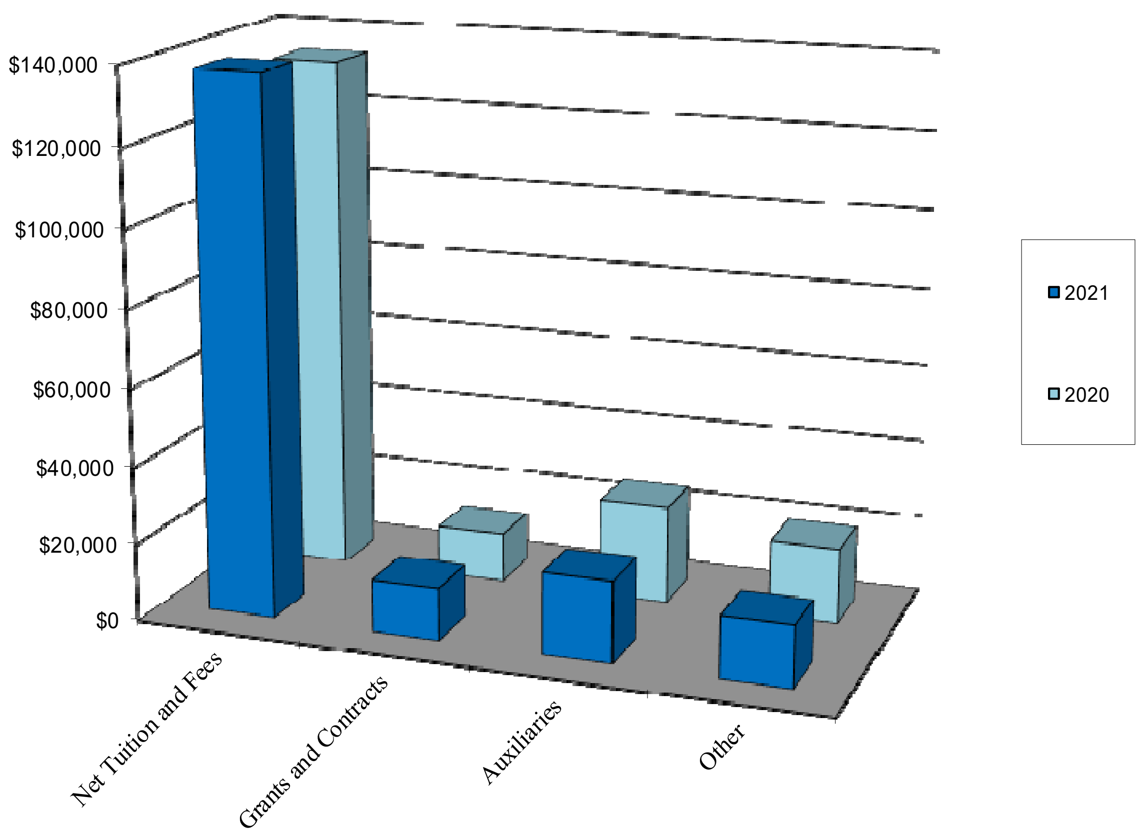
A summary of the University's revenues, expenses, and changes in net position for the year ended June 30, 2021, and June 30, 2020, follows.

Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2021	2020
Operating revenues	$ 188,049	$ 191,020
Operating expenses	392,057	391,491
Operating loss	(204,008)	(200,471)
Nonoperating revenues and expenses	222,366	193,641
Income (loss) before other revenues, expenses, gains, or losses	18,358	(6,830)
Other revenues, expenses, gains, or losses	16,765	33,684
Increase in net position	35,123	26,854
Net position at beginning of year, as originally reported	439,131	412,277
Net Position at end of year	$ 474,254	$ 439,131

Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last two fiscal years (in thousands of dollars):

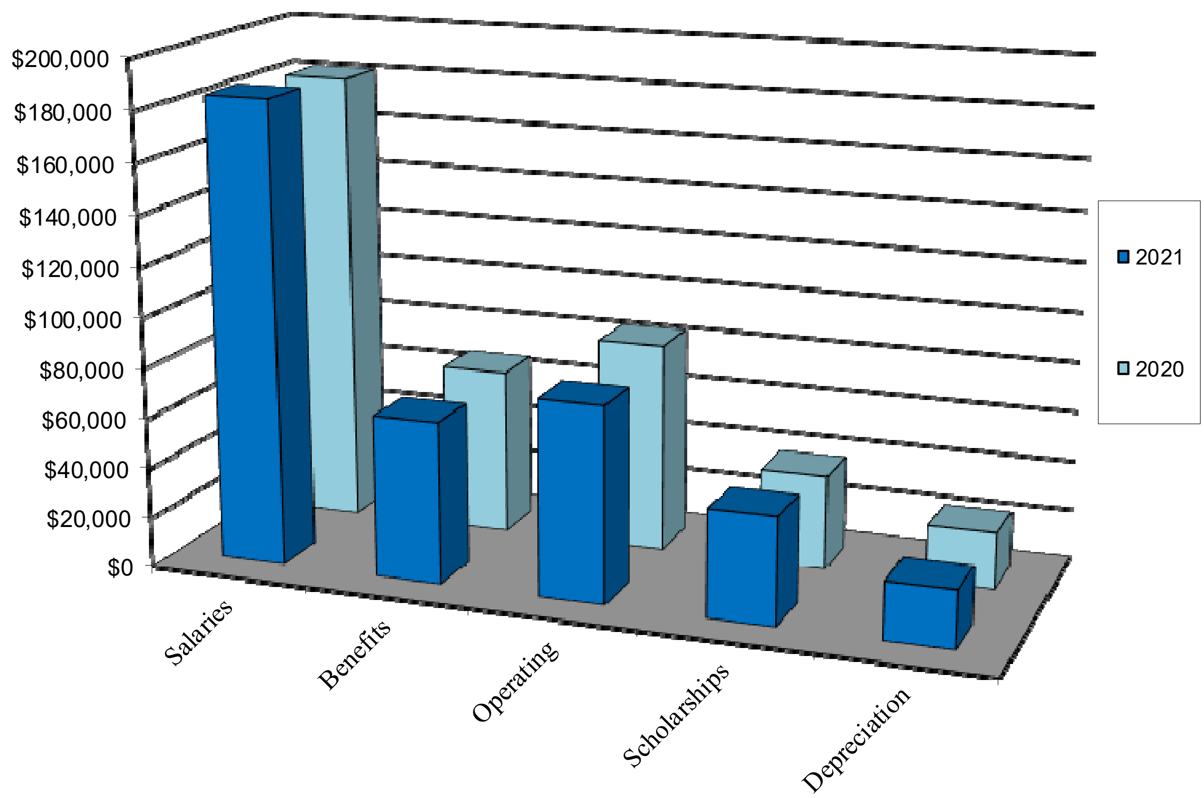


The University had the following significant changes in revenues between fiscal years:

- Operating revenues remained relatively unchanged during the 2021 fiscal year.

Operating Expenses

Operating expenses may be reported by nature or function. The University has chosen to report the expenses in their natural classification on the Statement of Revenues, Expenses, and Changes in Net Position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last two fiscal years (in thousands of dollars):

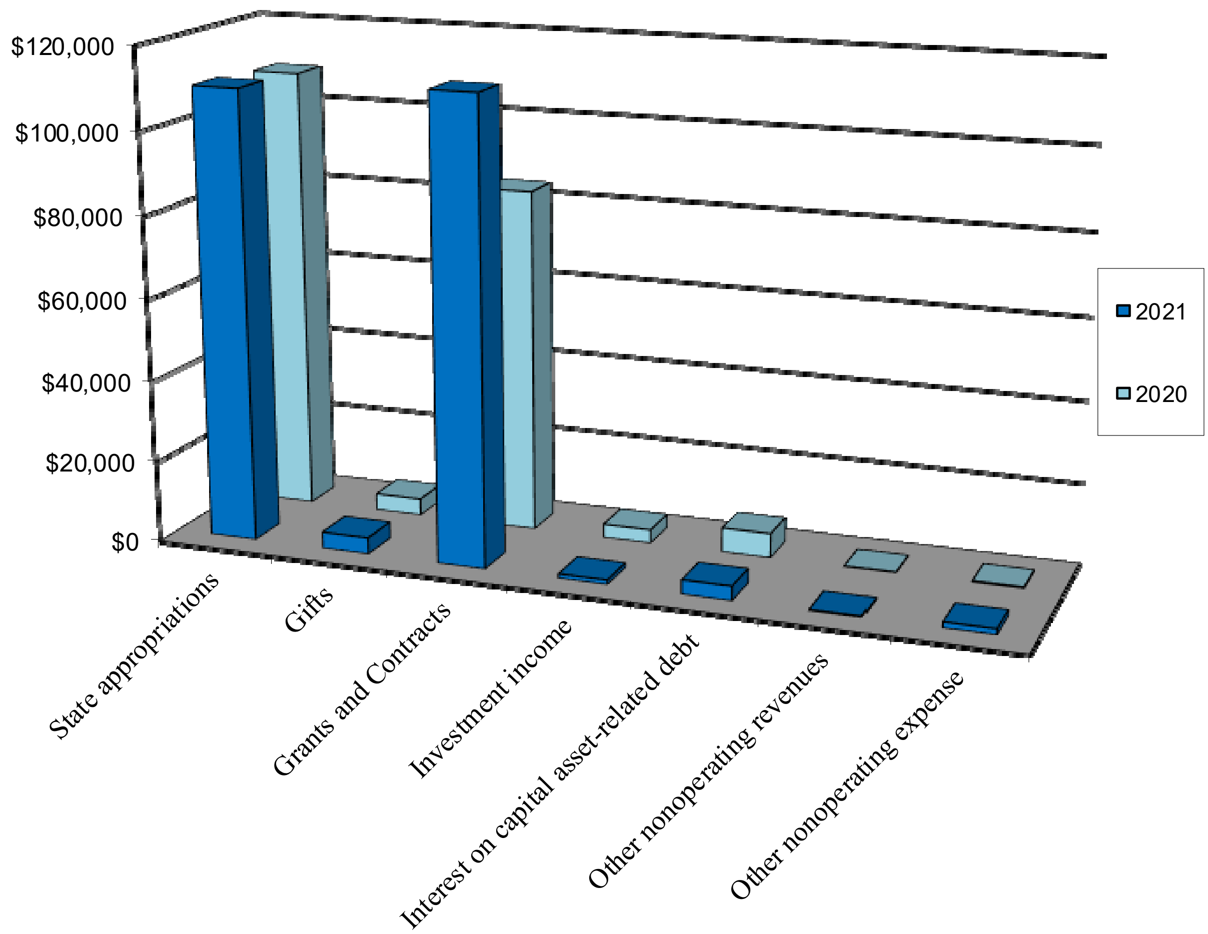


The University had the following significant changes in operating expenses between fiscal years:

