MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Listing of Mailout Material
October 21, 2020

- Forwarding Letter
- Meeting Agenda

I. *Review and approve minutes of the meeting of September 16, 2020*
- Minutes of September 16, 2020

II. *FY2020 Audit Results*
- FY2020 Audit Communications Letter
- FY2020 Audit Financial Statements

III. *Policy Updates*
- Standing Rules of Operation 2020 (Section 300)

IV. *Old Business*
- University of St. Thomas Series 2019 Financing Update

V. *New Business*
- College/University Presidents Update

VI. *Other Business*
- Executive Director Report Memo
- September 2020 Budget vs Actual

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

380 JACKSON STREET, SUITE 450, ST. PAUL, MN 55101

Main Phone: 651.296.4690 Fax: 651.297.5751

Date: 14 October 2020

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: October 2020 Authority Board Meeting Preview

Greetings to the Minnesota Higher Education Facilities Authority October 21, 2020 video and teleconference Board meeting. The October 2020 Board meeting will focus on the Fiscal Year 2020 Audit, with a presentation by our Audit partner from BerganKDV.

We will discuss some administrative policy matters and update you on borrower activity, including an upcoming financing.

The Municipal Advisor Request for Qualifications / Request for Proposal has been posted and distributed to potential providers. The selection process is planned for completion by the end of December 2020.

We continue to work from home according to Executive Order issued by the Governor and endorsed by MMB, with occasional visits to the office.

We look forward to your participation by video conferencing or telephone for the meeting.

MINNESOTA
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FACILITIES AUTHORITY

Board Meeting Agenda

Wednesday, October 21, 2020
2:00 PM

Meeting to be held via electronic means due to pandemic emergency social distancing.

The public should utilize the call-in information provided below.

Individuals may request reasonable accommodation or modifications in order to participate in Authority programs by contacting the Authority at least 48 hours in advance of the event.

I. Review and approve minutes of the meeting of September 16, 2020

II. Review and consider acceptance of the Financial Audit Report for Fiscal Year 2020 as presented by auditors of BerganKDV

III. Policy Updates

IV. Old Business
- Update on status of Municipal Advisor RFP
- University of St. Thomas Series 2019 Financing Update

V. New Business
- Postal Service Delivery Options
- Conference Discussion – Timing, Location/Virtual, 50th Anniversary Ideas
- College/University Presidents Update

VI. Other Business
- Executive Director's Report

Meeting to be conducted via Zoom – Board Members will receive a link to join the meeting

General Public may attend via call-in number: 312-626-6799 Meeting ID: 849 4958 9532 Passcode: 210892

The Minnesota Higher Education Facilities Authority (the "Authority" or "MHEFA") convened a regular Board meeting at 2:00 PM CDT, Wednesday, September 16, 2020, in the Authority's Conference Room, 380 Jackson Street, Suite 450, Saint Paul, Minnesota.

Following Emergency Executive Order 20-01, dated March 13, 2020, Declaration of Peacetime Emergency by Governor Walz; Emergency Executive Order 20-20, dated March 25, 2020; and Emergency Executive Order 20-33, dated April 8, 2020 (the foregoing and other Emergency Executive Orders of the Governor relating to COVID-19, as may be amended or superseded, collectively, the "Emergency Orders"), members of the Authority participated in and attend the meeting by telephone or other electronic means in accordance with Minnesota Statutes, Section 13D.021.

Authority Chair Ranum determined that an in-person meeting at the regular meeting location for the Authority, 380 Jackson Street, Suite 450, Saint Paul, Minnesota 55101, is not practical or prudent because of the health pandemic declared under the Emergency Orders and according to current guidance from the Minnesota Department of Health, the Centers for Disease Control and Prevention, and the U.S. Department of Homeland Security.

The chief administrative officer of the Authority, Executive Director Barry W. Fick, was physically present at the Authority's offices, 380 Jackson Street, Suite 450, Saint Paul, Minnesota 55101.

Members of the public who plan to be present at the public hearing at the Authority's offices in person will be required to observe social distancing and comply with other measures imposed by the Emergency Orders.

The public were able to monitor the meeting by calling (toll free) 888-742-5095; Pass Code: 582 273 6685#.

Board members participated in the meeting using a Zoom video link. The meeting link was sent to Board members prior to the meeting. The use of Zoom as an allowable way to hold the Board meeting was confirmed by the State of Minnesota's Data Practices Office staff prior to the meeting, following Minnesota Statute 13D.021.

Executive Summary – Minnesota Higher Education Facilities Authority

Meeting on September 16, 2020

Board Actions Taken:

Motions:	Result:	Vote:
Approval of Meeting Minutes of July 15, 2020	Passed	Unanimous

Resolutions	Result:	Vote:
None Considered		

The official meeting began with a roll call to determine who was attending the meeting. The following board members or their designees were participating and attending by Zoom link or telephone:

Board Members: Gary Benson
Michael Ranum
David Rowland
Nancy Sampair
Ray Vin Zant
Stacey Holland, Minnesota Private College Council, ex officio without vote

Absent: Mary Ives
Mark Misukanis
Bonnie Anderson Rons
Poawit Yang

Other Attendees: None

Also Present: Barry W. Fick (in-person) Executive Director MHEFA
Amanda Lee, Operations Manager, MHEFA

All participants except Executive Director Fick attended the meeting by Zoom video link or telephone.

Mike Ranum, Chair, called the meeting order at 2:00 pm CDT. Executive Director Fick confirmed that a quorum was present.

Agenda Item I – Minutes of the July 15, 2020 Board meeting.

The first item on the Agenda is the review and consideration of the minutes of the July 15, 2020 Authority Board meeting. A motion was made by Ray Vin Zant to approve the July 15, 2020 minutes. The motion was seconded by Gary Benson. Chair Ranum asked if there were any questions, discussion, or changes to the minutes of the July 15, 2020 Board meeting.

Nancy Sampair noted a spelling error on page nine. Spelling of "through" should be changed to "thorough". There were no other questions or proposed changes to the minutes from the Board members.

Chair Ranum called for a Roll Call vote regarding the approval of the minutes. A Roll Call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Michael Ranum	Yes
	David Rowland	Yes
	Nancy Sampair	Yes
	Ray Vin Zant	Yes

There were no votes against the motion and the Minutes of the July 15, 2020 Authority Board meeting were approved.

Agenda Item II – Municipal Advisor Request for Proposal

The Authority believes it would be prudent to conduct a Request for Proposal process to expand the Authority's Municipal Advisor representation to include a number of firms. This would follow the current system of Bond Counsel by the Authority. Having a roster of firms to use as the Authority's Municipal Advisor would reduce the possibility of a conflict of interest by an advisor and provide additional options for both the Authority and the advisors on the roster.

A Near Final DRAFT Municipal Advisor Request for Proposal (RFP) was distributed by a separate email to Board members prior to the meeting. Authority staff encourages Board members to read the Near Final DRAFT RFP and submit suggestions to staff for edits to the RFP. The RFP will be distributed widely, including publication in a national RFP database (no cost to post). The tentative date for distribution of the RFP is September 30, 2020. It is expected that the selection of the MA roster will be ready for approval by the Board at the November 2020 Board meeting.

Mr. Fick noted that the changes to the Near Final DRAFT RFP were minimal, consisting largely of clarifications and added specificity relate to the scope of services. The Near Final DRAFT includes a schedule. It notes that interviews will be conducted by Zoom and there will not be in-person interviews.

Board members will receive a summary comparison matrix of the Proposals received and my request full proposals for their review. If any Board member would like to participate in the interview process, they are welcome to participate.

Nancy Sampair suggested a change to the time schedule that would allow additional time for Staff to prepare responses to proposer questions. Gary Benson asked if staff anticipated interviewing all responding firms.

Agenda Item III – Authority Policy Update & Reporting

Authority staff have been working on policy updates for presentation to the Board. One goal of the review is to consolidate duplicative policies, clarify uncertainty and make policy review more efficient. This month, staff presented an updated section of the Standing Rules of Operation for Board consideration. Operations Manager Amanda Lee was asked by Chair Ranum to outline the changes to the Standing Rules of Operation. Revised policy language was discussed and updates to the policy to reflect current operating procedures were outlined for the Board. Upon completion of the review Ms. Lee and Chair Ranum asked if Board members had questions or comments. Board members had no questions, but expressed appreciation for the work on the Standing Rules of Operation and indicated broad agreement with the updated material.

