MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Listing of Mailout Material
November 15, 2023

- Cover Memo
- Meeting Agenda

I. *Review and approve minutes of the meeting of July 19, 2023*
- Minutes of July 19, 2023

II. *FY2023 Audit Results Presentation by BerganKDV*
- Communications Letter
- Basic Financial Statements

III. *Website Updates with Voom Creative*
- Accessibility Review Steps

IV. *Policy Updates*
- Standing Rules of Operation Section 600

V. *Old Business*

VI. *New Business*

VII. *Other Business*
- October 2023 Budget vs Actual

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

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

Date: 8 November 2023

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: November 15, 2023, Authority Board Meeting Preview

We have a full agenda for our Minnesota Higher Education Facilities Authority November 15, 2023, video link, and teleconference Board meeting.

This month's meeting will be held on the Mitchell Hamline School of Law campus in St. Paul. There is information on the meeting location, parking and other logistics included with your meeting information packet.

The focus of the November 2023 Board meeting will be consideration of the Fiscal Year 2023 Financial Statement Audit. There will be additional administrative matters of importance to discuss at this meeting.

After the meeting you are all invited to attend a Board Recognition dinner at the Pool and Yacht Club in Lilydale. Information about travel between Mitchell Hamline and the P&Y Club is included with your meeting information packet.

This is an in-person meeting, but if you are not able to attend in person, we will use our video link system for this meeting. Instructions for accessing the video link are available in Board packet material included with this email.

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, November 15, 2023
2:00 PM
Location: Room 229, Mitchell Hamline School of Law Campus*

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

*Please note the location of this meeting

I. Review and approve minutes of the meeting of July 19, 2023

II. FY2023 Audit Results Presentation by BerganKDV

III. Website Updates with Voom Creative

- MHEFA LinkedIn Page
- Accessibility Review

IV. Policy Updates

- Standing Rules of Operation – Section 600

V. Old Business

VI. New Business

VII. Other Business

- Executive Director's Report

VIII. Postponement of Board Meeting to Reconvene at the Pool & Yacht Club at 5:00 pm *(Travel from Mitchell Hamline School of Law Campus to Pool & Yacht Club required)*

General Public may attend in-person at the address below,
via call-in number: 1-877-978-6969 Access Code: 368-990-446#
or through this link: https://www.gomeet.com/368-990-446

Mitchell Hamline School of Law, 875 Summit Avenue, Saint Paul, MN 55105 – Room 229
Please see the security desk to check-in to the closed campus and obtain directions to Room 229

The Minnesota Higher Education Facilities Authority (the "Authority" or "MHEFA") convened a Special Board meeting at 2:00 pm Central Daylight Time, Wednesday, July 19, 2023.

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.

The Authority Board meeting was held in Room 236 of the Weitz Creative Center, 320 3rd E, on the campus of Carleton College, Northfield, Minnesota. 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 attend the meeting in person, monitor the meeting by calling a toll-free number, and able to connect to the meeting 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. Board member Gary Benson attended in-person, meeting the non-pandemic requirements of one member attending in-person.

Executive Summary – Minnesota Higher Education Facilities Authority

Meeting on July 19, 2023 Board Actions Taken:

Motions:	Result:	Vote:
Approval of Meeting Minutes of June 21, 2023	Passed	Unanimous

Resolutions	Result:	Vote:
Approve Application Resolution from Carleton College	Passed	Unanimous
Approve Resolution Relating to Financing Terms for Carleton College, Series 2023 Bonds	Passed	Unanimous
Approve Series Resolution Relating to Carleton College Series 2023 Bonds	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
Bonnie Rons - V
Mary Ives – V
David Rowland – V
Mary Thao – V
Poawit Yang - V
Ray Vin Zant - V

Absent: Nancy Sampair
Mikeya Griffin
Paul Cerkvenik

Other Attendees: Mark LeMay, Disclosure Agent

Carleton related: Eric Runestad, VP and Treasurer, Carleton College
Jane Rizzo, Dir, Budget & Financial Analysis, Carleton College
Shari Mayer, Associate Comptroller, Carleton College

Linda Weingarten, Assoc. VP of Facilities & Cap Planning, Carleton College
Paul Bernhardt, Audio & Video Tech Director, Weitz Ctr for Creativity, Carleton College
Barbara Silk, Assistant to VP and Treasurer
Erik Kelly, Blue Rose Capital Advisors – IP
Max Wilkinson, Blue Rose Capital Advisors - IP
Peter Cooper, Taft Law – IP
Catherine Courtney, Taft Law – IP
Laura Janke, RBC Cap Mkts – IP
Christopher Good, RBC Cap Mkts – IP
Bryant Lewis, Barclays - V

Staff: Barry W. Fick, Executive Director, MHEFA – IP

Absent: Amanda Lee, Operations Manager, MHEFA

Chair Rowland and Mr. Fick, Executive Director of the Authority, asked if there were any members of the public present in person or by electronic access to the meeting who were not noted or who joined after the meeting was called to order. There were no other persons in attendance either in person or by video or telephone link.

