Listing of Mailout Material
January 18, 2023

- Cover Memo
- Meeting Agenda

I. Review and approve minutes of the meeting of October 19, 2022

- Minutes of October 19, 2022

II. Old Business

III. New Business

- FY2022 Annual Report

IV. Other Business

- Executive Director's Report
- Budget vs Actual to date (as of January 11, 2023)

Closed Executive Session of the MHEFA Board

I. Operations Manager Performance Review

- Materials to be sent separately

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

860 BLUE GENTIAN ROAD, SUITE 145, EAGAN, MN
55121

Date: 11 January 2023

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: January 18, 2023, Authority Board Meeting Preview

We hope you had a safe and happy 2022 Holiday Season and wish you a very Happy New Year 2023. We have a light agenda for our Minnesota Higher Education Facilities Authority Board Meeting on January 18, 2023, but a very important task to complete at the meeting.

This will be the first ever Board meeting to be held at our Eagan Office and we look forward to your participation in-person or by video link at the Board meeting.

The focus of the January 2023 Board meeting will be an update of Authority activity since October 2022, the Executive Directors Report and the annual performance review for Operations Manager Amanda Lee.

We will have an Executive Session to review the job performance of the Operations Manager.

We encourage in-person participation at the meeting, but if you are unable to attend in person, our video link system will be operating for this meeting. Instructions for accessing the video link are available with your Agenda materials.

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Board Meeting Agenda

Wednesday, January 18, 2023
2:00 PM Central Time

Individuals may request reasonable accommodation or modifications 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 October 19, 2022

II. Old Business

III. New Business

IV. Other Business

- Executive Director's Report
  - 2022 Session Legislative Update
  - 2023 Session Expansion Bill Status
  - Borrower Staff Vacancies Update
  - Financings Projection Update

Closed Executive Session of the MHEFA Board – Personnel Matter

I. Operations Manager Annual Performance Review

General Public may attend in-person at the address below,
via call-in number: 1-877-978-6969 Access Code: 313-936-116#
or through this link: https://www.gomeet.com/313-936-116

MHEFA, 860 Blue Gentian Road, Suite 145, Eagan, MN 55121. Telephone: 651-296-4690

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

The Minnesota Higher Education Facilities Authority (the "Authority" or "MHEFA") convened a regular Board meeting at 2:00 pm Central Time, Wednesday, October 19, 2022.

The Board is conducting this meeting subject to the Open Meeting Law by in-person, telephone, and interactive technology as allowed by Minnesota Statutes. Members participating in the meeting can hear each other and all discussion; members of the public can hear all discussion and votes; and all votes are conducted by a roll call. The board has made provision for the public to monitor the meeting electronically from a remote location. The board has provided notice of the meeting location, the fact that some members may participate by interactive technology, and of the public's right to monitor the meeting electronically from a remote location. Authority Chair Benson determined that an in-person meeting was not practical or prudent because of the health pandemic as defined 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 Authority Board meeting was held in Room 215 at the Macalester College Ruth Stricker Dayton Campus Center, 1600 Grand Avenue, St. Paul, MN 55105. Executive Director Fick was physically present. Mr. Fick meets the state's requirement for COVID-19 safety through vaccination, including boosters. The location and time of the meeting was duly published and posted on the Authority website and the door of the Authority office.

The public was able to monitor the meeting by calling a toll-free number and able to connect using the video link.

Board members participated in the meeting in-person and by using a video link. The meeting link was sent to Board members prior to the meeting. The use of a video link 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.015.

Executive Summary – Minnesota Higher Education Facilities Authority

Meeting on October 19, 2022

Board Actions Taken:

Motions:	Result:	Vote:
Approval of Meeting Minutes of June 15, 2022	Passed	Unanimous
Approve and Accept the Fiscal Year 2022 Audited Financial Statement and Communications Letter	Passed	Unanimous
Approve amendments to the Standing Rules of Operation	Passed	Unanimous

Resolutions	Result:	Vote:
Approve Delegating Certain Powers and Authority in Connection with Private Placement Financings	Passed	Unanimous

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 in-person (IP), by video link ("V") or telephone ("T"):

Board Members:
Gary Benson – IP
Mary Ives - IP
Nancy Sampair – IP
Mary Yang Thao – V
Ray Vin Zant – IP
Poawit Yang - V
Stacy Holland, Minnesota Private College Council, ex officio w/o vote – V

Absent:
Bonnie Anderson Rons
Mikeya Griffin
David Rowland

Other Attendees:
Mark LeMay - IP
Michelle Carlson - IP

Also Present:	Barry W. Fick Executive Director MHEFA – IP
	Amanda Lee, Operations Manager, MHEFA – IP

Gary Benson, 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 June 15, 2022, Board meeting.

The first item on the agenda is the review and consideration of the minutes of the June 15, 2022, Authority Board meeting.

Non-substantive edits previously provided by Mark LeMay were noted and Board Member Nancy Sampair noted one non-substantive edit she would provide after the meeting to be incorporated into the June 15, 2022 Minutes. Board members reported no substantial changes to the June 15, 2022 minutes.

A motion was made by Mary Ives to approve the June 15, 2022, minutes. The motion was seconded by Nancy Sampair. Chair Benson asked if there were any questions, discussion, or further changes to the minutes of the June 15, 2022, Board meeting. There were no further questions or proposed changes to the minutes from Board members.

Chair Benson called for a 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
	Nancy Sampair	Yes
	Mary Yang Thao	Yes
	Mary Ives	Yes
	Raymond Vin Zant	Yes
	Poawit Yang	Yes

There were no votes against the motion and the Minutes of the June 15, 2022, MHEFA Board meetings were approved.

Agenda Item II – Fiscal Year Ended June 30, 2022 Results
Chair Benson called on Matt Mayer, Partner with BerganKDV, the firm engaged by the Authority to conduct the annual audit of the Authority financial records. Mr. Mayer reviewed the work that BerganKDV did in their audit of the Authority's accounting records. Mr. Mayer noted that the audit was conducted virtually, with documents transferred electronically by the Authority to a secure site accessible by authorized BerganKDV staff. This is the third year in a row that the financial audit of the Authority has been conducted virtually. This has proved to be a cost effective and thorough approach to conducting the audit of the Authority's financial records. The need for in-person review is limited as the Authority has no inventory and does not sell physical goods.

Mr. Mayer noted that the audit staff received excellent cooperation from the Authority in the review of records by BerganKDV staff. He noted that the preparation of financial statements for the Authority are the responsibility of the Authority and that BerganKDV does not prepare the financial statements of the Authority.

Mr. Mayer reported that BerganKDV's responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion on the fair presentation of financial information.

Mr. Mayer reported that in the opinion of BerganKDV, the financial statements of the Minnesota Higher Education Facilities Authority as of June 30, 2022, present fairly, in all material respects, the respective financial position of the Authority and the respective changes in financial position and its cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

Mr. Mayer noted that the Authority continues to have a significant deficiency in internal controls, due to lack of segregation of accounting duties. This is the result of the small size of the staff of the Authority, which precludes greater segregation of duties. The Authority has taken steps to compensate for the lack of segregation, including detailed activity review by the Executive Director and significant oversight by Board Members of the Authority.

Mr. Mayer discussed specific items in the financial statements, noting that operating performance was positive due to the number of conduit bond sales and lower operating expenses. A large component of the reduced operating expense was a reduction in the accrued pension cost, which is a noncash item. The positive change in net position resulted in end of year unrestricted assets totaling approximately $2.110 million, a $41K improvement from the prior year.

Mr. Mayer noted that in FY22 the authority changed the treatment of lease and rent expenses to comply with updated accounting rules. This reduced rent and lease operating expenses with a similar increase to depreciation.

Mr. Mayer concluded his presentation. Mr. Benson asked members of the Board if they had any questions for Mr. Mayer. A question regarding the lack of segregation of duties was asked. The specific question was whether or not the Board has significant oversight of the accounting function and what is meant by significant oversight. Staff noted that Board members are presented monthly statements of activity and cash flow and are free to request review of any transactions shown on the statements provided. Board members are also able to request information about any items of Authority activity that they would like to review or receive additional information about.

Mr. Mayer noted that BerganKDV will continue to monitor this deficiency and staff encourages the Board to review the material provided to them and ask any questions they would like.

There were no further questions and Mr. Benson asked for a motion to accept and approve the FY2022 Audited Financial Statements and Communications letter from BerganKDV. A motion was made by Raymond Vin Zant to approve and accept the FY22 Audited Financial Statements and Communications Letter. The motion was seconded by Nancy Sampair.