The Board was asked if they wished to approve the updated policy manual in pieces or if they wished to wait until they completed their review of all policies to be updated and approve the policies in total. Board members expressed a strong consensus to defer approval of the updated policy manual until all sections have been reviewed by the Board. Additional sections will be updated and presented at future board meetings. No action was taken regarding the updated Standing Rules of Operation.

Chair Ranum excused himself from the meeting at 2:36 pm to attend a prior scheduled engagement. Secretary Gary Benson took over Chair duties of the September 2020 MHEFA Board meeting.

Agenda Item IV – Old Business

Secretary Benson asked if there was any Old Business for consideration by the Board. Mr. Fick noted that as was discussed at the two prior meetings, the current interest rate paid by commercial banks on Certificates of Deposit is substantially lower than the rate received in the past two years. Extensive review by Authority staff looking at investment alternatives has revealed that there are few options for investments which provide a higher rate of return while maintaining safety of principal and administrative cost effectiveness. Especially at current low market rates, the cost of using more than one commercial bank for investments is not cost effective.

The Authority therefore recommends no change to current investment strategy as the most prudent option for Authority investments. Board member Rowland noted that he works with the short-term investment portfolio for a large insurance conglomerate and their experience is similar to what the Authority found.

Operations Manager Amanda Lee provided an update on the new telecommunications system. She noted that hardware has been ordered, existing phone numbers will be ported to the new provider by the end of September and the Authority should be fully converted to Voice Over Internet Protocol (VOIP) by the end of the month. The new phone system will enhance flexibility and provide options for greater connection by staff as they may access phones from virtually anywhere, enhancing efficiency and reducing the chance of missing a call.

Executive Director Fick reported that we have received bids for new laptops. Staff is evaluating the bids to see if it would be more cost effective to purchase computer equipment directly rather than through our computer services provider. This analysis process is expected to be completed by early October, when new computers will be ordered, delivered, and then configured by DTS for staff use.

There were no other old business items from staff or Board members.

Agenda Item V – New Business

Secretary Benson asked Mr. Fick to update the Board on any new business. Mr. Fick indicated there was no new business from his perspective, but Operations Manager Lee has an update on the FY2020 Financial Audit of the Authority.

Ms. Lee informed the Board that the audit was conducted completely over email and phone. The audit was scheduled for August 24-25, however due to another client's internet problems, the audit was moved up to August 17th with the Authority's permission. The Authority was able to accommodate this request as all documentation had already been provided to the auditors through Suralink, the file sharing software used by BerganKDV. The audit took place primarily on August 17th, with additional audit work being completed as time allowed over the following two weeks.

Mr. Benson asked if there were any New Business items from Board members for discussion. There were no New Business items from Board members for discussion.

Agenda Item VI – Other Business

Secretary Benson called upon Executive Director Fick to discuss Other Business. Mr. Fick presented his Executive Director's report. It included the following items regarding staff and Authority activity and events and personnel changes at the schools.

We continue to function in accord with State of Minnesota "if you can work from home you must work from home" mandate. We make separate occasional visits to the office, including for the September 16, 2020 Board Meeting. This is the first meeting conducted using the Zoom video conferencing, in addition to the regular conference call number. We would appreciate your feedback on how the Zoom access works for you and if you have additional thoughts, please share them with us so we can improve future meetings

There continues to be changes to management at a number of schools, including:

- Carleton's president will retire in July 2021, take a one-year sabbatical, and return to Carleton as a Political Science professor
- MCAD's CFO is moving to Los Angeles to be the CFO at the Museum of Contemporary Art Los Angeles – an interim CFO has been appointed

The Governor's office has requested that Board members provide a signed Oath of Office. This form typically is sent to Board members after their appointment or reappointment to the Board. Amanda will be sending you the form to sign and coordinating getting the form back to the Governor's office.

We would like to begin the process of thinking about 2021 and options for the 50th anniversary of the Authority. We plan for a Debt Conference in 2021, to be held as a virtual conference if necessary.

That concluded Mr. Fick's Executive Director's report for September 2020.

At the conclusion of the Executive Directors report, Secretary Benson entertained a motion to adjourn the general meeting. A motion to adjourn as made by Nancy Sampair and seconded by David Rowland.

The Board then voted by voice vote to adjourn at 3:15 pm, CDT.

Respectfully submitted,

____

Assistant Secretary

bergankdv

Minnesota Higher Education
Facilities Authority
St. Paul, Minnesota

Communications Letter

June 30, 2020

Minnesota Higher Education Facilities Authority
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Report on Matters Identified as a Result of the Audit of the Financial Statements

To the Executive Director,
Members of the Minnesota Higher
Education Facilities Authority, and Management
St. Paul, Minnesota

In planning and performing our audit of the financial statements of the Minnesota Higher Education Facilities Authority, St. Paul, Minnesota, as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated October 5, 2020, on such statements.

This communication is intended solely for the information and use of the Authority, Management, others within the Authority, and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation for the cooperation extended to us during our audit by the employees of the Authority.

Bergan KDV Ltd.

Minneapolis, Minnesota
October 5, 2020

Minnesota Higher Education Facilities Authority
Significant Deficiency

Lack of Segregation of Accounting Duties

During the year ended June 30, 2020, the Authority had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the Authority's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Adequate segregation exists when the following components of a transaction are separated: authorization, custody of the related asset, recording, and reconciliation. With a two person office, overlap occurs among the four components.

Management and the Members of the Authority are aware of this condition and have taken certain steps to compensate for the lack of segregation, including detailed activity review by the Executive Director and significant oversight by the Members of the Authority. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Because of this, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the Members of the Authority, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Minnesota Higher Education Facilities Authority
Required Communication

We have audited the financial statements of the Authority as of and for the year ended June 30, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit
As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audited financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit
We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence
The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Minnesota Higher Education Facilities Authority
Required Communication

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies
Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

> Depreciation – The Authority is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.
>
> Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plan using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures
Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit
We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements
For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

Uncorrected and Corrected Misstatements (Continued)
Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management
We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues
In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the Authority, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditor.

Other Information in Documents Containing Audited Financial Statements
We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Minnesota Higher Education Facilities Authority
Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the Authority for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

Authority Operations
The revenues of the Authority consist principally of annual administrative fees paid by the participating institutions.

Fee revenues amounted to $412,781 for 2020, as compared to $433,667 in 2019, a decrease of $20,886, or 4.8%. Fee revenue is charged based on outstanding debt at the anniversary date of issuance. For the year ended June 30, 2020, the Authority required participating institutions to pay 35% of the contractual administrative fees, which is the same percentage as the year ended June 30, 2019.

Authority operating expenses increased from 2019 to 2020 by $157,352, or approximately 46.9%, during the year, primarily due to an increase in the recognized pension expense, an increase in legal counsel related to lobbying at the State Capitol to expand services, and the redesign of the Authority's website in fiscal year 2020

Nonoperating revenues, which are comprised of interest revenue and changes in fair value of investments, increased from 2019 to 2020 by $15,876. The Authority's investments experienced an increase in fair market value in 2020.

The Authority posted an operating loss of $76,264 in 2020. After accounting for nonoperating revenues of $88,103, total net position increased by $11,839. Operating results for the past five years are as follows:

For the Year Ended June 30,	2016	2017	2018	2019	2020
Operating revenues	$ 327,787	$ 422,264	$ 411,105	$ 436,786	$ 416,817
Operating expenses	(374,409)	(435,786)	(363,576)	(335,729)	(493,081)
Operating income (loss)	(46,622)	(13,522)	47,529	101,057	(76,264)
Nonoperating revenues	50,186	8,321	3,548	72,227	88,103
Change in net position	3,564	(5,201)	51,077	173,284	11,839
Total net position, July 1	1,857,898	1,861,462	1,856,261	1,907,338	2,080,622
Total Net Position, June 30	**$ 1,861,462**	**$ 1,856,261**	**$ 1,907,338**	**$ 2,080,622**	**$ 2,092,461**

Over the past five years, the Authority has seen its net position increase by $230,999 or 12.4%.