David Rowland, 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 21, 2023, Board meeting.

The first item on the agenda is the review and consideration of the minutes of the June 21, 2023, Authority Board meeting.

Chair Rowland asked for a motion to accept and approve the June 21, 2023 Minutes. A motion was made by Mary Ives to approve the June 21, 2023, minutes. The motion was seconded by Gary Benson. Chair Rowland asked if there were any questions, discussion, or changes to the minutes of the June 21, 2023, Board meeting.

There were no questions or proposed changes to the minutes from Board members.

Chair Rowland 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
	David Rowland	Yes
	Mary Thao	Yes
	Mary Ives	Yes
	Bonnie Rons	Abstain
	Ray Vin Zant	Yes
	Poawit Yang	Yes

There were no votes against the motion and the Minutes of the June 21, 2023, MHEFA Board meetings were approved.

Agenda Item II – CARLETON COLLEGE APPLICATION FOR FINANCING ASSISTANCE
MHEFA Board Chair David Rowland opened the public hearing on the Application of Carleton College to the Minnesota Higher Education Facilities Authority for financial assistance to finance a number of projects to be constructed on the Northfield, Minnesota campus of the College.

MHEFA Board Chair David Rowland called on Mr. Eric Runestad, VP and Treasurer of Carleton College, to introduce himself, the members of the Carleton management team with him and to present Carleton's Application to MHEFA for assistance in financing the Projects included in the financing application made by the College to the Authority.

Mr. Runestad introduced himself, noting he is the Chief Financial Officer and Treasurer at Carleton College. He introduced the members of the Carleton staff who were present at the meeting and noted they were in attendance to answer questions from Board members if appropriate and to provide additional information if requested. Mr. Runestad thanked the Authority for its assistance to date and for consideration of the financing Application submitted by the College. He also welcomed the Authority Board members and participants in the Board meeting to Carleton College and thanked the Authority for meeting on the College campus.

Mr. Runestad began his presentation with a series of slides showing information about student demand at Carleton, financial performance of the College, along with an outline of the projects that Carleton plans to construct with the proceeds of a borrowing through the Authority.

He informed the Bord that the College was founded in 1866, and is a private, co-educational, residential liberal arts college. The College is a national college enrolling approximately 2,007 students drawn from nearly all 50 states and over 35 different countries.

The College is a four-year college that offers a Bachelor of Arts degree. Widely regarded as a top college for undergraduate teaching, Carleton is known for its academic rigor and intellectual curiosity. Students can choose from more than 1,000 courses in 33 major fields of study across mathematics, the arts, humanities, natural sciences, and social sciences, as well as numerous interdisciplinary programs, off-campus study programs, area studies or concentrations.

Carleton has maintained a relatively stable enrollment over this timeframe, with a slight decline in fall 2020 (the result of a smaller incoming class at the onset of the COVID-19 pandemic combined with a large graduating class in 2020) that is expected to return to pre-COVID levels after the smaller class of 2024 graduates. Selectivity and application totals have also improved over the past decade, culminating in an acceptance rate of 16.6% from a pool of 8,583 applicants for the most recent incoming freshman class in fall 2022.

Carleton intends to utilize the proceeds of the 2023 Bonds to fund various improvements to the College's Northfield campus, including the demolition of existing buildings and the design, construction, renovation, improvement, and equipment of new student housing facilities along with a Student Health and Counseling Center. The projects will be financed through a combination of bond proceeds, College funds, and fundraising, and will be developed in two phases ("Phase A" and "Phase B"). Further details about the projects are provided below.

Phase A

Phase A of the College's projects consists of the following items:

i) Construction of 107 new student beds near the Recreation Center at the former Lilac Hill
ii) Demolition of Hunt Cottage and Hall House

iii) Construction of 33 new student beds at the former Hunt Cottage/Hall House location, including integrated space for both a Black Center and a Multicultural Center.

Construction on elements of Phase A began in April 2023, and the College expects this phase of the projects to be completed in August 2024.

Phase B

Phase B of the College's projects consists of the following items:

i) Demolition of Henry, Stimson, Williams, Berg, Clader, and Hernickson Houses
ii) Construction of 44 new student beds
iii) Construction of a new multi-purpose building to house Student Health and Counseling, Office of Accessibility Resources, Title IX, Community Standards, and Human Resources

Construction of Phase B is expected to commence in June 2024, and the College anticipates it to reach completion in August 2025.