Chair Benson asked Executive Director Fick to conduct a Roll Call vote on the Motion. A roll call vote was conducted, and the Board members voted as follows:

Gary Benson	Yes
Mary Ives	Yes
Mary Yang Thao	Yes
Raymond Vin Zant	Yes
Nancy Sampair	Yes
Poawit Yang	Yes

There were no abstentions or votes against the Motion and the FY2022 Audited Financial Statements and Communications Letter were accepted.

Agenda Item III – Policy Updates

Chair Benson called on Operations Manager Amanda Lee to discuss recommended policy updates to Authority Standing Rules of Operation. Ms. Lee noted that staff is proposing five updates. Each policy is designed to either comply with current accounting regulations (Leases and rents) or to enhance efficiency in MHEFA Operating procedures.

Staff proposes to adopt a new Policy on Lease Accounting. The policy sets forth guidance on parameters used to guide the Authority on compliance with GASB No. 87, Lease Accounting. Adoption of the Policy will provide information on the Authority's decision process to determine how to account for current and future leases.

Staff proposes to modify the current Checking Account Balances policy to authorize staff to make transfers between the double-signature account and the single signature account of up to $15,000. The limit since 1988 has been $10,000. The reason for the proposed change is to enhance efficiency and reduce the number of transfers required during the year.

Staff proposes to modify the current Credit Card Use Policy to increase the credit limit from $2,500 to $5,000 per credit card. This change is to promote efficiency and increase the audit trail for tracking expenses of the Authority. It reflects the higher costs of operations, including travel and conference expenses.

Staff proposes to modify the current Fixed Asset Capitalization Policy to change the dollar amount for purchased items to be depreciated over a number of years or expensed in a single year. The current level for capitalization is $500. The proposal is to change the dollar threshold for capitalization to $2,000. This change has been suggested by the auditors, who noted that the general price level changes since the Authority policy was last amended have changed significantly. The change would reduce complexity and more accurately reflect the matching of the useful life of acquired items with the accounting period during which the item is purchased.

Staff also reviewed the Deposit and Investment Policy, but do not recommend any changes to this policy. As discussed at the June Authority meeting, the Authority will look at the purchase of US Treasury Securities in addition to Certificates of Deposit for investment of Authority designated fund balances. This will enhance the diversification of the Authority's designated fund balance portfolio and may improve the overall yield on the portfolio, with no reduction in safety.

Operations Manager Lee asked if there were any questions from Board members. Board members had no questions but did favorably note the changes and commented that the proposed changes are reasonable.

There were no further questions and Mr. Benson asked for a motion to adopt the motion to revise the Standing Rules of Operation. A motion was made by Nancy Sampair to adopt the motion to revise the Standing Rules of Operation. The motion was seconded by Raymond Vin Zant.

Chair Benson asked Executive Director Fick to conduct a Roll Call vote on the Motion. A roll call vote was conducted, and the Board members voted as follows:

Gary Benson	Yes
Mary Ives	Yes
Mary Yang Thao	Yes
Raymond Vin Zant	Yes
Nancy Sampair	Yes
Poawit Yang	Yes

There were no abstentions or votes against the Motion and the motion to revise the Standing Rules of Operation was approved.

Agenda Item IV – Professional Services Update and Discussion

Authority staff presented updates on professional services related to Arbitrage Rebate and the use of Municipal Advisors for Authority issued financings. The discussion with the Board was to provide an update on Arbitrage Rebate Services and review use of Municipal Advisors on Authority financings.

Arbitrage rebate services are provided by Baker Tilly Municipal Advisors (BTMA) as transferee from Springsted Incorporated. It has been a number of years since the Authority requested bids for Arbitrage Rebate Services. When a Municipal Advisor RFP was issued in 2020, a similar RFP for

Arbitrage Rebate Services was not issued. With changes to personnel at BTMA, staff is asking if Board members recommend considering the issue of a Request for Proposal to provide Arbitrage Rebate Services in the next few months. Board members discussed the idea of issuing an RFP and the consensus was that Authority staff should prepare a RFP for review and consideration by the Board at a future meeting of the Board.

With the establishment of roster of Municipal Advisors (MA) and changes in the use of MA's during the past few years, the Authority is looking ahead at ways to minimize transaction costs and continue to provide professional services to borrowers. Authority staff requested advice and consent from the Board regarding the use of a MA on financings. Staff outlined the options and future use of a MA on Authority financings. At the conclusion of the presentation, Mr. Fick asked if there were questions from the Board. The Board asked about cost savings and how advisory services could be affected. Mr. Fick noted that costs would be no higher than under the current policy but would likely be reduced with the adjustment to the policy. Advisory services would not be compromised, as the MA would continue to be responsible for reviewing the Application and providing a Plan of Finance review for all Authority financings. There were no other questions from the Board.

No action on these items is required, as the policies are not changed, and the Board by consensus approves the staff moving forward with the requested actions.

Agenda Item V – Old Business

Chair Benson asked if there were any Old Business items from Board members for discussion.

There were no Old Business items from staff or from Board members for discussion.

Agenda Item VI – New Business

Chair Benson asked if there were any New Business items from Board members for discussion. There were no other New Business items from Board members for discussion. Executive Director Fick noted that staff have a new business item for Board Consideration.

Recently, the Authority is working with borrowers who wish to modify their outstanding Bank Purchase or Private Placement agreements. These modifications do not result in either a "reissuance" of the financing for IRS purposes, nor do they change any material component of the

Revenue Note. They are changes to administrative items such as method of calculation of interest rates, substitution of indexes for variable rate fixing, replacement of LIBOR with an alternative reference rate, extension of mandatory tender dates, and related non-substantive changes to the terms of the agreement.

They do not involve changes to the final maturity, the principal repayment schedule, interest rates, or any substantive terms of the Revenue Note.

There is some question if the Authority needs to approve or consent to these non-material changes. The Authority position is that the Authority should approve or consent to the changes.

Authority consent is vital to maintain accurate records and reporting for financial accounting purposes. Authority approval or consent is necessary to allow Bond Counsel on the original transaction to work on behalf of the Authority and to work with the Authority to verify/confirm the non-substantive nature of the proposed changes.

Staff proposes and recommends adoption of a resolution which will designate to the Executive Director or the Chair of the Authority Board, the signing authority for Private Placement (Commercial Bank Financing) administrative changes to Revenue Notes of the Authority. Any substantive changes would continue to be brought to the full Board for consideration and approval.

Mr. Fick asked if there were questions from Board members. Board members asked some clarification questions, including confirmation that either the Executive Director or the Board Chair may sign the administrative change, but the proposed change does not require both signatures. This understanding was affirmed.

There were no further questions and Mr. Benson asked for a motion to adopt the Resolution to Delegate signature Authority for Private Placement (Commercial Bank Financing) of Administrative Changes to the Executive Director or the Board Chair. A motion was made by Raymond Vin Zant to adopt the Resolution. The motion was seconded by Mary Ives.

Chair Benson asked Executive Director Fick to conduct a Roll Call vote on the Motion. A roll call vote was conducted, and the Board members voted as follows:

Gary Benson	Yes

Mary Ives	Yes
Mary Yang Thao	Yes
Raymond Vin Zant	Yes
Nancy Sampair	Yes
Poawit Yang	Yes

There were no abstentions or votes against the Motion and the Resolution to Delegate signature Authority for Private Placement (Commercial Bank Financing) of Administrative Changes to the Executive Director or the Board Chair was approved.

Agenda Item VII – Other Business

Chair 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.

Legislative Update

It does not appear that a Special Session is going to be called in the next month, so we are planning to go back to the legislature in 2023, where the chance for passage of our bill is very good. We have had discussions with one of our House sponsors, who provided guidance on some fine-tuning of our bill language that we will incorporate, along with improved explanatory material.

Rating Agency Update

- Moody's Investors Service has published their ESG scores
- These include assignment of a Credit Impact Score (CIS)

Borrower Assistance and Financing Application Update

- We are engaging in preliminary discussions with several schools about financing projects in the next one to two years
- We are collaborating with multiple schools on Moody's rating updates
- We continue to support schools in their compliance with Continuing Disclosure obligations

- If the projected school financings are competed in the next fiscal year, we will be very close to our bonding limit of $1.3 billion. This means we'll want to go back to the Legislature in 2023 at minimum for an expansion of our bonding limit to somewhere around $2 billion.