Conduit Debt

The Authority issues tax exempt instruments (bonds, notes, or other obligations), which do not constitute a debt of the Authority. These debt instruments are limited obligations of the Authority, payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Authority has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together.

During the year ended June 30, 2020, the Authority provided financing assistance for two new revenue refunding bond and note issues:

- Series 2019 – Augsburg University – $2,920,000
- Series 2019 – College of St. Scholastica – $29,075,000

A five-year history of conduit debt financing activity is as follows:

Revenue Bonds and Other Debt Obligations	2016	2017	2018	2019	2020
Principal at July 1	$ 851,681,387	$ 870,532,203	$ 928,175,593	$ 928,299,593	$ 983,602,593
Issued	213,515,000	208,408,000	271,673,000	151,060,000	31,995,000
Matured/refunded	(194,664,184)	(150,764,610)	(271,549,000)	(95,757,000)	(81,406,000)
Principal at June 30	**$ 870,532,203**	**$ 928,175,593**	**$ 928,299,593**	**$ 983,602,593**	**$ 934,191,593**

As granted during the 2009-2010 Minnesota State Legislature session, the Authority is authorized to have a maximum of $1.3 billion of outstanding debt.

Minnesota Higher Education
Facilities Authority
St. Paul, Minnesota

Financial Statements

June 30, 2020

Minnesota Higher Education Facilities Authority
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Independent Auditor's Report

To the Executive Director and
Members of the Minnesota Higher
Education Facilities Authority
St. Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the Minnesota Higher Education Facilities Authority, St. Paul, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Minnesota Higher Education Facilities Authority, St. Paul, Minnesota, as of June 30, 2020, and the changes in its financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information
The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statement for the year ended June 30, 2019, from which such partial information was derived.

We have previously audited the Authority's 2019 financial statements and our report, dated October 4, 2019, expressed an unmodified opinion on the financial statements of the Authority. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BerganKDV Ltd.

Minneapolis, Minnesota
October 5, 2020

Minnesota Higher Education Facilities Authority
Management Discussion and Analysis

This discussion and analysis of the financial performance of the Minnesota Higher Education Facilities Authority (the Authority) is supplementary information required by the Government Accounting Standards Board (GASB). It introduces the basic financial statements and provides an analytical overview of the Authority's financial activities for the fiscal year ended June 30, 2020.

The Authority was created by the Minnesota legislature in 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes) to assist Minnesota institutions of higher education in capital financing needs. The Authority consists of eight members appointed by the Governor. A representative of the Minnesota Office of Higher Education is an ex-officio member and the President of the Minnesota Private College Council, is a non-voting, ex-officio member. The Authority has two full-time staff. A third staff position is authorized but remains vacant. In keeping with internal control procedures and policies, the staff segregates duties as much as possible to protect the financial integrity of all activities. Procedures and policies have been developed and documented to safeguard the Authority's assets.

The Authority is authorized to issue revenue bonds whose aggregate outstanding principal amount at any time cannot exceed a statutory limit of $1.3 billion. The Authority has had 234 issues (including refunded and retired issues) totaling over $3 billion of which $934,191,593 is outstanding as of June 30, 2020. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota. The operations of the Authority are financed from fees paid by the participating institutions and investment income. It has no taxing power. The Authority receives no funding from the State of Minnesota. Bond issuance costs are paid by the participating institution.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college to finance student housing facilities.

The Authority may issue bonds for a broad range of projects, including facilities for housing, academic, and administrative purposes, parking, student centers and other buildings and equipment to be used for instruction, research, or operations. The Authority is also authorized to issue revenue bonds for refunding outstanding bonds of the Authority and any other outstanding debt.

An annual conference on higher education finance issues has been offered for many years by the Authority. During fiscal year 2020, the Authority was unable to hold its annual conference due to the COVID-19 pandemic.

The Authority continues to review its policies and procedures to effectively provide financing assistance to Minnesota's nonprofit colleges and universities. It is through the concerted efforts of the borrowers, the Authority's staff, advisors, and members, as well as other public finance professionals, that tax-exempt financing continues to be a vital tool for higher education. The Authority works with all these groups to continue providing affordable financing to the private colleges and universities.

Minnesota Higher Education Facilities Authority
Management Discussion and Analysis

Overview of the Financial Statements

The three basic statements presented within the financial report are as follows:

- Statements of Net Position – This statement presents information reflecting the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. The statement of net position is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within one year of the statement date.
- Statement of Revenues, Expenses, and Changes in Net Position – This statement reflects the operating revenues and expenses during the year. Operating revenue is from administrative fees charged to colleges and universities. The change in net position for an enterprise fund is similar to net profit or loss for any other business enterprise.
- Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the year.

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2019 and 2020.

	2020	2019
Assets		
Current assets	$ 2,230,724	$ 2,188,618
Noncurrent assets	3,288	5,802
Total assets	2,234,012	2,194,420
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	55,110	101,396
Liabilities		
Current liabilities	37,595	14,047
Long term liabilities	43,691	41,439
Total liabilities	81,286	55,486
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	115,375	159,708
Net Position		
Invested in capital assets	3,288	5,802
Unrestricted	2,089,173	2,074,820
Total Net Position	$ 2,092,461	$ 2,080,622

Overview of the Financial Statements (Continued)

	2020	2019
Operating Revenues	$ 416,817	$ 436,786
Operating Expenses	(493,081)	(335,729)
Operating Gain (Loss)	(76,264)	101,057
Nonoperating Revenues		
Interest income	47,905	41,377
Net increase/(decrease) in fair value of investments	40,198	30,850
Total nonoperating revenue	88,103	72,227
Change in Net Position	11,839	173,284
Net Position		
Beginning of year	2,080,622	1,907,338
End of year	$ 2,092,461	$ 2,080,622

Financial Highlights

The Authority completed two financings in fiscal year 2020 with a total principal amount of $31,995,000. This compares to three financings completed in fiscal year 2019 with a total principal amount of $151,060,000. Following is a listing of the bond issues for fiscal year 2020.

Augsburg University

- Augsburg University Series 2019 was issued August 2019 in the amount of $2,920,000. Proceeds of the 2019 Revenue Refunding Note, along with an existing debt service reserve fund (Series Seven-G) and University funds were used to refund, on a current basis, the outstanding principal of the Authority's Series Six-J2 and Seven-G Revenue Bonds.

College of St. Scholastica

- College of St. Scholastica, Inc., Series 2019 (St. Scholastica Series 2019) was issued September 2019 in the amount of $29,075,000. Proceeds of the 2019 Revenue Refunding Bonds will be used to refund, on a current refunding basis, the outstanding principal of the Authority's Series Six-S, Seven-H, and Seven-J Revenue Bonds.

Factors Expected to Affect Future Financial Position and Operation

The Authority has two revenue sources; the administrative fee charged to borrowers and interest earnings generated on its accumulated operating reserve. The administrative fee is based on the outstanding principal amount of each series of bonds at the time of billing. The administrative fee is billed to each borrower on the anniversary of the bond closing. Starting in fiscal year 1997, the Authority's annual administrative fee has been reduced from the allowable maximum of 0.125%. Utilizing the operating reserve to subsidize the operating expenses, the Authority reduced the annual administrative fee to all borrowers in fiscal year 2020 by 65%. The maximum allowable fee for fiscal year 2021 will be reduced by 65%. Although future reductions in the maximum allowable fee are not guaranteed, the Authority is committed to providing its services at an affordable level to colleges and universities in Minnesota.

The interest earnings generated on accumulated operating reserves varies depending on the level of reserves and market interest rates. The Authority does not rely on interest earnings to generate a material level of income to support operations. Operating reserves are designated to offset risk factors and are kept to a level that is not in excess of a reasonably required reserve.