The College's new housing units are designed and built to meet 'passive house' (or PHIUS, Passive House Institute of the US) standards, which is a highly energy efficient building standard. PHIUS standards include thick exterior walls, maximum insulation, and energy recovery ventilation that yield significant energy savings, carbon reduction, and excellent indoor air quality. With the addition of rooftop solar, the majority of the housing units will also be co-certified as Department of Energy Net Zero Energy Ready Homes (DOE ZERH). The Student Health and Counseling Center will be constructed to meet LEED Gold, which is the campus standard for construction.

Mr. Runestad concluded his presentation and asked if there were questions or additional information that the MHEFA Board would like to discuss. Board members asked a number of questions related to the possible private use of the facilities, the demand for the facilities and questions about the energy efficiency of the buildings to be constructed. Mr. Runestad answered the questions about private use noting that little to no private use is expected or planned for the project facilities. He noted that the planning process for the facilities has been long in gestation at the College and the projects meet a critical need for housing options and student health and support. He further noted that the College has been at the forefront of energy conservation measures, citing the geo-thermal project financed through the Authority in the recent past. He noted that the projects included in this financing request will be very energy efficient as described above in the project description.

There were no other questions from Board members and Chair Rowland closed the Public Hearing. Chair Rowland then called on Erik Kelly and Max Wilkinson of Blue Rose Capital Advisors to discuss the review of the College's application for financing from the Authority.

Max Wilkinson of Blue Rose outlined the process used to review the application and recited a number of the same facts, operating statistics, and process used by Blue Rose to analyze the Application and prepare a professional opinion on the ability of the College to repay a loan of Bond Proceeds from the Authority. Based on the review by Blue Rose, they conclude that: "the financing can be successfully marketed by the underwriters and the resulting debt service can be funded comfortably by the College." Mr. Wilkinson concluded his presentation and noted he would answer questions from the audience.

Chair Rowland asked if there were any questions for Mr. Wilkinson. There were no questions and Mr. Rowland asked Bond Counsel to review the Application Memorandum. Ms. Catherine Courtney directed the Board to the Bond Counsel Memorandum related to the Application contained in the Board Information packet. Ms. Courtney reviewed the Memorandum, noting that a number of items required for a full and complete legal and tax analysis were not yet available or included with the original application. Ms. Courtney noted that the missing items were in the process of being gathered and will soon be provided to Bond Counsel and she expressed confidence that there were no major issue which would delay the review process or the financing. Ms. Courtney reviewed a number of items that the College will need to be aware of for the financing, including arbitrage calculation matters, construction fund spend-down timing, continuing disclosure obligations and similar matters. It was noted that the College is subject to these same requirements for its outstanding debt, so there should be minimal compliance issued for the College with the Series 2023 Bonds.

Ms. Courtney concluded her review of the Application Memorandum and stood for questions. Chair Rowland asked if there were questions for Ms. Courtney from the Board. There were no questions and Mr. Rowland asked Ms. Courtney to present the Resolution Relating to the Application.

Ms. Courtney directed the Board to the Resolution Relating to the Application that was included in the Board materials. She reviewed the paragraphs of the Resolution Relating to the Application, including noting that "the Project and issuance of revenue obligations appear feasible." The Application Resolution directs the Executive Director to work with the College and finance team members to prepare documents to facilitate the financing for the College. She then concluded her review of the Resolution Related to the Application and stood for questions from the Board. Chair Rowland asked if there were any questions from the Board. There were no questions from the Board.

Mr. Rowland then called for consideration of the Resolution Relating to Application for Carleton College.

A motion to approve the Application Resolution was made by Gary Benson. The motion was seconded by Ray Vin Zant. Mr. Rowland called on the Executive Director to conduct a roll call vote on the Resolution. A roll call vote was conducted, and the Board members voted as follows:

Gary Benson	Yes
Bonnie Rons	Yes
Mary Ives	Yes
Mary Thao	Yes
David Rowland	Yes
Ray Vin Zant	Yes
Poawit Yang	Yes

There were no votes against the Resolution Related to Application and the Resolution was approved.

Chair Rowland asked Mr. Max Wilkinson and Mr. Eric Kelly, both of Blue Rose Capital Advisors, serving as financial advisor to Carleton College (the "College" or "Carleton"), to discuss the proposed financing plan. The financing is to fund and pay costs of issuance.

The Series 2023 Bonds will be issued as a public sale, on a negotiated basis. The College conducted an extensive Request for Proposal process and has selected Barclays Capital as the Senior Managing Underwriter for the financing. RBC Capital Markets will be a co-manager for the Series 2023 Bonds. The Series 2023 Bonds will be structured as a combination of serial and term bonds. The principal will be structured so that when added to principal payments of outstanding debt, will result in somewhat level annual debt service.