<u>Borrower Staffing Update</u>

Vacancy exists for the CFO position at Bethel. St. Scholastica, MCAD and NW Health Sciences have filled their financial staff vacancies. Presidential search continues at the University of St. Thomas.

<u>Various Items of Interest</u>

Executive Director Fick attended and presided as President at the National Association of Health and Educational Facilities Financing Authorities (NAHEFFA) in Bozeman, MT this past September.

Mr. Fick's has been appointed to a second term on GFOA Debt Management Committee beginning September 15, 2022.

In his capacity as President of the National Association of Health & Education Facilities Finance Authorities, (NAHEFFA), Executive Director Fick met with the Municipal Securities Rulemaking Board and Senior Staff in late July and met with the SEC Office of Municipal Securities Director to discuss conduit municipal issues.

Chair Benson asked if there was any further business to come before the Board. There was none.

The meeting was suspended at 3:53 pm, CDT, and will reconvene at the Pool and Yacht Club for a Board appreciation and past Board member service recognition dinner,

Prior to reconvening the Board meeting, Board members and members of the Public were invited to visit the Authority's new office location at 860 Blue Gentian Road, Suite 145, Eagan, MN 55121 immediately after suspension of the Authority meeting to view and tour the new office location.

The meeting was reconvened at 5:45 at the Pool and Yacht Club. Prior Board Member Mark Misukanis attended the Board appreciation and recognition event. Chair Benson and Executive Director Fick thanked Mr. Misukanis for his years of exemplary service to the Board and higher education in Minnesota. In addition, all Board members were recognized for their service in assisting the Authority with its mission to assist non-profit institutions of higher education in Minnesota access low-cost financing to keep costs of attendance lower than would otherwise be possible without Authority assistance.

There were no other items for the Board to consider. A motion to adjourn was made by Mary Ives with a second provided by Nancy Sampair. The Board acted by voice vote to adjourn the meeting at 9:15 pm, Central Time.

Respectfully submitted,

____
Assistant Secretary

Annual Financial Report

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

For Year Ending June 30, 2022


Minnesota

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MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY


Minnesota

Mission of the Authority

The mission of the Minnesota Higher Education Facilities Authority is to assist eligible institutions of higher education in the State of Minnesota in financing their capital needs in an efficient and cost-effective manner.

Within the framework of Minnesota statues 136A.25—136A.42, the Authority works to assist educational institutions primarily through the issuance of tax-exempt debt obligations on their behalf. The Authority also actively seeks to develop financing programs that may be of benefit to institutions and shall make its staff and technical resources available to institutions whenever the application of those resources may prove beneficial in the development or implementation of institutional debt financing plans. The Authority shall, where appropriate, actively seek to have laws and regulations amended to empower the Authority to provide such assistance. The Authority will also endeavor to inform and update educational institutions on the various strategies of debt financing, refinancing, post sale compliance, and legal or regulatory challenges to the debt issued for the benefit of the educational institution.

The Authority shall conduct its activities in strict accordance with all applicable laws and regulations. The Authority will not act as a regulatory body with respect to the internal policies and activities, financial or otherwise, of any educational institution, except as may be required by law and prudent fiscal policy in the course of providing assistance to such educational institutions.

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

MHEFA Staff

Barry W. Fick, Executive Director
Amanda G. Lee, Operations Manager

FY2022 Municipal Advisors

North Slope Capital Advisors

Denver, CO
Mitchell Hamline School of Law, Series 2022A
Mitchell Hamline School of Law, Series 2022B
University of St. Thomas, Series 2022A
University of St. Thomas, Series 2022B

No municipal advisor was used for Minneapolis College of Art and Design Private Placement, Series 2022.

FY2022 Bond Counsel

Fryberger, Buchanan, Smith & Frederick, P.A.

Duluth, Minnesota
Minneapolis College of Art and Design, Series 2022

McGrann Shea, Carnival Straughn & Lamb, Chartered

Minneapolis, Minnesota
Mitchell Hamline School of Law, Series 2022A
Mitchell Hamline School of Law, Series 2022B
University of St. Thomas, Series 2022A
University of St. Thomas, Series 2022B

FY2022 Independent Auditor

BerganKDV, Ltd.

Minneapolis, Minnesota

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

MHEFA Board Members

Gary D. Benson, MHEFA Chair
Member with Construction Experience
Director of Project Planning & Development
Kraus-Anderson Construction Company
Resident of New Brighton, Minnesota
Term Expires January 2023

Paul Cerkvenik
Ex-officio, Non-voting Member
President, Minnesota Private College Council

Mikeya Griffin
(Replaced Michael Ranum as of May 2022)
General Member
Executive Director, Rondo Community Land Trust
Resident of Saint Paul, Minnesota
Term Expires January 2026

Mary F. Ives
Member Residing Outside of Metro
Member with Higher Education Affiliation
Emeritus Trustee of the College of St. Scholastica
Real Estate Agent and Business
Owner-Operator of Hospitality Properties
Resident of Grand Rapids, Minnesota
Term Expires January 2024

Bonnie M. Anderson Rons, MHEFA Vice-Chair
General Member
Retired Banker
Resident of Rosemount, Minnesota
Term Expires January 2023

David Rowland, MHEFA Secretary
Member with Municipal Finance Experience
Executive Vice President, Co-Chief Investment Officer, The Travelers Companies, Inc.
Resident of Edina, Minnesota
Term Expires January 2025

Nancy Sampair
General Member
Retired Banker
Resident of Saint Paul, Minnesota
Term Expires January 2026

Raymond VinZant, Jr.
Member Residing Outside of Metro
Founder, Midway Vo-Tech, Saint Paul
Resident of Wyoming, Minnesota
Term Expires January 2024

Mary Thao
Member with Higher Education Affiliation
Vice President and Controller, Finance & Administration, St. Catherine University
Resident of Circle Pines, Minnesota
Term Expires January 2025

Poawit Yang
Ex-officio Member
Chief Financial Officer, Minnesota Office of Higher Education

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Letter from the Board Chair

Greetings:

On behalf of the Minnesota Higher Education Facilities Authority and its borrowers, I am pleased to present the Authority's Annual Report for the fiscal year ended June 30, 2022, including audited financial statements. This Report includes information about the Authority services provided to nonprofit institutions of higher education in the State of Minnesota. The Authority's mission is to provide conduit financing assistance and related services for capital projects of those colleges and universities, generally through tax-exempt financing.

The Authority provides its services to Minnesota's nonprofit colleges and universities at no cost to Minnesota taxpayers. The bonds the Authority issues are not backed by either direct or indirect credit of the State. All Authority operating expenses are paid through fees assessed to borrowers in connection with each school's respective financing.

In fiscal year 2022, the Authority completed five financings totaling $145,923,000. At the end of the fiscal year 2022, the total principal outstanding for Authority-issued debt was: $1,089,175,606. The current statutory limit on outstanding debt issued by the Authority is $1.3 billion. The annual volume of bonds the Authority issues fluctuates with market conditions and institution needs. Throughout the year, the Authority provides ongoing services that enhance the financing assistance provided to Minnesota nonprofit colleges and universities.

The Authority has proudly served as a consistent source of financing assistance and related services to Minnesota's nonprofit colleges and universities for 51 years. The Authority celebrated its delayed 50th Anniversary at the first in-person Authority Conference since 2019. The conference was held in August at Union Depot, the first at this location for the Authority. During fiscal year 2022, the Authority moved its office to a new location in Eagan.   As we have since 1971, through the combined efforts of the Authority Board Members, staff and advisors, the Authority pledges to continue to provide service to our borrowers and the industry in an efficient and cost-effective manner.

Respectfully submitted,

Gary Benson

Chair, Fiscal Year 2022

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Colleges and Universities with Bond Issues Outstanding

Augsburg University

- Series Eight-C issued July 2014 in the amount of $6,705,000. The proceeds were used to refund the Series Six-C Bonds.
- Series Eight-E issued April 2015 in the amount of $12,400,000 as a Private Bank Placement. The proceeds were used to refund the Series Six-J1 Bonds.
- Augsburg Series 2016A in the amount of $32,240,000 and Series 2016B in the amount of $13,680,000 issued December 2016. The proceeds were used to finance a portion of a Science, Business and Religion Center.
- Augsburg Series 2019 issued August 2019 in the amount of $2,920,000 as a Private Bank Placement. The proceeds were used to refund the Series Six-J2 and Seven-G Bonds.