- Operating expenses remained relatively unchanged during the 2021 fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the last two fiscal years (in thousands of dollars):



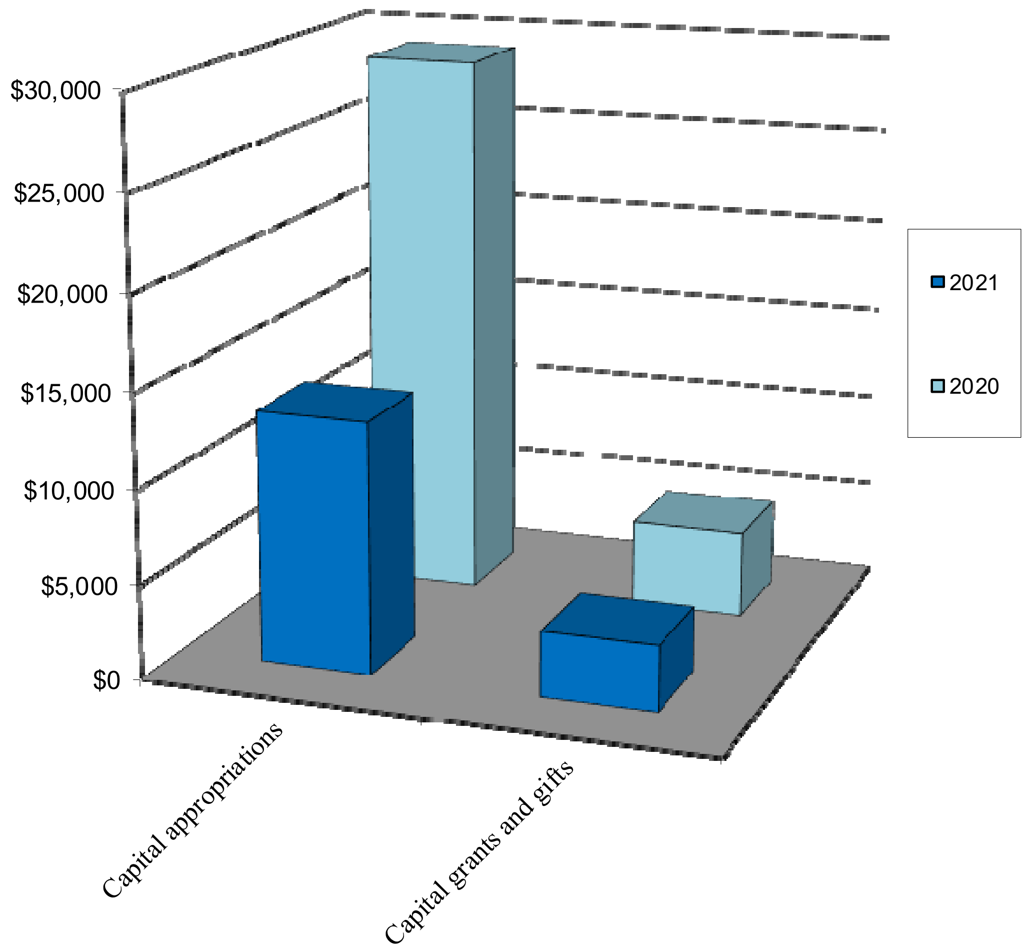
The University had the following significant changes in nonoperating revenues between fiscal years:

- ♦ The significant increase in grants and contracts was due to the University using $36.9 million of the Higher Education Emergency Relief Funds (HEERF) awarded in fiscal years 2020 and 2021. Additional information is addressed in the Economic Factors That Will Affect the Future section of this discussion and analysis.

- ♦ Other categories were relatively unchanged during the fiscal year.

Other Revenues

This category is composed of State appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments. These amounts were as follows for the last two fiscal years (in thousands of dollars):



The decrease in capital appropriations is mainly due to the completion of the new Academic Classroom Building.

- ♦ The decrease in Capital grants and gifts is mainly due to a $.3 million decrease in private gifts received during the fiscal year for support of construction of a new Concrete and Construction Management building and a one-time gift of $.7 million for the Student Athlete project that was received in FY2020.

Capital Assets and Debt Administration

Capital Assets

Middle Tennessee State University had $541.8 million invested in capital assets, net of accumulated depreciation of $350.4 million at June 30, 2021; and $544.9 million invested in capital assets, net of accumulated depreciation of $334.1 million at June 30, 2020. Depreciation charges totaled $23 million and $22.5 million for fiscal years ended June 30, 2021, and June 30, 2020, respectively.

Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2021	2020
Land	$ 17,986	$ 17,626
Land improvements and infrastructure	49,912	49,408
Buildings	442,605	446,372
Equipment	16,259	17,073
Library holdings	2,035	2,085
Intangible assets	2,414	2,555
Projects in progress	10,616	9,785
Total	$541,827	$544,904

Major projects currently in progress at the University include the following: the Murphy Center curtain wall replacement and the Concrete Industry Management Building.

At June 30, 2021, outstanding commitments under construction contracts totaled $41.2 million for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $34.6 million of these costs.

More detailed information about the University's capital assets is presented in Note 6 to the financial statements.

Debt

The University had $160.5 million and $175.9 million in debt outstanding at June 30, 2021, and June 30, 2020, respectively. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt Schedule
(in thousands of dollars)

	2021	2020
TSSBA bonds	$158,738	$172,831
TSSBA revolving credit facility	1,800	3,059
Total Debt	$160,538	$175,890

The TSSBA issued bonds with interest rates ranging from 0.17% to 5.00% due serially until 2044 on behalf of Middle Tennessee State University. The University is responsible for the debt service of these bonds. The current portion of the $158.7 million outstanding at June 30, 2021, is $11.8 million.

The TSSBA issued loans from the revolving credit facility with variable interest rates on behalf of Middle Tennessee State University. The University is responsible for the debt service of the loans from the revolving credit facility. The outstanding amount at June 30, 2021 is $1.8 million.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2021, were as follows:

Fitch	AA+
Moody’s Investor Service	Aa1
Standard & Poor’s	AA+

More information about the University's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors that Will Affect the Future

The University continues to meet the challenges of the worldwide coronavirus (COVID-19) health crisis through strategic financial management and by seeking additional funding under available federal aid programs.

In December 2020, Congress supplemented the previous Coronavirus Aid, Relief and Economic Security Act (CARES Act) by passing the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which provided $21.2 billion in support of higher education. MTSU was awarded $30.2 million in relief funds, of which $8.6 million was distributed to students in the Spring 2021 semester as emergency aid. Most of the remaining funds were used to ensure the health and safety of the campus and to replace foregone revenue during the fiscal year as the pandemic continued to impact operations. The University also received $1.6 million from the Governor's Emergency Education Relief Fund (GEERF), which was used on technology for faculty in converting classes to remote instruction.

The American Rescue Plan (ARP) was signed into law on March 11, 2021, providing $39.6 billion to higher education institutions to ensure continued operations during the pandemic. MTSU was awarded $53.3 million, with $25.7 million planned for distribution to students in the Fall and Spring semesters of the 2021-22 fiscal year. None of the ARP funds were used in fiscal year 2021.

In addition to federal funding, MTSU will receive $5.5 million in new state appropriations as part of the 2021-22 General Appropriations Act passed by the 112th General Assembly. The bulk of the funding ($4.5 million) is to partially fund a salary pool composed of 2 percent effective January 1, 2021, and 2 percent effective July 1, 2021. The salary pool is to be used at the University's discretion. In June 2021, the Board of Trustees approved a salary bonus to be paid that month, covering the 2 percent, or $1,000, whichever was greater, effective from January 1, 2021, through June 30, 2021. A proposal approved by the Finance and Personnel Committee in August uses the balance of the salary pool to fund an across-the-board increase of 2.7 percent or $750, whichever is greater. If approved by the Board of Trustees in September, the increase will be paid in October and will be retroactive to July 1, 2021.

The remainder of the appropriation increase was from the outcomes-based funding formula, which included enhancement funds, and will be used to cover various fixed cost expenses.

At the June quarterly meeting, the MTSU Board of Trustees approved the University's recommendation of a 1.78 percent increase in tuition and fees for the 2021-22 academic year. Revenue from this increase will be used to fund inflationary cost increases for various software packages, operations of our auxiliary units, scholarships, new academic programs, and student success initiatives.