The first quarter of 2020 saw a global outbreak of COVID-19, a respiratory disease declared to be a pandemic (the "Pandemic") by the World Health Organization, is affecting the national capital markets and may negatively impact the Minnesota higher education market and the financial health of all higher education institutions. The threat from the Pandemic is being addressed on a national, federal, state, and local level in various forms, including executive orders and legislative actions. Authority borrowers have postponed capital projects in response to the uncertain financial effects on the borrower institution. No assurance can be given about future effects on Authority borrower finances or funding or construction of capital projects affected by COVID-19.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact:

Minnesota Higher Education Facilities Authority
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Saint Paul, MN 55101
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Website: www.mnhefa.org

BASIC FINANCIAL STATEMENTS

Minnesota Higher Education Facilities Authority
Statement of Net Position
June 30, 2020
(with Partial Comparative Information as of June 30, 2019)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 364,887	$ 182,421
Investments	1,816,933	1,996,735
Accounts receivable	38,803	-
Interest receivable	8,624	7,543
Prepaid items	1,477	1,919
Total current assets	2,230,724	2,188,618
Noncurrent assets		
Equipment	60,181	60,181
Less accumulated depreciation	(56,893)	(54,379)
Total noncurrent assets	3,288	5,802
Total assets	2,234,012	2,194,420
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	55,110	101,396
Total assets and deferred outflows of resources	$ 2,289,122	$ 2,295,816
Liabilities		
Current liabilities		
Accounts payable	$ 28,030	$ 5,916
Compensated absences payable	9,565	8,131
Total current liabilities	37,595	14,047
Noncurrent liabilities		
Compensated absences payable	9,565	8,131
Net pension liability	34,126	33,308
Total noncurrent liabilities	43,691	41,439
Total liabilities	81,286	55,486
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	115,375	159,708
Net Position		
Net investment in capital assets	3,288	5,802
Unrestricted	2,089,173	2,074,820
Total net position	2,092,461	2,080,622
Total liabilities, deferred inflows of resources, and net position	$ 2,289,122	$ 2,295,816

See notes to financial statements.

Minnesota Higher Education Facilities Authority
Statement of Revenues, Expenses, and
Changes in Net Position
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020	2019
Operating Revenues		
Annual administrative fees	$ 412,781	$ 433,667
Other income	4,036	3,119
Total operating revenues	416,817	436,786
Operating Expenses		
Payroll, payroll taxes, and employee benefits	273,028	198,315
Legal, audit, and consulting expense	69,756	27,929
Rent	47,957	47,224
Depreciation	2,514	2,707
Other general and administrative expenses	99,826	59,554
Total operating expenses	493,081	335,729
Operating income (loss)	(76,264)	101,057
Nonoperating Revenues		
Interest income	47,905	41,377
Increase in fair value of investments	40,198	30,850
Total nonoperating revenues	88,103	72,227
Change in net position	11,839	173,284
Net Position		
Beginning of year	2,080,622	1,907,338
End of year	$ 2,092,461	$ 2,080,622

See notes to financial statements.

Minnesota Higher Education Facilities Authority
Statement of Cash Flows
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020	2019
Cash Flows - Operating Activities		
Cash received from annual administrative and other fees	$ 378,014	$ 436,786
Cash payments to employees	(245,610)	(268,358)
Cash payments to suppliers for goods and services	(216,762)	(139,373)
Net cash flows - operating activities	(84,358)	29,055
Cash Flows - Capital and Related Financing Activities		
Purchase of capital assets	-	(3,316)
Cash Flows - Investing Activities		
Interest received	46,824	40,116
Net investment (purchases) redemptions	220,000	(150,000)
Net cash flows - investing activities	266,824	(109,884)
Net change in cash and cash equivalents	182,466	(84,145)
Cash and Cash Equivalents		
Beginning of year	182,421	266,566
End of year	$ 364,887	$ 182,421
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities		
Operating income (loss)	$ (76,264)	$ 101,057
Adjustments to reconcile operating income (loss) to net cash flows - operating activities		
Depreciation expense	2,514	2,707
Accounts receivable	(38,803)	-
Prepaid items	442	(1,091)
Accounts payable	22,114	(16,323)
Deferred outflows, inflows, and liability related to pension activity	2,771	(55,763)
Compensated absences payable	2,868	(1,532)
Total adjustments	(8,094)	(72,002)
Net cash flows - operating activities	$ (84,358)	$ 29,055
Noncash Investing Activities		
Net increase in fair value of investments	$ 40,198	$ 30,850

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority finances projects through the issuance of bonds; the principal and interest of which are paid by the lease/loan payments collected from the higher education institutions. In 2020, the Authority was authorized to have a maximum of $1.3 billion of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority utilizes the accrual basis of accounting and is reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Authority consist principally of annual administrative fees paid by the participating institutions. While the annual administrative fee rate for new bond issues has changed periodically, the fee rate remains constant for the life of the bonds, with the exception of fee reductions for operating reserve stabilization purposes. The fees for bonds outstanding at June 30, 2020, are 0.125% of the outstanding balance of the bonds. In an effort to stabilize its unrestricted net position balance, the Authority periodically evaluates the administrative fees charged to participating institutions. For the year ended June 30, 2020, the Authority required participating institutions to pay 35% of the contractual administrative fees.

C. Assets, Liabilities, and Net Position

1. Cash and Investments

Cash and investment balances are invested to the extent available in various securities as authorized by state law. Securities in which the Authority may invest include government bonds, notes, bills, mortgages, and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities or organizations created by an act of Congress.

Subject to applicable law, the Authority may also invest in general obligation (G.O.) or revenue bonds of any state or any political subdivision provided the G.O. bonds are rated AA or better for states and AAA or better for political subdivisions and revenue bonds are rated AAA or better for both. Time deposits are allowed, provided they are fully insured by Federal Deposit Insurance Corporation (FDIC) insurance. In some cases, investment agreements with corporations rated AA by Standard & Poor's (S&P) or AA by Moody's are allowed as well as repurchase agreements fully collateralized by U.S. government securities. Commercial paper maturing in 270 days or less and rated within the top two categories without gradation by either S&P's or Moody's is also allowed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position (Continued)

1. Cash and Investments (Continued)

The Authority's cash and cash equivalents are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as an expense at the time of consumption.

3. Capital Assets

Capital assets, which include office furniture and equipment, are stated at historical cost and depreciated on the straight-line method over the estimated useful lives of the assets, generally three, five, or ten years. The Authority's threshold for capitalization of assets is $500.

4. Conduit Debt

The Authority issues tax exempt instruments (bonds, notes, or other obligations), which do not constitute a debt of the Authority. These debt instruments are limited obligations of the Authority, payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Authority has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together. The Authority has elected to exclude these obligations and the related assets held by trustees, from the financial statements.

5. Compensated Absences

The Authority compensates all employees upon termination of employment for unused vacation up to a maximum of 275 hours. At June 30, 2020, the Authority recorded a liability for all unused vacation up to this limit.

Authority employees accrue sick leave at the rate of four hours for each ten day pay period of full-time service. Employees are compensated for unused sick leave upon termination of employment only if they meet the requirements of the plan under which they are employed. Employees working under the managerial plan who meet the requirements of the plan shall be paid a sum equal to the regular rate of pay at the time of separation multiplied by 35% of the accumulated but unused sick leave.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has one item that qualifies for reporting in this category: deferred outflows of resources related to pensions. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item which qualifies for reporting in this category: deferred inflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS) and additions to/deductions from MSRS's fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the basic financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

G. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

H. Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the Authority's financial position and operations. This data has been restated where necessary for comparable classifications.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Deposits are maintained at depository banks authorized by the Authority.

Custodial Credit Risk – Deposits: As of June 30, 2020, the Authority's bank balance of $41,855 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2020, the Authority's carrying value of deposits was as follows:

Deposits	$ 40,706

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has a deposit policy that requires the Authority's deposits be collateralized in an amount equal to 110% of an amount exceeding FDIC coverage.