Bethel University

- Bethel Series 2017 issued July 2017 in the amount of $44,565,000. The proceeds were used for the renovation of four residence halls and to refund the Series Six-R Bonds.

Carleton College

- Carleton Series 2017 issued May 2017 in the amount of $124,900,000. The proceeds were used for the construction of several campus buildings, various utility infrastructure improvements, to refund the Series Five-G, Series Six-T and Series Seven-D Bonds.

College of Saint Benedict

- Series Seven-T issued January 2013 in the amount of $5,235,000 as a Private Bank Placement. The proceeds were used to refund the Series Five-W Bonds.
- Series Eight-K issued April 2016 in the amount of $34,360,000. The proceeds were used to finance improvements on the campus including acquisition and renovation of three buildings, renovation of academic, residential and library buildings, development of sports fields, upgrades to the power plant and other improvements.
- Saint Benedict Series 2017 issued December 2017 in the amount of $8,605,000. The proceeds were used to refund the Series Six-V and Seven-M Bonds.

Colleges and Universities with Bond Issues Outstanding

College of St. Scholastica

- Series Seven-R issued October 2012 in the amount of $9,380,000. The proceeds were used to refund the Series Five-R Bonds.
- St. Scholastica Series 2019 issued September 2019 in the amount of $29,075,000. The proceeds were used to refund the Series Six-S, Seven-H and Seven-J Bonds.

Concordia University, St. Paul

- Series Six-Q issued October 2007 in the amount of $18,155,000. The proceeds were used for the construction a 300-bed residence hall.

Gustavus Adolphus College

- Series Seven-W issued July 2013 in the amount of $11,410,000. The proceeds were used to refund the Series Five-X Bonds.
- Gustavus Series 2017 issued September 2017 in the amount of $52,515,000. The proceeds were used to refund the Series Seven-B Bonds, and to renovate and expand two science and fine arts buildings on campus.

Hamline University

- Hamline Series 2017B issued December 2017 in the amount of $34,650,000. The proceeds were used to refund the Series Seven-E and Series Seven-K2 Bonds.
- Hamline Series 2021 issued June 2021 in the amount of $9,725,000 as a Private Bank Placement. The proceeds were used to refund the Series Seven-Y2 Note ,to renovate a residence hall, and for the conversion of the north campus heating system from high pressure steam to low pressure steam.

Colleges and Universities with Bond Issues Outstanding

Macalester College

- Series Three-Z issued September 1994 in the amount of $6,660,000. The proceeds were used for the expansion of the College's athletic fields and other renovations on the campus.
- Series Five-Q issued February 2003 in the amount of $15,300,000. The proceeds were used for the renovation, refurnishing and data wire upgrades to Doty Hall, Wallace Hall and Turck Hall and to install fire sprinkler systems in Doty, Wallace, Turck, Bigelow, Dupre, 30 Macalester and Kirk Halls.
- Series Eight-J issued October, 2015 in the amount of $22,660,000. The proceeds were used to refund a portion of the Series Six-P Bonds and to finance a number of infrastructure renovation and improvements on the campus.
- Macalester Series 2017 issued November 2017 in the amount of $40,315,000. The proceeds were used to refund the Series Six-P and Seven-I Bonds, and to construct a new theater, dance and art building on campus.
- Macalester Series 2021 issued April 2021 in the amount of $12,870,000. The proceeds were used to refund the Series Seven-S bonds and partially fund the replacement of several roofs on the Macalester campus.

Minneapolis College of Art and Design

- Series Seven-N issued April 2012 in the amount of $3,215,000. The proceeds were used to refund the Series Five-K Bonds.
- Series Eight-D issued March 2015 in the amount of $7,845,000. The proceeds were used to refund the Series Six-K Bonds and Series Six-Z Notes.
- MCAD Series 2018 issued May 2018 in the amount of $3,643,000 as a Private Bank Placement. The proceeds were used for roof repair and renovation of studio and classroom space.
- MCAD Series 2022 issued March 2022 in the amount of $1,500,000 as a Private Bank Placement. The proceeds were used to purchase two properties adjacent to campus.

Colleges and Universities with Bond Issues Outstanding

Mitchell Hamline School of Law

- MHSL Series 2022A issued March 2022 in the amount of $12,425,000. The proceeds were used to refinance Series 7-V. and to finance a portion of various campus construction projects and improvements.
- MHSL Series 2022B issued March 2022 in the amount of $998,000. The proceeds were used to finance the Series 7-Swap Termination payment.

Saint John's University

- Series Eight-H issued August 2015 in the amount of $13,815,000. The proceeds were used to refund the Series Six-G Bonds.
- Series Eight-I issued December 2015 in the amount of $18,275,000. The proceeds were used for the construction of a Learning Commons building and improvements to the Alcuin Library.
- Saint John's Series 2017 issued September 2017 in the amount of $7,595,000. The proceeds were used to refund the Series Six-U Bonds.
- Saint John's Series 2021 issued June 2021 in the amount of $21,560,000. The proceeds were used to demolish an existing residence hall and construct a new residence facility in its place, reimburse the University for renovations already completed to the University's Science Center, renovate two floors of a residence hall, construct a pedestrian bridge connecting lower campus and upper campus across Stumpf Lake, and various capital improvement and renovation projects on existing residence facilities and student commons on campus.

Saint Mary's University of Minnesota

- Saint Mary's Series 2017A in the amount of $5,546,000 issued June 2017 as a Private Bank Placement. The proceeds were used for the construction of a three-story science and learning center of approximately 50,000 square feet.

Colleges and Universities with Bond Issues Outstanding

St. Catherine University

- St. Catherine Series 2018A issued September 2018 in the amount of $49,770,000. The proceeds were used to refund the Series Five-N2 Bonds, Series Eight-B Note, and to provide funding for a portion of new construction projects on the University's Saint Paul campus.
- St. Catherine Series 2018B issued September 2018 in the amount of $20,765,000. These Bonds were issued as taxable and the proceeds were used to refund the Series Seven-Q Bonds.

St. Olaf College

- Series Eight-G issued July 2015 in the amount of $53,745,000. The proceeds were used to refund portions of the Series Six-O and Five-M2 Bonds and for the renovation of various campus buildings.
- Series Eight-N issued September 2016 in the amount of $22,845,000. The proceeds were used to refund a portion of the Series Seven-F Bonds.
- St. Olaf Series 2021 issued March 2021 in the amount of $57,335,000. The proceeds were used to fund construction of a residential tower, construction and furnish ten townhome residences, and renovations to an existing residential building.

Colleges and Universities with Bond Issues Outstanding

University of St. Thomas

- Series Seven-U issued March 2013 in the amount of $25,685,000. The proceeds were used to refund the Series Five-L and the Series Five-Z Bonds.
- Series Seven-Z issued March 2014 in the amount of $24,210,000 as a Private Bank Placement. The proceeds were used to refund the Series Five-Y Bonds.
- Series Eight-L issued March 2016 in the amount of $55,355,000. The proceeds were used to refund the Series Six-W and Six-X Bonds.
- St. Thomas Series 2017A issued December 2017 in the amount of $60,750,000. The proceeds of were used to refund the Series Seven-A Bonds.
- St. Thomas Series 2017B issued December 2017 in the amount of $8,220,000 as a Private Bank Placement. The proceeds were used to refund the Series Seven-O Bonds.
- St. Thomas Series 2019 issued May 2019 in the amount of $80,525,000. The proceeds were used to construct, equip, and furnish two new residence halls, including the demolition of a current residence hall and faculty residence.
- St. Thomas Series 2020A issued July 2020 in the amount of $9,610,000 as a Private Bank Placement. The proceeds were used to refund the St. Thomas Series 2017C Note.
- St. Thomas Series 2020B issued July 2020 in the amount of $9,135,000 as a Private Bank Placement. The proceeds were used to renovate a residence hall and the Child Development Center/Center for Well-Being.
- St. Thomas Series 2022A Green Bonds issued June 2022 in the amount of $60,720,000. The proceeds were used to fund a LEED Gold certified STEAM (Science, Technology, Engineering, Arts, Math) building.
- St. Thomas Series 2022B issued June 2022 in the amount of $70,280,000. The proceeds were used to fund renovation of several buildings on campus and to fund the acquisition of land for future Athletic Complex projects.