MTSU received funding for two non-recurring projects in the 2021-22 state budget. Funding of $1.2 million will provide continued financial aid for the Medical Education Program jointly administered by MTSU and Meharry Medical College. In addition, the new Data Science Pipeline initiative will receive $2.6 million to enable partnerships with K-12 schools, higher education, government, and industry to identify needs in data science education.

The state budget also included $10.0 million in capital maintenance funds for seven capital maintenance projects submitted for funding. These projects include campus-wide utilities repairs and replacement, multiple buildings elevator modernization projects, campus-wide life safety systems upgrades, Cope Building roof replacement, Science Building HVAC and exhaust system upgrades, College Heights electrical upgrades, and Tennessee Livestock roof repair and refurbishment.

The University was approved to receive capital outlay funding for an Applied Engineering Building at $50.5 million. The total project cost for this building is $54.9 million, which includes a match requirement of $4.4 million. This is the University's third new building, funded through capital outlay funding for academic buildings, over the last four years.

Fall 2021 semester plans include returning to in person classes, allowing the dormitories to return to double occupancy, allowing attendance at athletic events, and allowing student activities to be held. Budget restrictions which were implemented in September 2020 were lifted in June 2021.

The University's top priority remains the health and well-being of our campus and extended communities. The mask mandate was reinstated for everyone inside buildings and outside, when social distancing is not possible, as cases across the nation and state increase as a result of the Delta variant. As the COVID-19 situation continues to evolve, the University will remain flexible and be ready to implement necessary changes to comply with federal, state, and local health regulations.

Fall 2021 headcount enrollment decreased by 5.54%, as a result of having to hold many of our recruitment events virtually rather than in-person. This not only included our interaction with area high schools and community colleges, but also our True Blue Tours where various staff and administrators visit many locations throughout Tennessee and even several out-of-state stops in Alabama, Georgia, and Kentucky. This is a prime opportunity to share the unique educational experience and signature programs offered by MTSU, and we're excited to be back on the road this fall with all our recruiting events.

BASIC FINANCIAL STATEMENTS

Middle Tennessee State University
Unaudited Statement of Net Position
June 30, 2021

	Institution	Component Unit
Assets		
Current assets:		
Cash and cash equivalents (Notes 2 and 19)	$ 65,414,433.69	$ 5,473,509.26
Accounts, notes, and grants receivable (net) (Note 5)	19,167,762.67	-
Due from primary government	1,609,595.54	-
Due from component unit	3,208,073.45	-
Pledges receivable (net) (Note 19)	-	1,116,869.21
Inventories (at lower of cost or market)	690,197.51	-
Prepaid expenses	3,555,268.27	4,724.75
Accrued interest receivable	33,557.21	80,691.00
Total current assets	93,678,888.34	6,675,794.22
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 19)	85,500,710.88	14,442,339.41
Investments (Notes 3 and 19)	1,133,694.03	94,179,826.41
Investment in Tennessee Retiree Group Trust	1,537,911.59	-
Accounts, notes, and grants receivable (net) (Note 5)	1,003,204.12	-
Due from primary government	3,131,721.68	-
Net pension asset (Note 11)	588,206.81	-
Pledges receivable (net) (Note 19)	-	1,350,592.59
Capital assets (net) (Notes 6 and 19)	541,827,486.25	14,503,671.78
Total noncurrent assets	634,722,935.36	124,476,430.19
Total assets	728,401,823.70	131,152,224.41
Deferred outflows of resources		
Deferred amount on debt refunding	4,496,940.58	-
Deferred outflows related to OPEB (Note 12)	7,009,523.16	-
Deferred outflows related to pensions (Note 11)	12,868,698.37	-
Total deferred outflows of resources	24,375,162.11	-
Liabilities		
Current liabilities:		
Accounts payable (Note 7)	9,201,263.01	50,041.54
Accrued liabilities	19,663,925.97	-
Due to primary government	3,472,590.09	3,208,073.45
Student deposits	913,792.27	-
Unearned revenue	9,078,160.06	-
Compensated absences (Note 8)	2,213,486.10	-
Accrued interest payable	814,730.70	-
Long-term liabilities, current portion (Note 8)	11,775,691.86	-
Deposits held in custody for others	90,127.79	-
Total current liabilities	57,223,767.85	3,258,114.99
Noncurrent liabilities:		
OPEB liability (Note 12)	18,744,790.22	-
Net pension liability (Note 11)	33,302,243.46	-
Compensated absences (Note 8)	6,904,046.82	-
Long-term liabilities (Note 8)	148,761,943.20	-
Due to grantors (Note 8)	795,461.17	-
Total noncurrent liabilities	208,508,484.87	-
Total liabilities	265,732,252.72	3,258,114.99
Deferred inflows of resources		
Deferred amount on debt refunding	2,019,646.52	-
Deferred inflows related to OPEB (Note 12)	10,413,721.65	-
Deferred inflows related to pensions (Note 11)	357,107.00	-
Total deferred inflows of resources	12,790,475.17	-
Net Position		
Net investment in capital assets	384,947,158.47	14,503,671.78
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	10,900.00	41,606,985.58
Research	-	951,428.35
Instructional department uses	-	4,588,637.61
Other	1,215,152.28	524,517.22
Expendable:		
Scholarships and fellowships	283,007.68	34,730,982.92
Research	64,593.49	1,167,393.73
Instructional department uses	488,854.86	16,313,209.53
Loans	2,008,021.10	-
Capital projects	159,970.17	6,223,608.67
Pensions	588,206.81	-
Other	6,766,094.15	4,218,901.19
Unrestricted	77,722,298.91	3,064,772.84
Total net position	$ 474,254,257.92	$ 127,894,109.42

The notes to the financial statements are integral part of this statement.

Middle Tennessee State University
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	Institution	Component Unit
Revenues		
Operating revenues:		
Student tuition and fees (Note 13)	$137,724,999.72	$ -
Gifts and contributions	-	7,609,850.94
Endowment Income (per spending plan)	-	2,692,492.85
Governmental grants and contracts	12,849,185.62	-
Non-governmental grants and contracts	620,693.36	-
Sales and services of educational activities	626,862.61	-
Sales and services of other activities	14,923,942.63	-
Auxiliary enterprises:		
Residential life (all residential life revenues are used as security for revenue bonds, see Notes 10 and 13)	6,709,134.92	-
Bookstore	350,000.01	-
Food service	2,176,773.02	-
Wellness facility (all wellness facility revenues are used as security for revenue bonds, see Notes 10 and 13)	1,687,213.85	-
Other auxiliaries	10,085,923.69	-
Interest earned on loans to students	91,659.00	-
Other operating revenues	202,188.58	16,207.11
Total operating revenues	188,048,577.01	10,318,550.90
Expenses		
Operating Expenses		
Salaries and wages	183,951,791.63	1,373,615.58
Benefits	64,538,064.25	473,169.41
Utilities, supplies, and other services	77,821,791.55	1,428,090.48
Scholarships and fellowships	42,703,063.04	2,248,053.73
Depreciation expense	23,041,940.83	357,134.05
Payments to or on behalf of MTSU (Note 19)	-	7,116,845.55
Total operating expenses	392,056,651.30	12,996,908.80
Operating loss	(204,008,074.29)	(2,678,357.90)
Nonoperating revenues (expenses)		
State appropriations	109,678,137.50	-
Gifts, including $3,983,278.84 from component unit	3,994,547.02	-
Grants and contracts	112,168,076.28	-
Investment income (net of investment expense for the institution of $14,182.93 and component unit of $646,903.65)	1,098,083.67	19,662,474.07
Interest on capital asset-related debt	(3,477,689.22)	-
Bond issuance costs	(125,977.68)	-
University/College support (Note 19)	-	1,846,784.99
Other non-operating expenses	(969,064.69)	(69,224.22)
Net nonoperating revenues	222,366,112.88	21,440,034.84
Income before other revenues, expenses, gains, or losses	18,358,038.59	18,761,676.94
Capital appropriations	13,309,243.49	-
Capital grants and gifts, including $3,133,566.71 from component unit	3,455,788.71	-
Additions to permanent endowments	-	2,360,410.45
Total other revenues	16,765,032.20	2,360,410.45
Increase in net position	35,123,070.79	21,122,087.39
Net position - beginning of year	439,131,187.13	106,772,022.03
Net position - end of year	$474,254,257.92	$127,894,109.42

The notes to the financial statements are integral part of this statement.