B. Investments

As of June 30, 2020, the Authority had the following investments:

Investment	Maturities	Amount	S&P Rating
Synchrony Bank Certificate of Deposit	08/17/20	$ 125,357	N/A
Compass Bank Certificate of Deposit	11/30/20	101,264	N/A
Oceanfirst Bank NA Certificate of Deposit	01/19/21	100,520	N/A
Comenity Capital Bank Certificate of Deposit	03/18/21	101,267	N/A
Comenity Capital Bank Certificate of Deposit	07/16/21	101,917	N/A
Fifth Third Bank Certificate of Deposit	04/22/21	100,828	N/A
Sallie Mae Bank/Salt Lake Certificate of Deposit	09/20/21	102,056	N/A
Capital One Bank NA Certificate of Deposit	10/05/21	101,612	N/A
Discover Bank Certificate of Deposit	11/16/21	102,240	N/A
State Bank of India, NY Certificate of Deposit	02/24/22	103,388	N/A
Goldman Sachs Bank, Certificate of Deposit	04/12/22	103,411	N/A
Enerbank USA Certificate of Deposit	12/17/20	101,009	N/A
Merrick Bank Certificate of Deposit	06/21/21	102,135	N/A
Ally Bank Certificate of Deposit	01/31/22	156,429	N/A
Goldman Sachs Bank, Certificate of Deposit	06/20/22	104,321	N/A
Eaglebank Certificate of Deposit	10/18/22	105,279	N/A
Amerant Bank NA Certificate of Deposit	12/20/22	103,900	N/A
Wells Fargo Money Market	N/A	324,181	AAAm
Total investments		$ 2,141,114	

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)
Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's policy states the Authority should consider the credit quality in the selection of individual securities of any single issuer in excess of 5% of the Authority's total investments. As of June 30, 2020, two individual investment balances, with two issuers, exceeded 5% of the total investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy does not address custodial credit risk for investments other than to follow the overall framework provided by *Minnesota Statutes*. Investments of the Authority are not registered in the Authority's name. The securities are held in bank safekeeping in third party depositories under the bank's name and ownership. Pursuant to federal banking laws and regulations, the bank's customer accounts are segregated from and not considered part of the bank's assets. Thus, the account ownership of assets in bank safekeeping accounts remain vested in the customers and are protected from claims of creditors of the bank.

Interest Rate Risk: This is the risk that market value of securities will fall due to the changes in market interest rates. The Authority's investment policy states the Authority's investments should be made with consideration for cash flow requirements, taking into account budgeted expenditures.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy requires their investments to be rated in the top two categories by S&P or Moody's.

The Authority has the following recurring fair value measurements as of June 30, 2020:

- Brokered money markets of $324,181 are valued using calculated net asset value (Level 1 inputs)
- Investment securities of $1,816,933 are valued using quoted market prices (Level 2 inputs)

Deposits and investments are presented in the June 30, 2020, basic financial statements as follows:

Cash and cash equivalents	$ 364,887
Investments	1,816,933
Total deposits and investments	$ 2,181,820

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Office furniture and equipment	$ 60,181	$ -	$ -	$ 60,181
Less accumulated depreciation	(54,379)	(2,514)	-	(56,893)
Capital assets, net	$ 5,802	$ (2,514)	$ -	$ 3,288

NOTE 4 – LEASES

The Authority has a lease commitment for office space through November 2022, with monthly base rent ranging from $3,666 to $3,876 throughout the lease term. Total costs were $47,957 for the year ended June 30, 2020. The future minimum lease payments for this lease are as follows:

Year Ending June 30	Annual Lease
2021	$ 48,252
2022	48,985
2023	20,629
Total	$ 117,866

NOTE 5 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 16,262	$ 29,087	$ (26,219)	$ 19,130	$ 9,565

NOTE 6 – CONDUIT DEBT

At June 30, 2020, there were 45 bond issues and leases outstanding with an aggregate principal balance outstanding of $934,191,593 as follows:

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series Three-Z, Macalester College			
Variable Rate Demand Revenue Bonds, September 1994	2024	$ 6,660,000	$ 6,660,000
Series Five-Q, Macalester College			
Variable Rate Demand Revenue Bonds, February 2003	2033	15,300,000	15,300,000
Series Six-Q, Concordia University, St. Paul			
Revenue Bonds, October 2007	2037	18,155,000	14,635,000
Series Seven-N, Minneapolis College of Art and Design			
Revenue Bonds, April 2012	2023	3,215,000	1,070,000
Series Seven-R, College of St. Scholastica			
Revenue Bonds, October 2012	2032	9,380,000	6,565,000
Series Seven-S, Macalester College			
Revenue Bonds, December 2012	2043	14,730,000	13,055,000
Series Seven-T, College of St. Benedict			
Revenue Bonds, January 2013	2024	5,235,000	1,905,000
Series Seven-U, University of St. Thomas			
Revenue Bonds, March 2013	2027	25,685,000	16,090,000
Series Seven-V, William Mitchell College of Law			
Revenue Note, May 2013	2033	10,800,000	8,168,000
Series Seven-W, Gustavus Adolphus College			
Revenue Bonds, July 2013	2034	11,410,000	9,045,000
Series Seven-Y2, Hamline University			
Revenue Note, September 2013	2025	6,210,000	3,510,000
Series Seven-Z, University of St. Thomas			
Revenue Note, March 2014	2034	24,210,000	15,977,593
Series Eight-A, Saint Mary's University of Minnesota			
Revenue Note, April 2014	2023	6,025,000	2,623,000
Series Eight-C, Augsburg College			
Revenue Bond, July 2014	2023	6,705,000	2,825,000
Series Eight-D, Minneapolis College of Art and Design			
Revenue Bond, March 2015	2026	7,845,000	4,550,000
Series Eight-E, Augsburg College			
Revenue Note, April 2015	2036	12,400,000	10,340,000

NOTE 6 – CONDUIT DEBT (CONTINUED)

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series Eight-G, St. Olaf College Revenue Bonds, July 2015	2032	$ 53,745,000	$ 44,685,000
Series Eight-H, St. John's University Revenue Bonds, August 2015	2026	13,815,000	7,035,000
Series Eight-I, St. John's University Revenue Bonds, December 2015	2035	18,275,000	14,335,000
Series Eight-J, Macalaster College Revenue Bonds, September 2015	2032	22,660,000	18,000,000
Series Eight-K, College of St. Benedict Revenue Bonds, April 2016	2043	34,360,000	32,740,000
Series Eight-L, University of St. Thomas Revenue Bonds, March 2016	2039	55,355,000	48,860,000
Series Eight-M, University of St. Thomas Revenue Bonds, March 2016	2022	15,305,000	5,250,000
Series Eight-N, St. Olaf College Revenue Bonds, September 2016	2035	22,845,000	22,845,000
Series 2016A, Augsburg College Revenue Bonds, December 2016	2046	32,240,000	32,240,000
Series 2016B, Augsburg College Revenue Bonds, December 2016	2046	13,680,000	12,000,000
Series 2017, Carleton College Revenue Bonds, May 2017	2047	124,900,000	116,370,000
Series 2017A, Saint Mary's University of Minnesota Revenue Note, June 2017	2037	5,546,000	5,303,000
Series 2017B, Saint Mary's University of Minnesota Revenue and Refunding Note, June 2017	2026	2,471,000	1,688,000
Series 2017A, Hamline University Revenue Note, June 2017	2026	6,726,000	5,356,000
Series 2017, Bethel University Revenue and Refunding Bonds, July 2017	2047	44,565,000	44,565,000
Series 2017, Gustavus Adolphus College Revenue Bonds, September 2017	2047	52,515,000	51,885,000
Series 2017, St. John's University Revenue and Refunding Bonds, September 2017	2033	7,595,000	6,860,000

NOTE 6 – CONDUIT DEBT (CONTINUED)

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series 2017, Macalester College			
Revenue and Refunding Bonds, November 2017	2048	$ 40,315,000	$ 33,930,000
Series 2017B, Hamline University			
Revenue and Refunding Bonds, December 2017	2047	34,650,000	33,300,000
Series 2017A, University of St. Thomas			
Revenue Bonds, December 2017	2037	60,750,000	57,625,000
Series 2017B, University of St. Thomas			
Revenue and Refunding Note, December 2017	2025	8,220,000	5,240,000
Series 2017C, University of St. Thomas			
Revenue and Refunding Notes, December 2017	2033	10,815,000	9,610,000
Series 2017, College of St. Benedict			
Revenue and Refunding Bonds, December 2017	2036	8,605,000	6,510,000
Series 2018, Minneapolis College of Art and Design			
Revenue Note, May 2018	2028	3,643,000	3,496,000
Series 2018A, St. Catherine University			
Revenue and Refunding Bonds, September 2018	2045	49,770,000	49,770,000
Series 2018B, St. Catherine University			
Taxable Revenue Refunding Bonds, September 2018	2050	20,765,000	20,765,000
Series 2019, University of St. Thomas			
Revenue Bonds, May 2019	2044	80,525,000	80,525,000
Series 2019, Augsburg University			
Revenue Refunding Note, August 2019	2028	2,920,000	2,920,000
Series 2019, College of St. Scholastica			
Revenue Refunding Bonds, September 2019	2040	29,075,000	28,165,000
Total		$1,060,616,000	$ 934,191,593

NOTE 6 – CONDUIT DEBT (CONTINUED)

A summary of changes in conduit debt outstanding for the year ended June 30, 2020, is presented below.