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Independent Auditor's Report

Report on the Audit of the Financial Statements

We have audited the financial statements of the Minnesota Higher Education Facilities Authority, St. Paul, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Minnesota Higher Education Facilities Authority, Saint Paul, Minnesota, as of June 30, 2022, and the respective changes in financial position and its cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Higher Education Facilities Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Implementation of GASB 87

The Authority has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Independent Auditor's Report

Responsibilities of Management for the Financial Statements *(Continued)*

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

Auditor's Responsibilities for the Audit of the Financing Statements

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

In performing an audit in accordance with GAAS, we:

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

Auditor's Responsibilities for the Audit of the Financing Statements *(Continued)*

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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, 2021, from which such partial information was derived.

We have previously audited the Authority's 2021 financial statements and our report, dated October 25, 2021, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BerganKDV, Ltd. Minneapolis, Minnesota
September 29, 2022

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, 2022.

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. 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. These procedures and policies are regularly reviewed and updated.

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 245 issues (including refunded and retired issues) totaling over $3.29 billion of which $1,089,175,606 is outstanding as of June 30, 2022. 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.

Management Discussion and Analysis

The Authority may issue bonds for a broad range of projects, including facilities for housing, academic, athletic, 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 2022, the Authority opted to delay the conference until August 2022, resulting in no conference being held in fiscal year 2022.

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.

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.

Management Discussion and Analysis

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2022 and 2021.

	2022	2021
Assets		
Current assets	$ 2,192,867	$ 2,197,589
Noncurrent assets	19,925	3,371
Total assets	2,212,792	2,200,960
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	47,160	8,124
Liabilities		
Current liabilities	44,988	23,464
Long term liabilities	16,028	43,188
Total liabilities	61,016	66,652
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	87,974	72,548
Net Position		
Invested in capital assets	737	3,371
Unrestricted	2,110,225	2,066,513
Total Net Position	$ 2,110,962	$ 2,069,884
Operating Revenues	$ 484,264	$ 442,620
Operating Expenses	(420,698)	(467,482)
Operating Gain (Loss)	63,566	(24,862)
Nonoperating Revenues		
Interest income	17,053	29,285
Net increase/(decrease) in fair value of investments	(38,016)	(27,000)
Interest expense	(1,525)	-
Total nonoperating revenue	(22,488)	2,285
Change in Net Position	41,078	(22,577)
Net Position		
Beginning of year	2,069,884	2,092,461
End of year	$ 2,110,962	$ 2,069,884

Management Discussion and Analysis

Financial Highlights

The Authority completed five financings in fiscal year 2022 with a total principal amount of $145,923,000. This compares to six financings completed in fiscal year 2021 with a total principal amount of $120,235,000. Following is a listing of the bond issues for fiscal year 2022.

- **Minneapolis College of Art and Design**
    - Minneapolis College of Art and Design, Series 2022 Revenue Note was issued March 2022 in the amount of $1,500,000. Proceeds from the Series 2022 Revenue Note were used to reimburse the college for the late calendar year 2021 purchase of a residential property and a commercial property located adjacent to the MCAD campus. The residential property will be used to house college administration and the commercial property will be used to house maintenance services and equipment, thereby making space available in the main campus for additional classroom and studio space.

- **Mitchell Hamline School of Law**
    - Mitchell Hamline School of Law, Series 2022A Revenue and Refunding Note was issued March 2022 in the amount of $12,425,000. Proceeds from the Series 2022A Revenue and Refunding Note were used to refinance the outstanding balance of Series 7-V and to finance a portion of the construction cost of various facilities, including HVAC improvements and new computer systems.
    - Mitchell Hamline school of Law, Series 2022B Taxable Revenue Note was issued March 2022 in the amount of $998,000. Proceeds from the Series 2022B Taxable Revenue Note were used to finance the Series 7-V Swap Termination Payment.

Financial Highlights *(Continued)*

- **University of St. Thomas**

  The University of St. Thomas issued two Series of bonds concurrently in June 2022. The Series 2022A Bonds were designated Green Bonds with independent third-party verification of the Green Bond designation. The Series 2022B Bonds had no special status designation. Both Series of Bonds were issued as tax-exempt bonds.

  ◊ University of St. Thomas, Series 2022A Green Revenue Bonds were issued June 2022 in the amount of $60,720,000. Proceeds from the Series 2022A Green Revenue Bonds are being used to fund a LEED Gold certified STEAM (Science, Technology, Engineering, Arts, Math) building adjacent to and connected to the current University Science building.

  ◊ University of St. Thomas, Series 2022B Revenue Bonds were issued June 2022 in the amount of $70,280,000. Proceeds from the Series 2022B Revenue Bonds are being used to fund renovation of two existing residence halls, fund various academic building renovations, and fund the acquisition of land at the Highview Bridge location for future Athletic Complex projects.

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. The Authority annually calculates the operating cost and strives to have the Board set the revenue goal to generate sufficient revenue to cover operating costs and not generate an annual operating surplus or deficit.

Beginning in fiscal year 1997, the Authority's annual administrative fee has been reduced and is less than the allowable maximum of 0.125%. In fiscal year 2022, the Authority reduced the maximum annual administrative fee to all borrowers by 65%. The maximum allowable fee for fiscal year 2023 will again be reduced by 65%. The Authority has maintained a 65% fee reduction each year since fiscal year 2017. Although future reductions in the maximum allowable fee are not guaranteed, the Authority is committed to providing its services at an affordable level to its borrowers.

Management Discussion and Analysis

Factors Expected to Affect Future Financial Position and Operation *(Continued)*

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 identified risk factors and are kept to a level that is not in excess of a reasonably required reserve.

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

860 Blue Gentian Road, Suite 145

Eagan, MN 55121

Phone: 651-296-4690

Email: info@mnhefa.org

Website: www.mnhefa.org

Please note the Authority's new address as of July 1, 2022.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Statement of Net Position

Year ended June 30, 2022 (With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$944,637	$422,953
Investments	1,226,917	1,764,933
Accounts Receivable	2,098	2,834
Interest receivable	913	4,608
Prepaid items	18,302	2,261
Total current assets	$2,192,867	$2,197,589
Noncurrent assets		
Equipment	63,528	63,528
Less accumulated depreciation	(62,323)	(60,157)
Leased building	63,648	-
Less accumulated amortization	(44,928)	-
Total noncurrent assets	19,925	3,371
Total assets	2,212,792	2,200,960
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	47,160	8,124
Total assets and deferred outflows of resources	2,259,952	2,209,084

Continued on page 22

Statement of Net Position

Year ended June 30, 2022 (With Partial Comparative Information for the Year Ended June 30, 2021)

Liabilities, Deferred Inflows of Resources and Net Position	2022	2021
Liabilities		
Current liabilities		
Accounts payable	$11,889	$12,267
Lease liability	19,188	-
Compensated absences payable	13,911	11,197
Total current liabilities	$44,988	$23,464
Noncurrent liabilities		
Compensated absences payable	13,911	11,197
Net pension liability	2,117	31,991
Total noncurrent liabilities	16,028	43,188
Total liabilities	61,016	66,652
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	87,974	72,548
Net Position		
Net investment in capital assets	737	3,371
Unrestricted	2,110,225	2,066,513
Total net position	2,110,962	2,069,884
Total liabilities, deferred inflows of resources, and net position	2,259,952	2,209,084

See notes to basic financial statements.

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2022 (With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Operating Revenues		
Annual administrative fees	$ 481,264	$ 440,620
Other income	3,000	2,000
Total operating revenues	484,264	442,620
Operating Expenses		
Payroll, payroll taxes, and employee benefits	238,589	276,347
Legal, audit, and consulting expense	70,264	81,385
Rent	1,618	48,481
Depreciation	47,094	3,264
Other general and administrative expenses	63,133	58,005
Total operating expenses	420,698	467,482
Operating income (loss)	63,566	(24,862)
Nonoperating Revenues (Expenses)		
Interest income	17,053	29,285
Change in fair value of investments	(38,016)	(27,000)
Interest expense	(1,525)	-
Total nonoperating revenues (expenses)	(22,488)	2,285
Change in net position	41,078	(22,577)
Net Position		
Beginning of year	2,069,884	2,092,461
End of year	$ 2,110,962	$ 2,069,884

See notes to basic financial statements.