Middle Tennessee State University
Unaudited Statement of Cash Flows
For the Year Ended June 30, 2021

Cash Flows from Operating Activities	
Tuition and fees	$ 135,150,310.89
Grants and contracts	5,781,089.24
Sales and services of educational activities	620,705.44
Sales and services of other activities	14,980,231.33
Payments to suppliers and vendors	(78,717,029.39)
Payments to employees	(184,075,198.01)
Payments for benefits	(64,562,746.29)
Payments for scholarships and fellowships	(42,703,063.04)
Loans issued to students	(350.00)
Collection of loans from students	6,783.44
Interest earned on loans to students	89,160.03
Funds received for deposits held for others	13,259.00
Funds dispersed for deposits held for others	(167,953.96)
Auxiliary enterprise charges:	
Residence halls	6,700,534.31
Bookstore	354,684.39
Food services	1,462,862.81
Wellness facility	1,770,719.85
Other auxiliaries	10,040,776.53
Other receipts	147,031.28
Net cash used by operating activities	(193,108,192.15)
Cash Flows from Non-capital Financing Activities	
State appropriations	109,529,600.00
Gifts and grants received for other than capital or endowment purposes, including $3,983,278.84 from MTSU Foundation	114,362,314.21
Federal/state student loan receipts	73,522,615.16
Federal/state student loan disbursements	(73,314,554.00)
Principal paid on noncapital debt	(527,862.25)
Interest paid on noncapital debt	(71,075.82)
Other non-capital financing receipts	159,214.70
Net cash provided by non-capital financing activities	223,660,252.00
Cash Flows from Capital and Related Financing Activities	
Capital grants and gifts received, including $3,058,251.71 from MTSU Foundation	3,380,473.71
Proceeds from sale of capital assets	156,332.97
Purchase of capital assets and construction	(6,635,467.43)
Principal paid on capital debt and lease	(13,204,564.04)
Interest paid on capital debt and lease	(5,661,476.70)
Net cash used by capital and related financing activities	(21,964,701.49)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	25,000.00
Income on investments	691,462.15
Purchase of investments	(465,884.46)
Net cash provided by investing activities	250,577.69
Net increase in cash and cash equivalents	8,837,936.05
Cash and cash equivalents - beginning of year	142,077,208.52
Cash and cash equivalents - end of year (Note 2)	$ 150,915,144.57

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating loss	$(204,008,074.29)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Noncash operating expenses	23,928,474.08
Change in assets, liabilities, and deferrals:	
Receivables, net	(9,694,067.29)
Due from component unit/primary government	(501,559.13)
Inventories	37,470.51
Prepaid items	(2,636,698.87)
Net pension asset	93,339.83
Other assets	(2,498.97)
Deferred outflows of resources	250,834.75
Accounts payable	1,668,059.56
Accrued liabilities	(1,276,501.66)
Due to component unit/primary government	2,357,338.51
Unearned revenues	(105,930.29)
Deposits	(1,003,960.18)
Compensated absences	429,071.51
Net pension liability	4,618,149.64
Net OPEB obligation	(2,276,569.78)
Due to grantors	(608,640.52)
Loans to students	6,433.44
Deferred inflows of resources	(4,382,863.00)
Net cash used by operating activities	$(193,108,192.15)

Non-cash investing, capital, and financing transactions

Gifts in-kind - capital	75,315.00
Unrealized gains on investments	153,231.95
Loss on disposal of capital assets	(1,122,873.62)
Proceeds of capital debt	1,651,151.44
Capital appropriation	12,155,279.76
Purchase and construction of capital assets	14,532,430.18
Other capital expenses	(5,188.08)

The notes to the financial statements are integral part of this statement.

1. Summary of Significant Accounting Policies

REPORTING ENTITY

Middle Tennessee State University is a part of the State University and Community College System of Tennessee (the System). The Focus on College and University Success Act of 2016 removed the six universities from the governance of the Tennessee Board of Regents, but they remain part of the System. The universities have their own local governing boards that provide governance, approve policies, set tuition and fee rates, and hire presidents. The System has continuing oversight responsibilities in the areas of budget approval and institutional debt. The System is a component unit of the State of Tennessee because the state appoints a majority of the System's governing body and provides significant financial support; the System is discretely presented in the *Tennessee Annual Comprehensive Financial Report.*

The financial statements present only that portion of the System's activities that is attributable to the transactions of Middle Tennessee State University.

The Middle Tennessee State University Foundation is considered a component unit of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements. See Note 19 for more detailed information about the component unit and how to obtain the report.

BASIS OF PRESENTATION

The university's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

BASIS OF ACCOUNTING

For financial statement purposes, the university is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant internal activity has been eliminated.

The university has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange and exchange-like transactions. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) most federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (4) interest on institutional loans. Operating expenses include (1) salaries and wages; (2) employee benefits; (3) scholarships and fellowships; (4) depreciation, and (5) utilities, supplies, and other services.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the university's policy to determine whether to use restricted or unrestricted resources first depending upon existing facts and circumstances.

CASH EQUIVALENTS

This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

INVENTORIES

Inventories are valued at the lower of cost or market.

COMPENSATED ABSENCES

The university's employees accrue annual and sick leave at varying rates, depending upon length of service or classification. The amount of the liabilities for annual leave and the related benefits are reported in the Statement of Net Position. There is no liability for unpaid accumulated sick leave since the university's policy is to pay this only if the employee is sick or upon death.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, library holdings, and intangible assets, are reported in the Statement of Net Position at historical cost or at acquisition value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of $100,000 is used for buildings and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 60 years.

PENSIONS

For purposes of measuring the net pension liability and/or net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

NET POSITION

Middle Tennessee State University's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS: This represents the university's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

RESTRICTED NET POSITION – NONEXPENDABLE: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

RESTRICTED NET POSITION – EXPENDABLE: Restricted expendable net position includes resources in which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET POSITION: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments, sales and services of other, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the university to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by the student and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

2. Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2021, cash and cash equivalents consists of $44,325,714.90 in bank accounts, $29,255.00 of petty cash on hand, $105,956,247.64 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, $522,468.78 in the LGIP Deposits – Capital Projects account, and $81,458.25 in a money market account.

LGIP Deposits – Capital Projects – Payments related to the university's capital projects are made by the State of Tennessee's Department of Finance and Administration. The university's estimated local share of the cost of each project is held in a separate LGIP account. As expenses are incurred, funds are withdrawn from the LGIP account by the System and transferred to the Department of Finance and Administration. The funds in the account are not available to the university for any other purpose until the project is completed and the System releases any remaining funds.

The LGIP is administered by the State Treasurer and is measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of $5 million or more. The fund's required risk disclosures are presented in the *State of Tennessee's Treasurer's Report.* That report is available on the state's website at http://www.treasury.state.tn.us or by calling (615) 741-2956.

3. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools,* as amended, and GASB Statement 72, *Fair Value Measurement and Application,* as amended, [1]investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2021, the university had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) 1 to 5	No Maturity Date
Mutual bond funds	$ 605,582.16	$ -	$ 605,582.16
Total Debt Instruments	605,582.16	$ -	$ 605,582.16
Non-Fixed Income Investments			
Mutual equity funds	325,334.07		
Exchange traded funds	202,777.80		
Total Investments	$ 1,133,694.03		

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university is authorized by statute to invest funds in accordance with the System's policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds, and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the university and that endowment investments be prudently diversified. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale.

MTSU policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime banker's acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt must be A1 by all rating services (minimum of two). 2) The rating should be based on the merits of the issuer or guarantee by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

As of June 30, 2021, the university's investments were rated as follows:

Investment Type	Carrying Value	Credit Quality Rating A-	Credit Quality Rating Unrated
LGIP	$ 106,478,716.42	$ -	$ 106,478,716.42
Mutual bond funds	605,582.16	-	605,582.16
Total	$ 107,084,298.58	$ -	$ 107,084,298.58

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university does not have a deposit policy for custodial credit risk. At June 30, 2021, the university had $1,133,694.03 of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the university's name.

4. Fair Value Measurement

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2021:

	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets by Fair Level Value					
Debt Securities:					
Mutual bond funds	$ 605,582.16	$ 267,803.15	$ 337,779.01	$ -	$ -
Total debt securities	605,582.16	267,803.15	337,779.01	-	-
Equity Securitites:					
Mutual equity funds	325,334.07	313,691.94	11,642.13	-	-
Exchange Traded Funds	202,777.80	202,777.80	-	-	-
Total equity securities	528,111.87	516,469.74	11,642.13	-	-
Total assets at fair value	$ 1,133,694.03	$ 784,272.89	$ 349,421.14	$ -	$ -

Assets and liabilities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets and liabilities classified in Level 2 of the fair value hierarchy are valued using third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature of the securities, trading activity, and availability of comparable securities in the marketplace.

5. Accounts, Notes, and Grants Receivable

Accounts receivable included the following:

	June 30, 2021
Student accounts receivable	$9,946,226.91
Grants receivable	9,585,030.80
Notes receivable	103,724.94
Athletics receivable	201,016.61
Auxiliary receivable	1,921,670.98
Other receivables	359,753.76
Subtotal	22,117,424.00
Less allowance for doubtful accounts	(2,949,661.33)
Total	$19,167,762.67

Federal Perkins Loan Program funds include the following:

	June 30, 2021
Perkins Loans receivable	1,592,534.19
Less allowance for doubtful accounts	(589,330.07)
Total	$1,003,204.12

6. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 17,626,122.02	$ 359,993.50	$ -	$ -	$ 17,986,115.52
Improvements and infrastructure	102,957,498.68	-	4,944,692.00	-	107,902,190.68
Buildings	667,345,301.31	113,422.36	10,695,535.07	4,556,669.12	673,597,589.62
Equipment	68,602,252.76	2,382,555.48	1,477,348.00	2,963,502.98	69,498,653.26
Library holdings	4,880,445.60	439,629.78	-	471,973.69	4,848,101.69
Intangible assets	7,767,246.08	-	-	-	7,767,246.08
Projects in progress	9,784,987.75	17,948,734.91	(17,117,575.07)	-	10,616,147.59
Total	878,963,854.20	21,244,336.03	-	7,992,145.79	892,216,044.44
Less accumulated depreciation/amortization:					
Improvements and infrastructure	53,549,718.18	4,440,360.29	-	-	57,990,078.47
Buildings	220,973,632.69	13,481,135.49	-	3,462,363.00	230,992,405.18
Equipment	51,528,671.56	4,489,730.17	-	2,778,602.51	53,239,799.22
Library holdings	2,795,789.55	488,875.58	-	471,973.69	2,812,691.44
Intangible assets	5,211,744.58	141,839.30	-	-	5,353,583.88
Total	334,059,556.56	23,041,940.83	-	6,712,939.20	350,388,558.19
Capital assets, net	$ 544,904,297.64	$ (1,797,604.80)	$ -	$ 1,279,206.59	$ 541,827,486.25

The university has elected not to capitalize several campus collections consisting mainly of historical treasures. These collections are held in the Center for Popular Music, Center for Historical Preservation, and the Albert Gore Research Center. This election not to capitalize is based on the collections being held for public exhibition, education, and research in furtherance of public service rather than financial gain. The collections are protected, cared for, and preserved by custodians in each of the various areas. The university allows departments to retain proceeds from sales of large capital assets and collections for the acquisition of replacement items.