Conduit debt - July 1, 2019	$ 983,602,593
Additions	
Revenue bonds issued	31,995,000
Reductions	
Principal retirements	(42,126,000)
Refunding of principal	(39,280,000)
Conduit debt - June 30, 2020	$ 934,191,593

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the Authority purchases commercial insurance through the State of Minnesota Department of Administration Risk Management Division.

During the year ended June 30, 2020, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Authority's commercial coverage in any of the past three years.

NOTE 8 – STATE EMPLOYEES RETIREMENT FUND

A. Plan Description

The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS) and is established and administered in accordance with *Minnesota Statutes*, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), which is a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans: the Military Affairs Plan, the Transportation Pilots Plan, and the Fire Marshals Plan. Only certain employees of the Department of Military Affairs, the Department of Transportation, and the State Fire Marshal's Office are eligible to be members of those plans, but all state of Minnesota employees who are not members of another plan are covered by the General Plan. The Transportation Pilots Plan has been closed to new entrants since July 1, 2008, and there are no active contributing participants in the plan.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

NOTE 8 – STATE EMPLOYEES RETIREMENT FUND (CONTINUED)

B. Benefits Provided

MSRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0% each year. When the fund reaches a 90% funded status for two consecutive years, annuitants will receive a 2.5% increase.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2% of the high-five average salary for each of the first ten years of covered service, plus 1.7% for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7% of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

C. Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 5.75% of their annual covered salary in fiscal year 2019 while participating employers were required to contribute 5.875% of covered salary in fiscal year 2019. The Authority's contribution to the General Plan for the fiscal year ending June 30, 2019, was $4,408. These contributions were equal to the contractually required contributions for each year as set by state statute.

D. Actuarial Assumptions

The Authority's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% Per year
Active member payroll growth	3.25% Per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 generational mortality tables projected with mortality improvement scale MP-2015 from a base year of 2014, with adjustments to match fund experience.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study dated in the fall of 2014, a review of inflation and investment return assumptions dated September 11, 2014 and September 11, 2017, and a recent asset liability study obtained by the State Board of Investment (SBI).

NOTE 8 – STATE EMPLOYEES RETIREMENT FUND (CONTINUED)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return used in the determination of the net pension liability is 7.5%. During fiscal year 2016, the SBI hired an outside consultant to perform a thorough asset and liability study. Based on the study, the SBI staff proposed an update to the asset allocation, which yields a lower nominal expected return. As a result of this study, and keeping in mind the national trends towards lower investment rate assumptions, the MSRS Board of Directors approved the use of a 7.5% long term expected rate of return assumption beginning with the fiscal year 2017 actuarial valuations.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return (expected rates, net of inflation) were developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Fixed income	10.0	0.75
Treasuries	10.0	0.50
Private markets	25.0	5.90
Cash	2.0	0.00
Total	100 %	

The following changes were made in actuarial assumptions and plan provisions.

- The assumed post-retirement benefit increase rate was changed from 1.75% per year through 2037, 2.00% per year for 2038 through 2051, and 2.50% thereafter to 1.75% per year through 2039, 2.00% per year for 2040 through 2056, and 2.50% thereafter.

E. Discount Rate

A Single Discount Rate used to measure the total pension liability as of June 30, 2019, was 7.50%. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.50% and a municipal bond rate of 3.13%. The projection of cash flows used to determine this Single Discount Rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members through fiscal year 2119. As a result, the discount rate is the long-term expected rate of return on pension plan investments which, was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – STATE EMPLOYEES RETIREMENT FUND (CONTINUED)

F. Net Pension Liability

At June 30, 2020, the Authority reported a liability of $34,126 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by MSRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2019, the Authority's proportionate share was 0.0032% at the end of the measurement period and 0.0032% for the beginning of the period.

G. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate disclosed in Note 8.E. above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Authority's proportionate share of the net pension liability (asset)	$ 79,482	$ 34,126	$ (3,525)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Comprehensive Annual Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information).

NOTE 8 – STATE EMPLOYEES RETIREMENT FUND (CONTINUED)

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Authority recognized pension expense of $2,771. At June 30, 2020, the Authority 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	$ 1,034	$ 118
Changes of assumptions	48,083	106,922
Net difference between projected and actual earnings on investments	-	8,335
Changes in proportion and differences between actual contributions and proportionate share of contributions	1,056	-
Contributions paid to MSRS subsequent to the measurement date	4,937	-
Total	$ 55,110	$ 115,375

$4,937 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2021	$ 2,076
2022	(46,106)
2023	(21,412)
2024	240
Total	$ (65,202)

NOTE 9 – STATE UNCLASSIFIED EMPLOYEES' RETIREMENT PROGRAM

Pension fund information is provided by the Minnesota State Retirement System (MSRS), who prepares and publishes their own stand-alone Comprehensive Annual Financial Report (CAFR), including financial statements and required supplementary information. Copies of the report may be obtained directly from MSRS at 60 Empire Drive, #300, St. Paul, Minnesota 55103-3000.

NOTE 9 – STATE UNCLASSIFIED EMPLOYEES' RETIREMENT PROGRAM (CONTINUED)

The statutory authority for State Unclassified Employees' Retirement Program (SUERP) is *Minnesota Statutes* Chapter 352D. Only certain unclassified employees are covered by this defined contribution program. The cash value may not be withdrawn prior to termination of the covered employee.

The funding requirement for SUERP is 6.00% for employees and 6.25% for the employer. Actual contributions were 100% of required contributions. Required contributions for the Authority were:

Year	Amount
2020	$ 7,524
2019	7,081
2018	6,925

NOTE 10 – SUBSEQUENT EVENTS

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the District may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the District's financial statements cannot be determined at this time.

NOTE 11 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

Minnesota Higher Education Facilities Authority
Schedule of Authority's Share of Net Pension Liability
State Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered Payroll	Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0032%	$ 34,126	$ 75,155	45.41%	90.73%
2018	0.0032%	33,308	71,200	46.78%	90.56%
2017	0.0035%	192,979	78,927	244.50%	62.73%
2016	0.0048%	440,386	97,600	451.22%	47.51%
2015	0.0048%	54,876	94,073	58.33%	88.32%
2014	0.0049%	58,367	92,180	63.32%	87.64%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of Authority's Contributions
State Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 4,934	$ 4,934	$ -	83,983	5.875%
2019	4,408	4,408	-	80,145	5.50%
2018	3,916	3,916	-	71,200	5.50%
2017	4,341	4,341	-	78,927	5.50%
2016	5,368	5,368	-	97,600	5.50%
2015	5,174	5,174	-	94,073	5.50%
2014	4,609	4,609	-	92,180	5.00%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Minnesota Higher Education Facilities Authority
Notes to the Required Supplementary Information

STATE EMPLOYEES RETIREMENT FUND

Fiscal Year 2019 Changes Since the Fiscal Year 2018 Actuarial Valuation

Changes in actuarial assumptions:
- No changes

Changes to plan provisions:
- No changes

Fiscal Year 2018 Changes Since the Fiscal Year 2017 Actuarial Valuation

Changes in actuarial assumptions:
- The single discount rate changed from 5.42% to 7.50%.

Changes to plan provisions:
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Member contributions increased from 5.50% to 5.75% of pay, effective July 1, 2018, and 6.00% of pay effective July 1, 2019.
- Employer contributions increased from 5.50% to 5.875% of pay, effective July 1, 2018, and 6.25% of pay effective July 1, 2019.
- Interest credited on member contributions will decrease from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0% for future accruing benefits effective January 1, 2019.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 2.0% to 2.5% per year increase based upon funded ratio, to a fixed rate of 1.0% for five years beginning January 1, 2019, and 1.5% per year thereafter.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age.