Statement of Cash Flows

Year ended June 30, 2022 (With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Cash Flows - Operating Activities		
Cash received from annual administrative and other fees	$485,000	$478,589
Cash payments to employees	(290,170)	(287,262)
Cash payments to suppliers for goods and services	(147,909)	(188,215)
Net cash flows - operating activities	$46,921	$3,112
Cash Flows - Capital and Related Financing Activities		
Lease principal payments	(44,460)	-
Interest paid on leases	(1,525)	-
Purchase of Capital Assets	-	(3,347)
Net cash flows - capital and related financial activities	(45,985)	(3,347)
Cash Flows - Investing Activities		
Interest received	20,748	33,301
Net investment purchases	500,000	25,000
Net cash flows - investing activities	520,748	58,301
Net change in cash and cash equivalents	521,684	58,066
Cash and Cash Equivalents		
Beginning of year	422,953	364,887
End of year	944,637	422,953

Continued on page 25

Statement of Cash Flows

Year ended June 30, 2022 (With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Reconciliation of Operating Loss to		
Net Cash Flows - Operating Activities		
Operating income (loss)	$ 63,566	$ (24,862)
Adjustments to reconcile operating loss		
to net cash flows - operating activities		
Depreciation and amortization expense	47,094	3,264
Accounts Receivable	736	35,969
Prepaid items	(16,041)	(784)
Accounts payable	(378)	(15,763)
Deferred outflows, inflows, and		
liability related to pension activity	(53,484)	2,024
Compensated absences payable	5,428	3,264
Total adjustments	(16,645)	27,974
Net cash flows - operating activities	$ 46,921	$ 3,112
Noncash Investing Activities		
Net change in fair value of investments	$ (38,016)	$ (27,000)

See notes to basic financial statements.

Notes to Basic 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 2022, 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, 2022, 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, 2022, 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.

Note 1—Summary of Significant Accounting Policies *(Continued)*

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

1. Cash and Investments *(Continued)*

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.

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.

Notes to Basic Financial Statements

Note 1—Summary of Significant Accounting Policies *(Continued)*

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

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 basic 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, 2022, 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.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Notes to Basic Financial Statements

Note 1—Summary of Significant Accounting Policies *(Continued)*

D. Deferred Outflows/Inflows of Resources *(Continued)*

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.

Notes to Basic Financial Statements

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, 2022, the Authority's bank balance of $141,848 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2022, the Authority's carrying value of deposits was as follows:

Deposits …………………… $141,407

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.

Note 2—Deposits and Investments *(Continued)*

B. Investments

As of June 30, 2022, the Authority had the following investments:

Investment	Maturities	Fair Value	S&P Rating
Wex Bank Certificate of Deposit	10/11/22	$ 149,279	N/A
Eaglebank Certificate of Deposit	10/18/22	100,205	N/A
Amerant Bank NA Certificate of Deposit	12/20/22	99,898	N/A
UBS Bank USA Certificate of Deposit	01/17/23	98,905	N/A
Israel Discount Bank of New York Certificate of Deposit	01/27/23	198,084	N/A
State Bank of India, NY Certificate of Deposit	03/29/23	98,352	N/A
Eaglemark Savings Bank Certificate of Deposit	07/14/23	97,325	N/A
UBS Bank USA Certificate of Deposit	07/14/23	97,310	N/A
BMW Bank North American Certificate of Deposit	12/11/23	96,099	N/A
Merrick Bank Certificate of Deposit	12/29/23	95,862	N/A
BMW Bank North American Certificate of Deposit	01/22/24	95,598	N/A
Wells Fargo Money Market	N/A	803,230	AAAm
Total investments		$ 2,030,147	

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, 2022, investments with four separate issuers exceeded the five percent threshold.

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.

Note 2—Deposits and Investments *(Continued)*

B. Investments *(Continued)*

The Authority has the following recurring fair value measurements as of June 30, 2022:

- Brokered money markets of $803,230 are valued using calculated net asset value (Level 1 inputs)
- Investment securities of $1,226,917 are valued using quoted market prices (Level 2 inputs)

Deposits and investments are presented in the June 30, 2022, basic financial statements as follows:

Cash and cash equivalents	$ 944,637
Investments	1,226,917
Total deposits and investments	$ 2,171,554

Note 3—Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Change in Accounting Principle	Increases	Decreases	Ending Balance
Capital assets					
Office furniture and equipment	$ 63,528	$ -	$ -	$ -	$ 63,528
Leased building	-	63,648	-	-	63,648
Less accumulated depreciation	(60,157)	-	(2,166)	-	(62,323)
Less accumulated amortization	-	-	(44,928)	-	(44,928)
Total capital assets	$ 3,371	$ 63,648	$(47,094)	$ -	$ 19,925

Notes to Basic Financial Statements

Note 4—Long-Term Liabilities

A. Components of Long-Term Liabilities

The Authority has a lease liability related to office space through November 2022 with monthly rent totaling $3,876 through the end of the lease term. The lease liability relates to a right-to-use building asset.

B. Minimum Debt Payments for Lease Liability

Minimum annual principal and interest payments required to retire the lease liability:

Year Ending June 30,	Lease Liability Principal	Lease Liability Interest	Lease Liability Total
2023	$ 19,188	$ 192	$ 19,380

C. Changes in Long-Term Liabilities

Changes in long-term liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Change in Accounting Principle	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	$ -	$ 63,648	$ -	$ (44,460)	$ 19,188	$ 19,188
Compensated absences	22,394	-	31,348	(25,920)	27,822	13,911
Total long-term liabilities	$ 22,394	$ 63,648	$ 31,348	$ (70,380)	$ 47,010	$ 33,099

Notes to Basic Financial Statements

Note 5—Conduit Debt

At June 30, 2022, there were 48 conduit bond issues and leases outstanding with an aggregate principal balance outstanding of $1,089,175,606 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	12,800,000
Series Seven-N, Minneapolis College of Art and Design Revenue Bonds, April 2012	2023	3,215,000	370,000
Series Seven-R, College of St. Scholastica Revenue Bonds, October 2012	2032	9,380,000	5,790,000
Series Seven-T, College of St. Benedict Revenue Bonds, January 2013	2024	5,235,000	980,000
Series Seven-U, University of St. Thomas Revenue Bonds, March 2013	2027	25,685,000	12,690,000
Series Seven-W, Gustavus Adolphus College Revenue Bonds, July 2013	2034	11,410,000	8,160,000
Series Seven-Z, University of St. Thomas Revenue Note, March 2014	2034	24,210,000	13,898,593
Series Eight-C, Augsburg College Revenue Bond, July 2014	2023	6,705,000	970,000
Series Eight-D, Minneapolis College of Art and Design Revenue Bond, March 2015	2026	7,845,000	3,125,000

Note 5—Conduit Debt *(Continued)*

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series Eight-E, Augsburg College Revenue Note, April 2015	2036	12,400,000	9,235,000
Series Eight-G, St. Olaf College Revenue Bonds, July 2015	2032	53745000	39,490,000
Series Eight-H, St. John's University Revenue Bonds, August 2015	2026	13,815,000	3,635,000
Series Eight-I, St. John's University Revenue Bonds, December 2015	2035	18,275,000	13,380,000
Series Eight-J, Macalester College Revenue Bonds, September 2015	2032	22,660,000	14,160,000
Series Eight-K, College of St. Benedict Revenue Bonds, April 2016	2043	34,360,000	31,005,000
Series Eight-L, University of St. Thomas Revenue Bonds, March 2016	2039	55,355,000	45,140,000
Series Eight-N, St. Olaf College Revenue Bonds, September 2016	2035	22,845,000	22,090,000
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	11,705,000
Series 2017, Carleton College Revenue Bonds, May 2017	2047	124,900,000	108,895,000
Series 2017A, Saint Mary's University of Minnesota Revenue Note, June 2017	2037	5,546,000	4,796,000

Note 5—Conduit Debt *(Continued)*

College/University	Final Maturity	Indebtedness Issued	Outstanding
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	50,770,000
Series 2017, St. John's University Revenue and Refunding Bonds, September 2017	2033	7,595,000	6,090,000
Series 2017, Macalester College Revenue and Refunding Bonds, November 2017	2048	40,315,000	30,015,000
Series 2017B, Hamline University Revenue and Refunding Bonds, December 2017	2047	34,650,000	31,710,000
Series 2017A, University of St. Thomas Revenue Bonds, December 2017	2037	60,750,000	55,425,000
Series 2017B, University of St. Thomas Revenue and Refunding Note, December 2017	2025	8,220,000	1,975,000
Series 2017, College of St. Benedict Revenue and Refunding Bonds, December 2017	2036	8,605,000	5,900,000
Series 2018, Minneapolis College of Art and Design Revenue Note, May 2018	2028	3,643,000	3,443,013
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	79,545,000
Series 2019, Augsburg University Revenue Refunding Note, August 2019	2028	2,920,000	2,920,000