7. Accounts Payable

Accounts payable included the following:

	June 30, 2021
Vendors payable	$8,783,854.44
Unapplied student payments	280,642.75
Other payables	136,765.82
Total	$9,201,263.01

8. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA Debt:					
Bonds	$155,533,347.93	$85,369,799.00	$89,024,936.57	$151,878,210.36	$11,775,691.86
Unamortized bond premium/discount	17,297,280.95	-	10,437,856.25	6,859,424.70	-
Revolving credit facility	3,059,027.09	940,972.91	2,200,000.00	1,800,000.00	-
Subtotal	175,889,655.97	86,310,771.91	101,662,792.82	160,537,635.06	11,775,691.86
Other liabilities:					
Compensated absences	8,688,461.41	5,702,239.74	5,273,168.23	9,117,532.92	2,213,486.10
Due to grantors	1,404,101.69	-	608,640.52	795,461.17	-
Subtotal	10,092,563.10	5,702,239.74	5,881,808.75	9,912,994.09	2,213,486.10
Total long-term liabilities	$185,982,219.07	$92,013,011.65	$107,544,601.57	$170,450,629.15	$13,989,177.96

TSSBA Debt - Bonds Payable

Bonds, with interest rates ranging from 0.17% to 5% were issued by the Tennessee State School Bond Authority. The bonds are due serially until 2044 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the university, including state appropriations; see Note 10 for further details.

Debt service requirements to maturity for the university's portion of TSSBA bonds at June 30, 2021, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2022	$ 11,775,691.86	$ 4,392,140.48	$ 16,167,832.34
2023	12,884,066.56	3,665,486.76	16,549,553.32
2024	10,888,773.36	3,284,627.37	14,173,400.73
2025	11,289,832.03	2,943,782.38	14,233,614.41
2026	11,519,728.96	2,558,256.69	14,077,985.65
2027-2031	40,280,696.59	8,043,727.59	48,324,424.18
2032-2036	25,262,006.00	4,774,635.44	30,036,641.44
2037-2041	21,625,935.00	2,182,517.29	23,808,452.29
2042-2044	6,351,480.00	173,848.41	6,525,328.41
Total	$ 151,878,210.36	$ 32,019,022.41	$ 183,897,232.77

TSSBA Debt – Revolving Credit Facility

The Tennessee State School Bond Authority receives loans from the revolving credit facility to finance costs of various capital projects during the construction phase. When projects are placed in service, TSSBA issues long-term, fixed-rate debt to finance the project over its useful payback period and repays the revolving credit facility debt. The total outstanding loans from the revolving credit facility was $1,800,000.00 at June 30, 2021.

More detailed information regarding the bonds and revolving credit facility can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report is available on the state's website at https://www.comptroller.tn.gov/tssba/cafr.asp.

Refunding of Debt

On February 24, 2021, the State issued $85,369,799.00 in revenue bonds with interest rates ranging from 0.17 to 2.66 percent to advance refund $77,492,510.28 a portion of outstanding 2012-2015 Series bonds with interest rates ranging from 3.00 to 5.00 percent. The net proceeds of $85,243,839.67 (after payment of $125,959.33 in underwriter's fees and issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the bonds. As a result, portions of 2012A, 2012C, 2013A, 2014A, 2014B, and 2015B Series bonds are considered to be defeased and the refunded liability has been removed from the university's long-term liabilities; however, $29,142,038.99 of these bonds remain outstanding.

Although the advance refunding resulted in the recognition of a deferred loss of $528,556.39 to be amortized over the next 23 years, the university in effect reduced its aggregate debt service payments by $18,871,451.13 over the next 23 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $15,797,888.65.

9. Endowments

If a donor has not provided specific instructions to Middle Tennessee State University, state law permits the university to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the university is required to consider its long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The university chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the university, all interest earnings have been authorized for expenditure. At June 30, 2021, net appreciation of $8,490.86 is available to be spent, of which $15.58 is included in restricted net position, expendable for scholarships and fellowships, and $8,475.28 is included in restricted net position, expendable for loans.

10. Pledged Revenues

The university has pledged certain revenues and fees, including state appropriations, to repay $151,878,210.36, in revenue bonds issued from August 2012 to February 2021. Proceeds from the bonds provided financing for the following projects: construction of the Parking Services facility, Wood/Stegall development facility; Greek Row housing; dormitory and family housing upgrades; student health, wellness, and recreation facility upgrades; purchase of a new fleet of airplanes for the Aerospace Department; energy savings and performance contracts; parking and transportation improvements; football stadium enhancements; purchase of the Ingram Building; construction of the Student Union Building; and the construction of two parking garages. The bonds are payable through 2044. Annual principal and interest payments on the bonds are expected to require less than 4.58% of available revenues. The total principal and interest remaining to be paid on the bonds is $183,897,232.77. Principal and interest paid for the current year and total available revenues were $17,210,115.51 and $375,545,243.99 respectively. The amount of principal and interest paid for the current year does not include debt of $77,492,510.28 defeased through a bond refunding in 2021.

11. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan Description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. A new agent defined benefit retirement plan, the State and Higher

Education Employee Retirement Plan, became effective July 1, 2014 for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, Tennessee Code Annotated. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits Provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of member's highest compensation for 5 consecutive years (up to Social Security integration level)	**x**	1.50%	**x**	Years of Service Credit	**x**	105%
Plus:						
Average of member's highest compensation for 5 consecutive years (over Social Security integration level)	**x**	1.75%	**x**	Years of Service Credit	**x**	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The university's employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2021, to the Closed State and Higher Education Employee Pension Plan were $8,834,911.13 which is 20.23 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2021, the university reported a liability of $33,302,243.46 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on the proportion of the university's contributions during the year ended June 30, 2020, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2020, measurement date, the university's proportion was 2.032719 percent. The proportionate share from the prior year's measurement date of June 30, 2019 was 2.031214 percent.

Pension expense – For the year ended June 30, 2021, the university recognized a pension expense of $10,076,989.00.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2021, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 960,605.00	$ 302,537.00
Net difference between projected and actual earnings on pension plan investments	2,069,500.00	-
Changes in assumptions	-	-
Changes in proportion of Net Pension Liability	472,167.00	-
University's contributions subsequent to the measurement date of June 30, 2020	8,834,911.13	
Total	$ 12,337,183.13	$ 302,537.00

Deferred outflows of resources, resulting from the university's employer contributions of $8,834,911.13 subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2022	$	(491,298)
2023	$	970,657
2024	$	1,298,984
2025	$	1,421,390
2026	$	-
Thereafter	$	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actuarial experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents the university's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the university's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's proportionate share of the net pension liability (asset)	$73,813,532.00	$33,302,243.46	$ (862,736.00)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at www.treasury.state.tn.us/tcrs.

Payable to the Pension Plan

At June 30, 2021, the Middle Tennessee State University reported a payable of $737,247.95 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2021.

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/ Reporting-and-Investment-Policies.

Benefits provided – *Tennessee Code Annotated* Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive year average compensation by 1.0 percent multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and service credit total 80. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2nd of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary to the State and Higher Education Employee

Retirement Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2021, to the State and Higher Education Employee Retirement Plan were $394,733.24 which is 1.80 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Asset – At June 30, 2021, the university reported an asset of $588,206.81 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The university's proportion of the net pension asset was based on the proportion of the university's contributions during the year ended June 30, 2020, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2020, measurement date, the university's proportion was 1.670412 percent. The proportionate share from the prior year's measurement date of June 30, 2019 was 1.643170 percent.

Pension expense – For the year ended June 30, 2021, the Middle Tennessee State University recognized a pension expense of $316,641.00.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2021, Middle Tennessee State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,383.00	$18,584.00
Net difference between projected and actual earnings on pension plan investments	60,531.00	-
Changes in assumptions	16,416.00	-
Changes in proportion of net pension asset	18,452.00	35,986.00
Contributions subsequent to the measurement date of June 30, 2020	394,733.24	
Total	$ 531,515.24	$ 54,570.00

Deferred outflows of resources, resulting from the university's employer contributions of $394,733.24 subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2022	$ 9,581
2023	$ 17,087
2024	$ 21,202
2025	$ 24,577
2026	$ 2,627
Thereafter	$ 7,137

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension asset as of the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was using in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate – The following presents the university's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the university's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's proportionate share of the net pension liability (asset)	$567,048.00	($588,206.81)	($1,460,418.00)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2021, the university reported a payable of $31,946.64 for the outstanding amount of legally required contributions to the pension plan required for the year then ended.

Total defined benefit pension expense – The total pension expense for the year ended June 30, 2021, for all defined benefit pension plans was $10,393,630.00.

Defined Contribution Plans

Optional Retirement Plan

Plan Description – The university contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4 of the TCA. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Funding Policy – For employees employed prior to July 1, 2014, plan members are noncontributory. The university contributes 10 percent of the employee's base salary up to the social security wage base and 11 percent above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP and the university will contribute 9 percent of the employee's base salary. The required contributions made to the ORP were $9,536,678.68 for the year ended June 30, 2021, and $9,379,740.44 for the year ended June 30, 2020. Contributions met the requirements for each year.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions. Accordingly, the State of Tennessee is not acting in a trustee capacity nor does it have a fiduciary responsibility for the funds held by the investment vendors.