Fiscal Year 2017 Changes Since the Fiscal Year 2016 Actuarial Valuation

Changes in actuarial assumptions:
- The Combined Service Annuity loads were changed from 1.2% for active members and 40.0% for deferred members, to 0.0% for active members, 4.0% for vested deferred members, and 5.0% for non-vested deferred members.
- The single discount rate changed from 4.17% to 5.42%.

Changes to Plan Provisions:
- Actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

Minnesota Higher Education Facilities Authority
Notes to the Required Supplementary Information

Fiscal Year 2016 Changes Since the Fiscal Year 2015 Actuarial Valuation

Changes in actuarial assumptions:

- Assumed salary increase rates were changed to rates that average 0.2% greater than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer unreduced retirements and fewer Rule of 90 retirements. Distinct rates for reduced (early) retirements were adopted for members hired prior to July 1, 1989, and members hired after June 30, 1989.
- Assumed rates of termination were changed, with new rates generally greater than the previous rates for years 3 through 9 and less than the previous rates after 15 years.
- Assumed rates of disability for females were reduced to 75.0% of previous rates. Rates for male members were lowered by utilizing the same disability rates as for females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2014), white collar adjustments, with age adjustments. The mortality improvement scale was changed from Scale AA to Scale MP-2015. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table (no projection for future mortality improvement) to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2015), with age adjustments.
- The percent married assumption was change from 85% of active male members and 70% of female members to 80% of active male members and 65% of active female members.
- The assumed number of married male new retirees electing the 75% Joint & Survivor option changed from 10% to 15%. The assumed number of married female new retirees electing the 75% and 100% Joint & Survivor options changed from 0% to 10% and from 25% to 30%, respectively. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.
- The assumed post-retirement benefit increase rate was changed from 2.0% per year through 2043 and 2.5% per year thereafter, to 2.0% per year for all future years.
- The long-term expected rate of return on pension plan investments was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 4.17%.
- The inflation assumption was changed from 2.75% to 2.50%.
- The payroll growth assumption was changed from 3.50% to 3.25%.

Fiscal Year 2015 Changes Since the Fiscal Year 2014 Actuarial Valuation

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 2.0% per year through 2015 and 2.5% per year thereafter, to 2.0% per year through 2043 and 2.5% per year thereafter.
- The *Contribution Stabilizer* statutes were revised to make changes to contribution rates less prescriptive and more flexible.

Fiscal Year 2015 Changes Since the Fiscal Year 2014 Actuarial Valuation (Continued)

Changes to Plan Provisions:

- Effective July 1, 2015, if the 2.5% post-retirement benefit increase is triggered and the funded ratio subsequently drops below 80.0% for the most recent valuation year or 85.0% for two consecutive years, the post-retirement benefit increase will change to 2.0% until the plan again reaches a 90.0% funded ratio for two consecutive years.

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Standing Rules of Operation

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(Renamed from "100 Financing programs")

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200 Financing Education Provided

(Renamed from "200 Financing Process")

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202 Financing Education on Authority Website

300 Financing Fees

301 Annual Fee Calculation to be Based on Outstanding Balance

(Renamed from "Authority Fee Schedule")

Created through Resolution 4-90-2, April 25, 1990
Policy Review Schedule: *None required*
Most Recent Review: February 21, 2018

The annual administrative fee of 0.125 of 1% of the original bond issue be changed to 0.125 of 1% of the outstanding balance for all bonds issued after December 19, 1989.

2020 Update:
Updated from resolution format (Resolution 4-90-2)

302 Annual Fee Adjustments for Maturities and Refundings

(Renamed from Section 304: "Administrative Fees")

Created through Resolution 9-2007-2, September 19, 2007

Policy Review Schedule: *Annual*
Most Recent Review: February 21, 2018

1. If the final maturity date of a series of bonds will occur within approximately twelve months after the Due Date, then the Authority Staff shall, in the normal course of business, send a fee invoice showing the amount due, as adjusted for any discount, with a notation that the fee is waived because the final maturity is imminent.
2. If the closing date of any Refunding Bonds is expected to occur within approximately eight weeks after the Due Date of the related Prior Bonds, then the Authority Staff shall, in the normal course of business, send a fee invoice showing the amount due, as adjusted for any discount, with a notation that payment of the fee is deferred to a specific date ("Deferred Date") that is approximately eight weeks after the Due Date provided that the fee is waived if Refunding Bonds are issued on or before the Deferred Date.
3. The Authority Staff may use its discretion in applying the guidelines and may waive a fee or extend the deferral period in order to carry out its statutory purposes.
4. The Authority Staff shall make changes to the form and timing of the invoices as may be desirable.

2020 Update:
Updated from resolution format (Resolution 9-2007-2)

303 Application Fees

(Renamed from Section 305: "Application and Admin Fees")

Created through Resolution 11-2009-3, November 18, 2009
Policy Review Schedule: *Annual*
Most Recent Review: February 21, 2018

1. The Authority requires a nonrefundable application fee of $1,000.
2. The fee is applied as a credit to the first payment or retained to defray costs associated with an abandoned financing.
3. If the application fee is greater than the first payment, the excess remaining after credit against the first payment shall be retained by the Authority as the unused portion of the nonrefundable fee.
4. The Authority Staff shall indicate on the fee invoice at closing that no payment is due after application of the discount and credit of the nonrefundable application fee.

2020 Update:
Updated from resolution format (Resolution 11-2009-3) Added in items 1 and 2 from background information in resolution as these items do not appear elsewhere in the policy manual.

304 Annual Fee Discount Calculation

(Renamed from Section 302: "Discount System for Annual Fees")

Created through Resolution 6-96-5, June 19, 1996
Policy Review Schedule: *Annual*
Most Recent Review: February 21, 2018

1. The calculation is redone annually and applied to each annual fee billing during a fiscal year. (Fees are billed throughout the year since they fall due on the anniversary of bond issuance.)

2. Prior to the beginning of each fiscal year (presumably in early June), the following calculation would be made:
    a. Determine the projected operating fund balance at the end of the current fiscal year.
    b. Add projected revenue for the following fiscal year (undiscounted annual fees for all then outstanding bond issues plus estimated investment earnings).
    c. Subtract budgeted operating expenses for the following fiscal year.
    d. Subtract the target ending fund balance (current year-end balance or, if greater, five times the expense budget).
    e. If that amount is greater than zero, divide the amount by the total of undiscounted annual fees included in step (b) to determine annual discount percentage. If less than zero, stop – no fee discounts will be available for the year.

3. If fee discount is available, each fee billing sent out for the year will be structured as follows:

Annual fee payable for Bond Series XXXX:	$(full fee amount)
Less discount for fiscal year XXXX:	<u>(discount amount)</u>
Net annual fee payable for fiscal year XXXX:	$(discounted amount)

    The discount would be determined by multiplying the undiscounted annual fee by the annual discount percentage determined in step 2.

4. Each such discounted billing would include a disclaimer that the discount calculation is redone each year and that future year discounts cannot be assured.