Note 5—Conduit Debt *(Continued)*

College/University	Final Maturity	Indebtedness Issued	Outstanding
Series 2019, College of St. Scholastica Revenue Refunding Bonds, September 2019	2040	29,075,000	26,880,000
Series 2020A, University of St. Thomas Revenue Refunding Note, October 2020	2032	9,610,000	8,400,000
Series 2020B, University of St. Thomas Revenue Note, October 2020	2030	9,135,000	8,295,000
Series 2021, St. Olaf College Revenue Bonds, March 2021	2050	57,335,000	57,335,000
Series 2021, Macalester College Revenue Refunding Bonds, April 2021	2043	12,870,000	12,425,000
Series 2021, St. John's University Revenue Bonds, September 2021	2041	21,560,000	21,560,000
Series 2021, Hamline University Revenue Refunding Note, June 2021	2032	9,725,000	8,950,000
Series 2022, Minneapolis College of Art and Design Revenue Note, March 2022	2032	1,500,000	1,500,000
Series 2022A, Mitchell Hamline School of Law Revenue Note, March 2022	2038	12,425,000	12,425,000
Series 2022B, Mitchell Hamline School of Law Revenue Note, March 2022	2034	998,000	998,000
Series 2022A, University of St. Thomas Revenue Refunding Bonds, May 2022	2053	60,720,000	60,720,000
Series 2022B, University of St. Thomas Revenue Refunding Bonds, May 2022	2053	70,280,000	70,280,000
Total		$ 1,253,692,000	$ 1,089,175,606

Note 5—Conduit Debt *(Continued)*

A summary of changes in conduit debt outstanding for the year ended June 30, 2022, is presented below.

Conduit debt - July 1, 2021	$ 989,114,593
Additions	
Revenue bonds issued	145,923,000
Reductions	
Principal retirements	(38,595,987)
Refunding of principal	(7,266,000)
Conduit debt - June 30, 2022	$ 1,089,175,606

Note 6—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, 2022, 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 7—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, Saint Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

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.

Note 7—State Employees' Retirement Fund (*Continued)*

C. Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 6.00% of their annual covered salary in fiscal year 2021 while participating employers were required to contribute 6.25% of covered salary in fiscal year 2021. The Authority's contribution to the General Plan for the fiscal year ending June 30, 2021, was $5,266. 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, 2021, 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	Active Member Payroll Growth	Investment Rate of Return
2.25% per year	3.00% per year	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 mortality tables using projection scale MP-2018, with adjustments to match fund experience.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study dated June 27,2019, and a review of inflation and investment return assumptions dated June 24, 2021.

Note 7—State Employees' Retirement Fund (*Continued)*

D. Actuarial Assumptions , *continued*

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	33.5%	5.10%
International Equity	16.5%	5.30
Fixed Income	25.0%	0.75
Private Markets	25.0%	5.90
Total	**100%**	

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

- The investment return and single discount rates decreased from 7.5% to 6.5%
- There were no changes to plan provisions.

E. Discount Rate

A Single Discount Rate used to measure the total pension liability as of June 30, 2021, was 6.50%. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.5% and a municipal bond rate of 1.92%. 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 2121. 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 7—State Employees' Retirement Fund (*Continued)*

F. Net Pension Liability

At June 30, 2021, the Authority reported a liability of $2,117 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2021, the Authority's proportionate share was 0.0034% 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 7.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 (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Authority's proportionate share of the net pension liability:	$ 61,054	$ 2,117	$ (46,575)

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 7—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, 2022, the Authority recognized pension expense of $(48,010). At June 30, 2022, 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	$ 524	$ 244
Changes of assumptions	38,962	29,171
Net difference between projected and actual earnings on investments	-	58,559
Changes in proportion and differences between actual contributions and proportionate share of contributions	2,200	-
Contributions paid to MSRS subsequent to the measurement date	5,474	-
Total	$47,160	$87,974

The $5,474 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, 2023.

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
2023	(28,951)
2024	(5,570)
2025	(5,984)
2026	(5,783)
Total	($46,288)

Notes to Basic Financial Statements

Note 8—State Unclassified Employee's 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, Saint Paul, Minnesota 55103-3000.

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
2022	$ 7,788
2021	7,757
2020	7,524

Note 9—Subsequent Event

On July 1, 2022, the Authority entered into an office space lease with Grand Oak Minnesota Realty LP. The lease terminates on November 30, 2029. Annual base rent payments range from $27,120 to $33,448.

Note 10—Change in Accounting Principle

The Authority implemented GASB Statement No. 87 – Leases, which resulted in the recording of leased equipment and lease liability on July 1, 2021, in offsetting amounts of $63,648. Because there was no net effect on the beginning net position, a change in accounting principle is not reported on the Statement of Revenues, Expenses, and Changes in Net Position.

Notes to Basic Financial Statements

Note 11—GASB Standards Issued But Not Yet Implemented

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. This statement will be effective for the year ending June 30, 2023.

Required Supplementary Information

State Employees Retirement Fund, Last Ten Years.*

A. Schedule of Authority's Share of Net Pension Liability

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-Employee Payroll	Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0034%	$ 2,117	$ 84,256	2.51%	99.53%
2020	0.0032%	31,991	78,944	40.52%	91.25%
2019	0.0032%	34,126	75,030	45.48%	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%

B. Schedule of Authority's Contributions

For Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	$ 5,443	$ 5,443	$ -	$ 87,088	6.250%
2021	5,266	5,266	-	84,256	6.250%
2020	4,934	4,934	-	78,944	6.250%
2019	4,408	4,408	-	75,030	5.875%
2018	3,916	3,916	-	71,200	5.500%
2017	4,341	4,341	-	78,927	5.500%
2016	5,368	5,368	-	97,600	5.500%
2015	5,174	5,174	-	94,073	5.500%
2014	4,609	4,609	-	92,180	5.000%

*Note: These schedules are intended to show ten year trend. Additional years will be reported as they become available. See notes to required supplementary information.

Notes to the Required Supplementary Information

State Employees' Retirement Fund

Fiscal Year 2021 Changes Since the Fiscal Year 2020 Actuarial Valuation

Changes in actuarial assumptions

- The investment return and single discount rates decreased from 7.5% to 6.5%

Changes to plan provisions

- No changes

Fiscal Year 2020 Changes Since the Fiscal Year 2019 Actuarial Valuation

Changes in actuarial assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed, resulting in proposed rates that average 0.25 percent less than the previous rates.
- Assumed rates of retirement were changed, resulting in more unreduced (normal) retirements, fewer Rule of 90 retirements and fewer early retirements.
- Assumed rates of termination were changed, resulting in new rates which are generally lower than the previous rates for years 1-5 and slightly higher thereafter.
- Assumed rates of disability were changed, resulting in fewer predicted disability retirements.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2015 to Scale MP-2018. The base mortality table for disabled annuitants was changed from the RP-2014 disable annuitant mortality table (with future mortality improvement according to Scale MP-2015) to the Pub-2010 General/Teacher disabled annuitant mortality table (with future mortality improvement according to Scale MP-2018), with adjustments.
- The percent married assumption for female members was changed from 65 percent to 60 percent.
- The assumed age difference was changed from three years younger for males to 2 years younger.

Notes to the Required Supplementary Information

State Employees' Retirement Fund *(Continued)*

Fiscal Year 2020 Changes Since the Fiscal Year 2019 Actuarial Valuation *(Continued)*

Changes in actuarial assumptions *(Continued)*

- The assumed number of married male new retirees electing the 50 percent and 100 percent Joint & Survivor options changed from 15 percent to 10 percent to 65 percent, respectively. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 30 percent to 40 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes to plan provisions

- No changes

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.

Notes to the Required Supplementary Information

State Employees' Retirement Fund *(Continued)*

Fiscal Year 2018 Changes Since the Fiscal Year 2017 Actuarial Valuation *(Continued)*

Changes to plan provisions *(Continued)*

- 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.

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.

Notes to the Required Supplementary Information

State Employees' Retirement Fund *(Continued)*

Fiscal Year 2016 Changes Since the Fiscal Year 2015 Actuarial Valuation *(Continued)*

Changes in Actuarial Assumptions (*Continued*):

- 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.