Payable to the Plan – At June 30, 2021, the university reported a payable of $996,348.65 for the outstanding amount of legally required contributions to the plan required for the year ended June 30, 2021.

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The university, through the state of Tennessee, provides two plans, one established pursuant to IRC, Section 457, and the other pursuant to IRC, Section 401(k). The third plan is administered by the university and was established in accordance with IRC, Section 403(b). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k), Section 403(b), and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k), 403(b), and 457 establish participation, contribution and withdrawal provisions for the plans. The university provides up to a $50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan.

Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary, with the employer contributing an additional non-matching 5% for employees who elect to be in the TCRS pension plan. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan. Employees will vest immediately to both the employee and employer contributions. During the year ended June 30, 2021, contributions totaling $5,947,205.64 were made by employees participating in the plan, with a related match of $2,154,754.14 made by the university. During the year ended June 30, 2020, contributions totaling $5,095,188.35 were made by employees participating in the plan, with a related match of $1,986,907.23 made by the university.

Payable to the Plan – At June 30, 2021 and June 30, 2020, the university reported a payable of $109,033.49 and $87,680.43, respectively, for the outstanding amount of legally required contributions to the plan for the year then ended.

12. Other Post-Employment Benefits (OPEB)

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Plan description – Employees of the university, who were hired prior to July 1, 2015 and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a cost-sharing multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan includes the primary government, the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at https://www.tn.gov/finance/rd-doa/opeb22121.html.

Benefits provided – The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard PPO plan or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees' cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent.

Contributions – Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20 percent, 30 percent, 40 percent or 100 percent of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2021 was $137.1 million. The university's share of the ADC was $3,606,692.04 During the fiscal year the university contributed $3,606,692.04 to the OPEB Trust. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Proportionate share – The university's proportion and proportionate share of the collective net OPEB liability, related to the EGOP, is 2.24% and $18,744,790.22 respectively. The proportion existing at the prior measurement date was 2.21%. This represents a change in proportion of 0.0315% between the current and prior measurement dates. The university's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2020 and measurement date of June 30, 2020.

OPEB expense – For the fiscal year ended June 30, 2021, the university recognized OPEB expense of $745,597.85.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2021, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

EGOP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ -	$ 1,832,502.25
Changes of assumptions	964,401.51	4,941,806.68
Net difference between actual and projected investment earnings	358,581.40	
Changes in proportion and differences between benefits benefits paid and proportionate share of benefits paid	2,079,848.21	3,639,412.72
Contributions subsequent to the measurement date	3,606,692.04	
Total	$ 7,009,523.16	$ 10,413,721.65

The amounts shown above for "contributions subsequent to the measurement date" will be recognized as a reduction to the collective net OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows:

Year Ended June 30:	
2022	$ 1,362,195
2023	$ 1,362,195
2024	$ 1,362,197
2025	$ 1,366,107
2026	$ 1,368,257
Thereafter	$ 189,942

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Actuarial assumptions – The collective net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	9.02% for 2021, decreasing annually to an ultimate rate of 4.50%
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Long-term expected rate of return – The long-term expected rate of return of 6 percent on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. TCA 8-27-802 establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

	Allocation Range		Target
Asset Class	Minimum	Maximum	Allocation
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best-estimates of geometric real rates of return for each major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of
U.S. equity	4.11%
Developed market international equity	5.19%
Emerging market international equity	5.29%
Private equity and strategic lending	4.11%
U.S. fixed income	0.00%
Real estate	3.72%

Discount rate – The discount rate used to measure the net OPEB liability was 6%. This is the same rate used at the prior measurement date. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the ADC rates pursuant to an actuarial valuation in accordance with the state's funding goals. Inactive plan members are assumed to contribute their share of the premium rate for the coverage option in which they are enrolled. Based on those assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the net OPEB liability.

Changes in assumptions – the excise tax was removed from the liability calculation, as of the measurement date, due to a change in federal law concerning health benefits provided to employees. Other minor changes include a change in the long term inflation rate, adjustments to the medical and drug trend rate to reflect more recent experience and a change in the expected per capita health claims. These changes combined to decrease the total OPEB liability.

Sensitivity of proportionate share of the collective net OPEB liability to changes in the discount rate – The following presents the university's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Proportionate share of the collective net OPEB liability	$20,368,890.85	$18,744,790.22	$17,211,617.85

Sensitivity of proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate – The following presents the university's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease (8.02% decreasing to 3.50%)	Healthcare Cost Trend Rates (9.02% decreasing to 4.50%)	1% Increase (10.02% decreasing to 5.50%)
Proportionate share of the collective net OPEB liability	$16,533,464.85	$18,744,790.22	$21,268,529.85

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the State of Tennessee Comprehensive Annual Financial Report found at https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html.

Closed Tennessee Plan

General information about the OPEB plan

Plan description – Employees of the university, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The primary government as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee and the institutions that make up the State University and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Insurance Plans.

Benefits provided – The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Tennessee Code Annotated (TCA) 8-27-209, benefits are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The university does not provide any subsidies for retirees in the TNP. The primary government paid $159,237.50 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the TNP OPEB liability associated with the university's employees. The primary governments proportionate share of the total OPEB liability associated with the university was $5,195,482.00. At the June 30, 2020, measurement date, the proportion of the collective total OPEB liability associated with the university was 2.52%. This represents a change of 0.08% from the prior proportion of 2.44%. The university's proportion of the collective total OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2020 and measurement date of June 30, 2020.

Actuarial assumptions – The collective total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for pre-retirement mortality and the RP-2014 Mortality Table for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 2.21 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA Index.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents primary governments proportionate share of the university's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate. The university does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Primary government's share of the collective total OPEB liability	$5,926,564	$5,195,482	$4,585,813

OPEB expense – For the fiscal year ended June 30, 2021, the primary government recognized OPEB expense of $302,016.00 for employees of the university participating in the TNP.

Total OPEB Expense **–** The total OPEB expense for the year ended June 30, 2021, was $1,047,613.85, which consisted of OPEB expense of $745,597.85 for the EGOP and $302,016.00 paid by the primary government for the TNP.

13. Revenues

A summary of adjustments and allowances by revenue classification is presented as follows:

Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating Revenues:				
Tuition and fees	$205,727,150.24	$ (67,663,381.88)	$ (338,768.64)	$137,724,999.72
Non-government grants and contracts	668,116.88		(47,423.52)	620,693.36
Sales and services of educational activities	626,628.61		234.00	626,862.61
Sales and services of other activities	14,930,527.74		(6,585.11)	14,923,942.63
Residential life	10,066,793.74	(3,332,676.18)	(24,982.64)	6,709,134.92
Wellness facility	2,516,073.40	(828,859.55)		1,687,213.85
Other auxiliaries	10,048,816.60		37,107.09	10,085,923.69
Interest earned on loans to students	72,760.94		18,898.06	91,659.00
Total	$244,656,868.15	$ (71,824,917.61)	$ (361,520.76)	$172,470,429.78

14. Chairs of Excellence

Middle Tennessee State University had $48,497,635.29 on deposit at June 30, 2021, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in these financial statements.

15. Insurance-Related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300,000 per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

The university participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on a percentage of the university's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claim's liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2021 is presented in the Tennessee Comprehensive Annual Financial Report. The CAFR is available on the state's website at http://www.tn.gov/finance/fa/fa-accounting-financial/fa-accfin-cafr.html. Since the university participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Tennessee Code Annotated, Section 9-8-101 et seq. Liability for negligence of the university for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Tennessee Code Annotated, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. The amount of cash and cash equivalents designated for payment of claims held by the Risk Management Fund at June 30, 2021, was not available.

At June 30, 2021, the scheduled coverage for the university was $1,537,260,313.00 for buildings and $456,672,849.00 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

16. Commitments and Contingencies

Sick Leave – The university records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $77,701,342.52 at June 30, 2021.

Operating Leases – The university has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real and personal property were $285,647.39 and 449.31 respectively for the year ended June 30, 2021. All operating leases are cancelable at the lessee's option.

Construction in Progress – At June 30, 2021, outstanding commitments under construction contracts totaled $41,222,151.38 for major projects including Murphy Center Curtain wall replacement; Woodmore Electrical upgrade; Concrete and Construction Management Facility; Parking Services Facility; Academic Classroom Building; Americans with Disabilities Adaptations; Center for Popular Music Renovations; Municipal Airport Study; Alumni Memorial Gym floor replacement; Miller Education Center boiler replacement; University Center and Miller Education Center re-roof; Maintenance Complex re-roof; Kirksey Old Main Building mechanical system replacement; Stark Agriculture Center and Police Station mechanical and HVAC updates; Keathley University Center Mechanical and HVAC updates; Floyd Stadium elevator repair; Floyd Stadium stair replacement; Softball Facility bleacher replacement; Greek Row House Five renovation; Central Plant control updates; Data and Communication Center system updates; smoke evacuation systems repair; water and sewer system update; several buildings exterior repairs; alarm system updates; elevator modernization; stormwater system improvements; piping and manhole replacement; roof replacements; and consultant fees of which $34,571,556.50 will be funded by future state capital outlay appropriations.