2020 Update:
Updated from resolution format (Resolution 6-96-5)

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY	Financing Update

UNIVERSITY OF St.Thomas

University of St. Thomas, Series 2019

[North Campus Tour](https://news.stthomas.edu/tommie-east-and-tommie-north-receive-finishing-polish/?utm_source=marketing-cloud&utm_medium=email&utm_campaign=alumni-fy21&utm_content=homecoming-events-upper-quad-virtual-tour)

[https://news.stthomas.edu/tommie-east-and-tommie-north-receive-finishing-polish/?utm_source=marketing-cloud&utm_medium=email&utm_campaign=alumni-fy21&utm_content=homecoming-events-upper-quad-virtual-tour]

MHEFA College and University Presidents as of October 8, 2020

Augsburg University

President: Paul Pribbenow (since 2006)

http://www.augsburg.edu/president/

Bethany Lutheran College

President: Gene Pfeifer (since 2015)

https://www.blc.edu/president

Bethel University

President: Ross Allen (since 7/1/2020)

https://www.bethel.edu/president/about

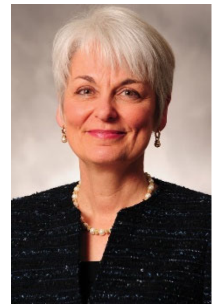
Carleton College

President: Steven Poskanzer

(stepping down July 2021)

https://apps.carleton.edu/campus/president/

History of prior Presidents: https://apps.carleton.edu/campus/president/history/



College of Saint Benedict

President: Laurie M. Hamen, J.D. (Interim)

https://www.csbsju.edu/about/college-of-saint-benedict/office-of-the-president

College of St. Scholastica

President: Barbara McDonald (since 8/5/2019)

http://www.css.edu/about/leadership/office-of-the-president.html

Concordia College, Moorhead

President: William (Bill) Craft (since 2011)

https://www.concordiacollege.edu/about/president/presidents-bio/

Concordia University, St. Paul

President: Rev. Dr. Brian Friedrich (since 1/1/2020)

https://www.csp.edu/about/concordia-st-paul-president/

MHEFA College and University Presidents as of October 8, 2020

Dunwoody College of Technology

President: Rich Wagner, Ph.D.

Gustavus Adolphus College

President: Rebecca Bergman (since 2014)

https://gustavus.edu/president/

Hamline University

President: Fayneese Miller (since 2015)

https://www.hamline.edu/offices/president/about.html

Macalester College

President: Dr. Suzanne Rivera (since May 2020)

https://www.macalester.edu/president/

Minneapolis College of Art and Design

President: Sanjit Sethi (since 7/15/2019)

https://mcad.edu/about-us/press-room/press-releases/minneapolis-college-art-and-design-names-sanjit-sethi-president

Mitchell Hamline School of Law

President: Anthony S. Niedwiecki (since 7/1/2020)

https://mitchellhamline.edu/about/president-and-dean/

Northwestern Health Sciences University

President: Deb Bushway, Ph.D.

https://www.nwhealth.edu/president/

Saint John's University

President: Dr. Eugene McAllister (Interim since 8/1/2019)

https://www.csbsju.edu/about/saint-johns-university/office-of-the-president

History of prior Presidents: http://www.csbsju.edu/sju-archives/sjuhistory/sjuadministrators/presidentsofsju

MHEFA College and University Presidents as of October 8, 2020

Saint Mary's University of Minnesota

President: Rev. James P. Burns, Ph.D. (Since 2018)

https://www.smumn.edu/about/offices/president

History of prior Presidents: https://www.smumn.edu/about/offices/president/past-presidents

St. Catherine University

President: ReBecca (Becky) Koenig Roloff (since 2016)

https://www.stkate.edu/about/university-leadership/office-of-the-president

St. Olaf College

President: David R. Anderson (since 2006)

https://wp.stolaf.edu/president/

University of St. Thomas

President: Julie Sullivan (since 2013)

https://www.stthomas.edu/president/presidentsbio/

https://news.stthomas.edu/president/

EXEC. DIR. REPORT

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

380 JACKSON STREET, SUITE 450, ST. PAUL, MN 55101

Main Phone: 651.296.4690 Fax: 651.297.5751

Date: 14 October 2020

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: October 2020 - Authority Board Meeting Executive Director's Report

We continue to function in accord with State of Minnesota "if you can work from home you must work from home" mandate. We make separate occasional visits to the office, including for the October 21, 2020 Board Meeting.

Changes to management at borrower schools include:

- Bethel installed their new President
- Mitchell | Hamline installed a new President
- Mitchell | Hamline CFO has left, no news on interim or replacement
- Augsburg has hired a finance director

Moody's completed a number of credit reviews of Authority borrowers. No report was published for Hamline or MCAD. The credit rating from St. John's was affirmed, while the credit outlook for St. Ben's was changed from stable to negative. We have a rating call in November for Macalester.

I and the CFO's from 2 schools participated in a webinar for the National Association of Municipal Analysts ("NAMA"). We had over 120 listeners and received positive feedback. This was a great opportunity to broaden analyst knowledge of the Authority, our updated website and hear from a couple of our borrowers.

The NAHEFFA Fall Conference will be held virtually this year on October 28-30. Please let us know if you would like to attend.

The St. Olaf Board voted to proceed with their residence facility improvements and new residence hall projects. We will have actions on their financing at our November and December Board meetings.

Minnesota Higher Education Facilities Authority

BUDGET VS. ACTUALS: FY2021 BUDGET (ORIGINAL) - FY21 P&L

July 2020 - June 2021

	TOTAL				
	ACTUAL	BUDGET	REMAINING	% OF BUDGET	% REMAINING
Income					
4010 Annual Fee Income	405,013.44	403,745.38	-1,268.06	100.31 %	-0.31 %
Discounts given	-258,578.12		258,578.12		
Total Income	**$146,435.32**	**$403,745.38**	**$257,310.06**	**36.27 %**	**63.73 %**
GROSS PROFIT	**$146,435.32**	**$403,745.38**	**$257,310.06**	**36.27 %**	**63.73 %**
Expenses					
6000 Stipends	605.00	3,520.00	2,915.00	17.19 %	82.81 %
6001 Board Travel		2,500.00	2,500.00		100.00 %
6002 Communications	2,496.82	24,064.00	21,567.18	10.38 %	89.62 %
6003 Staff Travel	23.91	6,250.00	6,226.09	0.38 %	99.62 %
6004 Office Rent	12,120.18	48,480.72	36,360.54	25.00 %	75.00 %
6005 Office Supplies	68.25	1,750.00	1,681.75	3.90 %	96.10 %
6006 Repairs		500.00	500.00		100.00 %
6007 Printing Expense		2,500.00	2,500.00		100.00 %
6008 Periodicals/Memberships	3,000.00	8,000.00	5,000.00	37.50 %	62.50 %
6009 Fiscal Consultant Fees		1,000.00	1,000.00		100.00 %
6010 Audit Fees	9,000.00	19,125.00	10,125.00	47.06 %	52.94 %
6012 Legal Fees		52,000.00	52,000.00		100.00 %
6013 Insurance Expense		2,000.00	2,000.00		100.00 %
6015 Miscellaneous Expense	131.00	1,000.00	869.00	13.10 %	86.90 %
6016 Bank Service Charges	536.82	3,000.00	2,463.18	17.89 %	82.11 %
6017 Conference Expenses		5,000.00	5,000.00		100.00 %
6020 Professional Development-STAFF	1,007.00	5,000.00	3,993.00	20.14 %	79.86 %
6021 IT	1,787.06	9,800.00	8,012.94	18.24 %	81.76 %
6023 Postage/Delivery Expense		275.00	275.00		100.00 %
6100 Salaries	42,816.40	210,000.00	167,183.60	20.39 %	79.61 %
6101 Fringe Benefits	11,765.69	64,000.00	52,234.31	18.38 %	81.62 %
6104 Worker’s Compensation		170.00	170.00		100.00 %
6200 Equipment Leases	1,915.30	6,980.00	5,064.70	27.44 %	72.56 %
Total Expenses	**$87,273.43**	**$476,914.72**	**$389,641.29**	**18.30 %**	**81.70 %**
NET OPERATING INCOME	**$59,161.89**	**$ -73,169.34**	**$ -132,331.23**	**-80.86 %**	**180.86 %**
Other Income					
4000 Interest Income	10,581.88	36,000.00	25,418.12	29.39 %	70.61 %
4050 Unrealized Gain/Loss Adjustment on Sale	-714.18		714.18		
Total Other Income	**$9,867.70**	**$36,000.00**	**$26,132.30**	**27.41 %**	**72.59 %**
Other Expenses					
Other Miscellaneous Expense		7,500.00	7,500.00		100.00 %
Total Other Expenses	**$0.00**	**$7,500.00**	**$7,500.00**	**0.00%**	**100.00 %**
NET OTHER INCOME	**$9,867.70**	**$28,500.00**	**$18,632.30**	**34.62 %**	**65.38 %**
NET INCOME	**$69,029.59**	**$ -44,669.34**	**$ -113,698.93**	**-154.53 %**	**254.53 %**

Note
3/12 months elapsed = 25% elapsed, 75% remaining