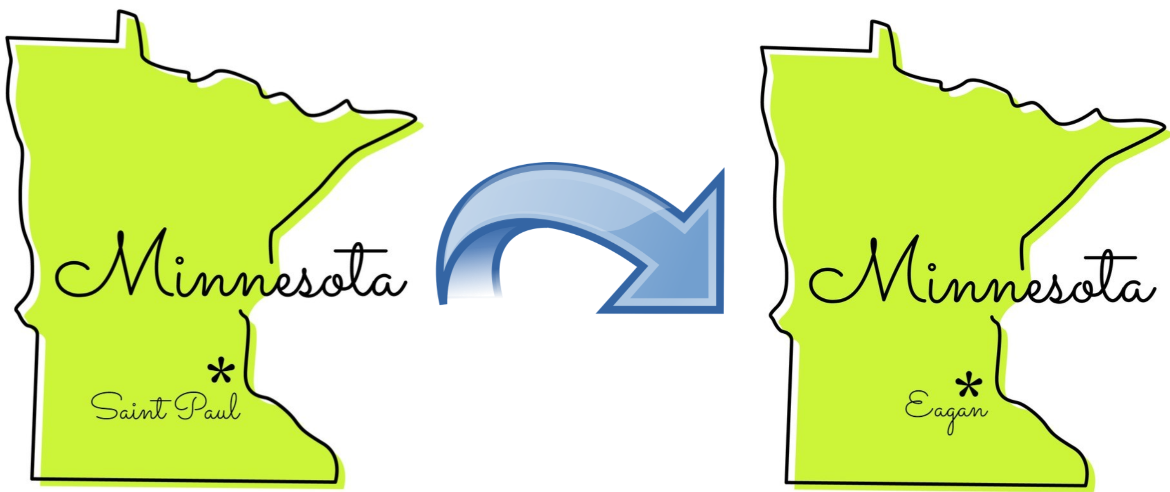
Notes to the Required Supplementary Information

State Employees' Retirement Fund *(Continued)*

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.



Fiscal Year 2022 Annual Report

Please note our new address:

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Eagan, Minnesota 55121

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EXEC. DIR. REPORT

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

860 BLUE GENTIAN ROAD, SUITE 145, EAGAN, MN
55121

Date: January 11, 2023

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: Executive Director's Report

Legislative Update

Our efforts in the 2022 Legislative session were very successful. Our bill was approved by the House/Senate Conference Committee and referred to the full House, where it was passed by the full House a component of the Omnibus Higher Education bill. It was then sent to the Senate, where it was sidelined along with a large number of other bills when the Senate ran out of time in the Session to consider and act on many bills.

Given that our bill was approved by a joint House/Senate Conference Committee and passed by the full House, we are very hopeful that the 2023 Legislative session will result in full passage and enactment of our expansion legislation.

We have introduced the bill with bipartisan authorship in both the Minnesota House and Senate.

Senate sponsors
Sen John Hoffman (D – Champlin)
Sen Carla Nelson (R – Rochester)

House sponsors
Rep. Kristin Bahner (D – Maple Grove)
Rep. Greg Davids (R – Preston)

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Senator Hoffman is a new sponsor of our bill. He replaces Senator Tomassoni, who passed away in 2022. All the other sponsors were also sponsors in 2022.

As we did in 2022, we will be moving the bill through the Health and Human Services Committee and the Higher Education Committee in both chambers.

Rating Agency Update

- Moody's Investors Service has added an Analyst to the Minnesota Higher Education team
- Executive Director Fick will meet with Moody's staff in NYC in February to discuss Moody's staffing plans, rating updates for 2023, and site visits this Spring

Borrower Assistance and Financing Application Update

- We are engaged in preliminary discussions with four schools about financing projects in the calendar year 2023, which includes the Fiscal Year 2023 and 2024 for the Authority
- We are collaborating with multiple schools on Moody's rating updates
- We continue to support schools in their compliance with Continuing Disclosure obligations

Borrower Staffing Update

There are currently no vacant CFO positions at Minnesota private Colleges and Universities. A number of schools have vacancies at the Controller position or at the AVP for Finance position. We are actively working with those schools to help ensure continuity on debt management and reporting.

Minnesota Higher Education Facilities Authority

Budget vs. Actuals: FY2023 Original Budget - FY23 P&L

July 2022 - June 2023

	TOTAL				
	ACTUAL	BUDGET	REMAINING	% OF BUDGET	% REMAINING
Income					
4010 Annual Fee Income	639,938.74	1,503,695.00	863,756.26	42.56 %	57.44 %
4020 Application Fee Income		3,000.00	3,000.00		100.00 %
Discounts given	-415,960.19	-977,400.00	-561,439.81	42.56 %	57.44 %
Total Income	**$223,978.55**	**$529,295.00**	**$305,316.45**	**42.32 %**	**57.68 %**
GROSS PROFIT	**$223,978.55**	**$529,295.00**	**$305,316.45**	**42.32 %**	**57.68 %**
Expenses					
6000 Stipends	220.00	3,520.00	3,300.00	6.25 %	93.75 %
6001 Board Travel	1,177.45	5,000.00	3,822.55	23.55 %	76.45 %
6002 Communications	6,896.89	18,050.00	11,153.11	38.21 %	61.79 %
6003 Staff Travel	8,013.11	20,000.00	11,986.89	40.07 %	59.93 %
6004 Office Rent	23,245.59	50,000.00	26,754.41	46.49 %	53.51 %
6005 Office Supplies	344.54	2,750.00	2,405.46	12.53 %	87.47 %
6006 Repairs	742.63	3,000.00	2,257.37	24.75 %	75.25 %
6007 Printing Expense	757.55	1,500.00	742.45	50.50 %	49.50 %
6008 Periodicals/Memberships	6,086.97	8,000.00	1,913.03	76.09 %	23.91 %
6009 Fiscal Consultant Fees		5,000.00	5,000.00		100.00 %
6010 Audit Fees	19,950.00	19,950.00	0.00	100.00 %	0.00 %
6012 Legal Fees	12,500.00	5,000.00	-7,500.00	250.00 %	-150.00 %
6013 Insurance Expense		1,849.00	1,849.00		100.00 %
6015 Miscellaneous Expense	2,745.11	4,000.00	1,254.89	68.63 %	31.37 %
6016 Bank Service Charges	1,232.54	3,500.00	2,267.46	35.22 %	64.78 %
6017 Conference Expenses	18,602.58	27,000.00	8,397.42	68.90 %	31.10 %
6018 Professional Development-Board		2,000.00	2,000.00		100.00 %
6020 Professional Development-STAFF	2,785.00	5,000.00	2,215.00	55.70 %	44.30 %
6021 IT	11,513.59	20,350.00	8,836.41	56.58 %	43.42 %
6023 Postage/Delivery Expense	54.73	350.00	295.27	15.64 %	84.36 %
6100 Salaries	109,546.04	225,000.00	115,453.96	48.69 %	51.31 %
6101 Fringe Benefits	37,018.58	87,000.00	49,981.42	42.55 %	57.45 %
6104 Worker's Compensation	170.00	170.00	0.00	100.00 %	0.00 %
6107 Office Contract Work	90.00	1,000.00	910.00	9.00 %	91.00 %
6200 Equipment Leases	4,078.23	7,170.00	3,091.77	56.88 %	43.12 %
Total Expenses	**$267,771.13**	**$526,159.00**	**$258,387.87**	**50.89 %**	**49.11 %**
NET OPERATING INCOME	**$ -43,792.58**	**$3,136.00**	**$46,928.58**	**-1,396.45 %**	**1,496.45 %**
Other Income					
4000 Interest Income	7,742.06	6,000.00	-1,742.06	129.03 %	-29.03 %
Total Other Income	**$7,742.06**	**$6,000.00**	**$ -1,742.06**	**129.03 %**	**-29.03 %**
Other Expenses					
Other Miscellaneous Expense		59,000.00	59,000.00		100.00 %
Total Other Expenses	**$0.00**	**$59,000.00**	**$59,000.00**	**0.00%**	**100.00 %**
NET OTHER INCOME	**$7,742.06**	**$ -53,000.00**	**$ -60,742.06**	**-14.61 %**	**114.61 %**

Minnesota Higher Education Facilities Authority

Budget vs. Actuals: FY2023 Original Budget - FY23 P&L

July 2022 - June 2023

	TOTAL				
	ACTUAL	BUDGET	REMAINING	% OF BUDGET	% REMAINING
NET INCOME	**$ -36,050.52**	**$ -49,864.00**	**$ -13,813.48**	**72.30 %**	**27.70 %**