Litigation – The university is involved in three lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

17. Natural Classifications with Functional Classifications

The university's operating expenses by functional classification for the year ended June 30, 2021, are as follows:

Functional Classification	Natural Classification					
	Salaries	Benefits	Operating	Scholarships	Depreciation	Total
Instruction	$104,259,916.35	$35,452,853.92	$22,558,783.86	$ -	$ -	$162,271,554.13
Research	5,272,129.21	1,500,123.51	2,257,813.11	-	-	9,030,065.83
Public Service	4,616,317.18	1,422,221.53	4,695,051.23	-	-	10,733,589.94
Academic Support	23,243,372.05	8,738,864.15	189,411.26	-	-	32,171,647.46
Student Services	18,536,970.58	6,395,617.21	15,988,611.07	-	-	40,921,198.86
Institutional Support	13,175,441.63	5,237,075.36	7,253,629.14	-	-	25,666,146.13
M & O	8,777,790.70	3,812,789.32	16,691,368.56	-	-	29,281,948.58
Scholarships and Fellowships	-	-	-	42,703,063.04	-	42,703,063.04
Auxiliaries	6,069,853.93	1,978,519.25	8,187,123.32	-	-	16,235,496.50
Depreciation	-	-	-	-	23,041,940.83	23,041,940.83
Total Expenses	$183,951,791.63	$64,538,064.25	$77,821,791.55	$42,703,063.04	$23,041,940.83	$392,056,651.30

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling $14,671,624.98 were reallocated from academic support to the other functional areas.

18. On-Behalf Payments

During the year ended June 30, 2021, the State of Tennessee made payments of $159,237.50 on behalf of the university for retirees participating in the Closed Tennessee OPEB Plan and the Closed Employee Group OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 12.

19. Component Unit

The Middle Tennessee State University Foundation is a legally separate, tax-exempt organization supporting Middle Tennessee State University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the university in support of its programs. The 36-member board of the Foundation is self-perpetuating and consists of graduates and friends of the university. Although Middle Tennessee State University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the university, the Foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2021, the Foundation made distributions of $7,116,845.55 to or on behalf of Middle Tennessee State University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Joe Bales, Vice President for University Advancement, MTSU, 1301 East Main Street, Murfreesboro, TN 37132.

The Foundation is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those of GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the university's financial report for these differences.

Fair Value Measurements

The Foundation reports certain assets at fair value. Fair value has been determined using quoted prices in active markets for identical assets that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following table categorizes the recurring fair value measurements for these assets at June 30, 2021:

	Total Fair Value at June 30, 2020	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Unobservable Inputs: Level 3
Assets:				
Cash equivalents	$1,537,081.71	$ -	$1,537,081.71	$ -
U.S. treasury	1,695,019.05	1,695,019.05	-	-
Corporate stocks	1,094,909.29	1,094,909.29	-	-
Domestic bonds	2,664,956.50	-	2,664,956.50	-
Euro & Int'l fixed income bonds	1,183,623.75	-	1,183,623.75	-
Government agencies	1,130,038.25	-	1,130,038.25	-
Real assets	3,873,818.82	-	-	3,873,818.82
Municipal Bonds	102,055.00	-	102,055.00	-
Mutual Funds	3,559,887.42	3,559,887.42		
Equity funds	37,682,601.29	-	33,368,227.53	4,314,373.76
Private equity	10,112,559.17	14,392.53	-	10,098,166.64
Exchange-traded products	1,083,400.87	1,083,400.87	-	-
Cash surrender value of life insurance	589,779.34	-	589,779.34	-
Alternative investments	29,407,177.66	-	-	29,407,177.66
Pledges receivable	2,467,461.80	-	-	2,467,461.80
Total Assets	$98,184,369.92	$7,447,609.16	$40,575,762.08	$50,160,998.68

The following table reconciles beginning and ending balances of all assets valued using Level 3 inputs:

	Beginning Balance	Total Gains/Losses, Realized & Unrealized	Purchases	Transfers In/Out of Level 3	Ending Balance
Assets:					
Alternative investments	$27,928,050.00	$ 5,964,555.25	$ -	$ (4,485,427.59)	$29,407,177.66
Real Assets	2,826,386.01	415,613.21	-	631,819.60	3,873,818.82
Private Equity	5,235,740.75	3,556,570.83	-	1,305,855.06	10,098,166.64
Equity Funds	4,673,226.00	1,740,409.16	-	(2,099,261.40)	4,314,373.76
Pledges receivable	3,988,824.46	(1,521,362.66)	-	-	2,467,461.80
Total Assets	$44,652,227.22	$ 10,155,785.79	$ -	$ (4,647,014.33)	$50,160,998.68

Alternative Investments – The total amount in this category is $29,407,177.66. Of this amount, $14,201,732.44 is in a private investment fund with a diversified group of managers that attempt to minimize market risk through a hedged approach or through the use of other various strategies, including distressed debt, insurance linked securities, energy/commodities, closed end funds, convertible arbitrage, and statistical arbitrage; $14,300,740.24 is in a private investment fund with a diversified group of long and short equity funds that attempt to minimize market risk through a hedged approach; $72,346.33 is in a private investment fund which invest in insurance linked assets and securities that carry exposure to insurance risk diversified by type and by geography; and $832,358.65 is in a private investment fund partnership which mainly invests in managed vehicles in stressed or distressed debt securities.

Real Assets – The $3,873,818.82 in this category is invested in private investment funds primarily in real assets including energy, infrastructure, residential real estate and commercial real estate.

Private Equity – The $10,098,166.64 in this category is invested in private investment funds primarily in the debt and/or equity of private companies.

Equity Funds – The total amount in this category is $4,314,373.76 which includes investments in private investment funds primarily in long equities and equity-like instruments.

All gains and losses, both realized and unrealized, have been reported on the Statement of Revenues, Expenses, and Changes in Net Position as investment income. Of this total, $20,823,228.69 is attributable to the change in unrealized gains or losses relating to those assets still held at June 30, 2021.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, a State of Tennessee Local Government Investment Pool account administered by the state treasurer, and money market funds. Uninsured bank balances at June 30, 2021 totaled $13,153,595.37.

Investments

Investments are recorded on the date of acquisition and are stated at market value. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year. Investment securities held at year-end were as follows:

	Cost	Fair Value
U.S. Treasury	$ 1,688,646.87	$ 1,695,019.05
Corporate stocks	802,378.17	1,094,909.29
Domestic Bonds	2,665,306.00	2,664,956.50
Euro & Intl Fixed Income Bonds	1,171,436.75	1,183,623.75
Government Agencies	1,119,396.68	1,130,038.25
Real Assets	3,308,354.00	3,873,818.82
Municipal Bonds	100,000.00	102,055.00
Mutual Funds	3,601,942.80	3,559,887.42
Equity funds	16,136,110.00	37,682,601.29
Private Equity	6,089,982.83	10,112,559.17
Exchange-Traded Products	942,451.78	1,083,400.87
Cash surrender value of life insurance	N/A	589,779.34
Alternative investments	16,790,515.00	29,407,177.66
Total investments	$ 54,416,520.88	$ 94,179,826.41

Investment Return – The following schedule summarizes the total investment return and its classification in the foundation's statement of revenues, expenses, and changes in net position.

Dividends and interest (net of expenses of ($646,903.65)	$ (339,338.28)
Net realized and unrealized gain/losses	22,694,305.20
Total return on investments	22,354,966.92
Endowment income per spending plan	(2,692,492.85)
Investment return reduced by the portion of cummulative net appreciation designated for current operations	$ 19,662,474.07

Operating Return – The board of trustees designates only a portion of the Foundation's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool is used to support current operations.

Alternative Investments – The Foundation has investments in offshore hedge fund-of-funds. The estimated fair value of these assets is $29,407,177.66 at June 30, 2021.

The Foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2021. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. These investments are made in accordance with the Foundation's investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques. Each offshore hedge fund-of-funds owned by the Foundation has an annual independent CPA firm audit. Hedge fund values are determined by using monthly reports received directly from the hedge fund-of-funds managers, as well as from the Foundation's registered investment advisors and/or investment custodian.

Pledges Receivable

Pledges receivable at June 30, 2021, are summarized below:

Current pledges	$ 1,116,869.21
Pledges due in one to five years	1,309,729.04
Pledges due after five years	56,374.84
Subtotal	2,482,973.09
Less discount to net present value	(15,511.29)
Total pledges receivable, net	$ 2,467,461.80

Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise the following:

Cash and cash equivalents	$ 5,438,849.00
Endowment spending-rate distribution and appropriations	3,465,794.00
Total available for general expenditure within one year	$ 8,904,643.00

The Foundation's endowment funds consist of donor-restricted endowments and quasi-endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The quasi-endowment has a spending rate of 8.5 percent. Twenty seven thousand from the quasi-endowment will be available within the next 12 months.

The Foundation does not have a liquidity management plan.

Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 2,429,541.63	$ -	$ 171,676.18	$ 2,257,865.45
Improvements and infrastructure	1,009,439.46		-	1,009,439.46
Buildings	20,253,393.79		-	20,253,393.79
Intangible assets	-	-	-	-
Equipment	5,976.12	75,315.00	75,315.00	5,976.12
Total	23,698,351.00	75,315.00	246,991.18	23,526,674.82
Less accumulated depreciation:				
Improvements and infrastructure	739,333.52	50,471.98	-	789,805.50
Buildings	7,920,559.35	306,662.07	-	8,227,221.42
Equipment	5,976.12	-	-	5,976.12
Total	8,665,868.99	357,134.05	-	9,023,003.04
Capital assets, net	$ 15,032,482.01	$ (281,819.05)	$ 246,991.18	$ 14,503,671.78

Endowments

The Foundation's endowment consists of 751 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee, and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Foundation's Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to nets assets without donor restrictions. The Foundation's Board has interpreted the Act as requiring the preservation of the fair value of the original gift, as of the gift date, of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to funds and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted the Act to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the fund; 2) the purposes of the foundation and the donor-restricted endowment fund; 3) general economic conditions; 4) the possible effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the foundation; and 7) the investment policies of the foundation.

Endowment Net Assets Composition by Type of Fund
as of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$845,119.57	$ -	$ 845,119.57
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	58,979,808.29	58,979,808.29
Accumulated investment gains	-	29,876,850.65	29,876,850.65
Total funds	$845,119.57	$88,856,658.94	$89,701,778.51

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$663,677.57	$67,126,772.38	$67,790,449.95
Investment return, net	215,355.52	22,074,500.42	22,289,855.94
Contributions	-	2,363,135.45	2,363,135.45
Appropriated for expenditure	(27,276.75)	(2,681,041.94)	(2,708,318.69)
Other changes:			
Expenses	(6,636.77)	(667,908.49)	(674,545.26)
Transfers	-	641,201.12	641,201.12
Endowment net assets, end of year	$845,119.57	$88,856,658.94	$89,701,778.51

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historical dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that provide for adequate long-term purchasing power preservation, as well as current scholarship and other institutional support as appropriate. The Foundation expects its endowment funds, over time, to provide an average total rate of return of approximately 7.5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

Spending Policy and How the Investment Objectives Relate – The Foundation has a policy of appropriating for distribution each year 4 percent of the three-year rolling average total fair market value of the endowment. Payout policy is determined by the Foundation year-to-year, and in a year of significantly declining investment values, the board may choose to not make an annual payout to preserve the future purchasing and payout power of the endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2.5 percent annually. This is consistent with the Foundation's objective to maintain the historical dollar value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Natural Classifications with Functional Classifications

The Foundation's operating expenses by functional classification for the year ended June 30,2021, are as follows:

	Natural Classification						
Functional Classification	Salaries	Benefits	Other Operating	Scholarship	Depreciation	Payments to or on behalf of Institution	Total
Program Services			1,348,801.18	2,248,053.73	335,543.65		3,932,398.56
Support activities	1,373,615.58	473,169.41	79,289.30		21,590.40		1,947,664.69
Payment to university						7,116,845.55	7,116,845.55
Total Expenses	$ 1,373,615.58	$ 473,169.41	$ 1,428,090.48	$ 2,248,053.73	$ 357,134.05	$ 7,116,845.55	$ 12,996,908.80

Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas.

Support from Middle Tennessee State University

During fiscal year 2021, the university paid certain payroll costs amounting to $1,846,784.99 for university personnel who also performed services supporting the Foundation. These support costs paid by the university are reflected in the Statement of Revenues, Expenses, and Changes in Net Position as university support, with a like amount included in expenses. Middle Tennessee State University provides office space and the use of certain common facilities and services to the Foundation at no cost. These costs have not been recorded as university support because they are not considered to be significant to the operations of the Foundation.

MIDDLE TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of University's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the total Pension Liability
2020	2.032719%	$ 33,302,243.46	$ 44,994,511.07	74.01%	90.58%
2019	2.031214%	28,684,093.82	45,798,062.00	62.63%	91.67%
2018	1.984443%	32,056,933.16	45,927,946.99	69.80%	90.26%
2017	1.941574%	34,746,404.00	46,608,015.18	74.55%	88.88%
2016	1.980400%	36,132,902.28	48,351,944.00	74.73%	87.96%
2015	1.904642%	24,556,209.88	49,745,361.75	49.36%	91.26%
2014	1.868875%	12,894,279.00	51,118,689.00	25.22%	95.11%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

(2) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

MIDDLE TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of University's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

	Proportion of the Net Pension Asset	Proportionate Share of the Net Pension Asset	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
2020	1.670412%	$ 588,206.81	$ 19,121,642.52	3.08%	112.90%
2019	1.643170%	681,546.64	15,414,650.00	4.42%	122.36%
2018	1.679749%	647,931.71	12,321,619.45	5.26%	132.39%
2017	1.494041%	309,841.47	7,853,300.00	3.95%	131.51%
2016	1.580760%	133,171.45	4,876,823.00	2.73%	130.56%
2015	1.907390%	53,044.15	2,077,083.91	2.55%	142.55%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

(2) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

MIDDLE TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of University's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 8,834,911.13	$ 8,834,911.13	-	$43,672,326.40	20.23%
2020	8,845,922.36	8,845,922.36	-	44,994,511.07	19.66%
2019	8,806,967.34	8,806,967.34	-	45,798,062.54	19.23%
2018	8,665,375.84	8,665,375.84	-	45,927,946.99	18.87%
2017	7,000,532.49	7,000,532.49	-	46,608,015.18	15.02%
2016	7,268,067.60	7,268,067.60	-	48,351,944.00	15.03%
2015	7,475,084.12	7,475,084.12	-	49,745,361.75	15.03%
2014	7,681,000.00	7,681,000.00	-	51,118,689.00	15.03%
2013	7,398,445.45	7,398,445.45	-	49,224,520.63	15.03%
2012	7,481,791.25	7,481,791.25	-	50,179,686.45	14.91%

(1) To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

(2) In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased the salary growth graded ranges from an average of 4.25% to an average of 4.00%.

MIDDLE TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of University's Contributions
State and Higher Education Employee Retirement Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$394,733.24	$ 394,733.24	-	$21,930,321.98	1.80%
2020	330,785.17	330,785.17	-	19,121,642.52	1.73%
2019	255,871.00	255,871.00	-	15,414,650.00	1.66%
2018	481,460.24	481,460.24	-	12,321,619.45	3.91%
2017	305,514.02	305,514.02	-	7,853,299.59	3.89%
2016	188,480.00	188,480.00	-	4,876,823.00	3.86%
2015	80,383.18	80,383.18	-	2,077,083.91	3.87%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

(2) In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased the salary growth graded ranges from an average of 4.25% to an average of 4.00%.

MIDDLE TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of the University's Proportionate Share
of the Collective Total OPEB Liability
State Employee Group OPEB Plan

	2021	2020	2019	2018
University's proportion of the collective total OPEB liability	2.24%	2.21%	2.29%	2.08%
University's proportionate share of the collective total OPEB liability	$ 18,744,789.85	$ 21,021,360.00	$ 31,779,804.00	$ 27,887,848.00
University's covered-employee payroll	$ 79,838,513.46	$ 85,957,765.08	$ 86,772,700.55	$ 90,829,555.41
University's proportionate share of the collective total OPEB liability as a percentage of it's covered payroll	23.48%	24.46%	36.62%	30.70%
OPEB plans fiduciary net position as a percentage of the total OPEB liability	25.20%	18.30%		

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

(2) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

(3) During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. This change would be reflected in the June 30, 2020 reporting period due to the one year lookback on OPEB measurement.

(4) The OPEB liability measured as of June 30, 2019 was measured with a 6% discount rate. This was a significant increase from the rate used in prior years and was due to the OPEB plans transition from pay-as-you-go funding to a prefunding arrangement through a qualifying trust.

MIDDLE TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of University's Contributions to State of Tennessee
Postemployment Benefits Trust
Closed State Employee Group OPEB Plan

	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2021	$3,606,692.00	$ 3,606,692.00	$ -	$ 74,711,019.40	4.83%
2020	3,445,834.63	3,445,834.63	-	79,838,513.46	4.01%
2019	2,815,390.00	2,815,390.37	(0.37)	85,957,765.08	3.24%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

(2) Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

MIDDLE TENNESSEE STATE UNIVERSITY
Required Supplementary Information
Schedule of the University's Proportionate Share
of the Collective Total OPEB Liability
Closed Tennessee OPEB Plan

	2021	2020	2019	2018
University's proportion of the collective total OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%
Primary government's share of the collective total OPEB liability related to university	$ 5,195,482.00	$ 4,276,086.00	$ 4,446,595.00	$ 4,260,124.00
University's covered-employee payroll	$ 95,693,049.85	$ 97,640,089.59	$ 98,646,207.82	$ 103,609,991.71
Primary government's share of the collective total OPEB liability related to institution as a percentage of covered-employee payroll	5.43%	4.38%	4.51%	4.11%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is

(2) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

(3) There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.

Middle Tennessee State University
Supplementary Information
Supplementary Schedule of Cash Flows - Component Unit
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Gifts and contributions	$ 8,680,575.40
Payments to suppliers and vendors	(939,688.57)
Payments for scholarships and fellowships	(2,248,053.73)
Payments to MTSU	(5,246,220.46)
Other receipts	16,966.97
Net cash provided by operating activities	263,579.61
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Private gifts for endowment purposes	2,350,572.97
Net cash provided by non-capital financing activities	2,350,572.97
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	168,563.00
Purchase of capital assets and construction	(75,315.00)
Net cash provided by capital and related financing activities	93,248.00
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	14,296,428.22
Income on investments	307,973.29
Purchase of investments	(12,851,590.05)
Other investing payments	(66,111.04)
Net cash provided by investing activities	1,686,700.42
Net increase in cash and cash equivalents	4,394,101.00
Cash and cash equivalents - beginning of year	15,521,747.67
Cash and cash equivalents - end of year (Note 19)	$ 19,915,848.67

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (2,678,357.90)
Adjustments to reconcile operating loss to net cash provided by operating expenses:	
Noncash operating expenses	2,203,919.04
Endowment income per spending plan	(2,692,492.85)
Change in assets, liabilities, and deferrals:	
Receivables, net	1,531,200.14
Prepaid items	(4,724.75)
Accounts payable	(1,363.32)
Other	1,905,399.25
Net cash provided by operating activities	$ 263,579.61

Non-cash investing, capital, and financing transactions	
Unrealized gains on investments	20,823,228.69
Transfer of capital asset to institution	(75,315.00)

The notes to the financial statements are integral part of this statement.