Security for the Series 2023 Bonds will be a general obligation pledge by the College to charge fees and tuition sufficient to generate funds to pay debt service. There are no financial covenants related to the Series 2023 Bonds. There is no debt service reserve for the Series 2023 Bonds. The initial interest payment is expected to occur on March 1, 2024 and the initial principal payment is expected to occur on March 1, 2031. The final maturity is expected to be March 1, 2053.

The Bonds are rated by Moody's Investors Service. Moody's has assigned a rating of Aa2 with a stable outlook to the Bonds.

The Series 2023 Bonds are expected to be sold in August or September 2023, with a closing approximately 3 weeks after the sale date.

Chair Rowland asked if there were questions for the Blue Rose representatives. There were a number of questions related to the project and options that were considered by the College. Mr. Wilkinson and Mr. Kelly provided answers to the questions from the Board that were responsive to Board member follow-up questions.

Mr. Rowland next called on Ms. Catherine Courtney, Bond Counsel with the Taft Law Firm, to discuss the Resolution Related to Finance Terms for the Series 2023 Bonds. Ms. Courtney referred the Board members to the Resolution. Ms. Courtney described the various sections of the Resolution, noting that the Resolution establishes parameters for the bonds to be issued and authorizes the Authority, working with the College, its advisors, and the Underwriter, to proceed with the sale of the Bonds. The Resolution also authorizes the distribution of an Official Statement to provide investors with information to be used by them to make an investment decision.

After Ms. Courtney concluded her review of the Resolution, Chair Rowland asked if there were any questions. There were no questions from Board members. Mr. Rowland then called for consideration of the Resolution Relating to Financing Terms for Carleton College.

A motion to approve the Financing Terms Resolution was made by Mary Ives. The motion was seconded by Bonnie Rons. Mr. Rowland called on the Executive Director to conduct a roll call vote on the Resolution. A roll call vote was conducted, and the Board members voted as follows:

Gary Benson	Yes
Bonnie Rons	Yes
Mary Ives	Yes
Mary Thao	Yes
David Rowland	Yes
Ray Vin Zant	Yes
Poawit Yang	Yes

There were no votes against the Resolution Related to Finance Terms and the Resolution was approved.

Chair Rowland asked Ms. Courtney to report on the Series Resolution for Carleton College.

Ms. Courtney reviewed the Bond Counsel's Series Resolution and memorandum, noting various items relating to tax law and highlighting a number of items that are pertinent to the financing.

Ms. Courtney noted that the Series Resolution includes the following elements:

Outlines the parameters under which the Authority may issue the Bonds
Recites the documents related to the Series 2023 Bonds
Recites the authorization of the Authority to issue the Bonds
Approves and authorizes execution of all required documents related to the Bonds
Approves terms of the Notes and authorizes delivery of the Bonds
Ratifies prior actions of the Authority related to the Bonds

Ms. Courtney concluded his presentation and asked if there were any questions. There were no questions related to the Series Resolution.

At the conclusion of Ms. Courtney's presentation, Chair Rowland asked if there were any questions for Ms. Courteney regarding the Series Resolution. There were no questions.

A motion was made by Mary Ives to approve the Series Resolution relating to the Series 2023 Bonds for Carleton College. The motion to approve the Resolution was seconded by Ray Vin Zant.

Chair Rowland called for a Roll Call vote regarding the approval and acceptance of the Series Resolution related to the Series 2023 Bonds forCarleton College. A Roll Call vote was conducted, and the Board members voted as follows:

Gary Benson	Yes
Mary Ives	Yes
Bonnie Rons	Yes
Mary Thao	Yes
David Rowland	Yes
Ray Vin Zant	Yes
Poawit Yang	Yes

There were no votes against the motion and the Series Resolution Relating to the Series 2023 Bonds for Carleton College was approved.

Laura Janke and Christopher Good, both from RBC, and Peter Cooper and Catherine Courtney of Taft excused themselves from the meeting after final consideration of matters related to Carleton College.

Agenda Item III – Old Business

Chair Rowland 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 IV – New Business

Chair Rowland asked if there were any New Business items from Board members for discussion.

There were no New Business items from Board members for discussion.

Agenda Item V – Other Business

Chair Rowland called upon Executive Director Fick to discuss the Executive Directors Report.

Mr. Fick noted that this is David Rowland's first meeting as Chair of the Authority Board. Mr. Fick expressed his appreciation for Chair Rowland's willingness to serve as Chair.

Mr. Fick noted that the Governor has reappointed Gary Benson to the MHEFA Board as the Board member with expertise in construction and building. In addition, the Governor has reappointed Bonnie Rons to the position of Board Member, General Public to the MHEFA Board. Their re-appointments are effective July 19, 2023.

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.

<u>Legislative Update</u>

I met with our legislative advisors on June 23 to discuss options for the 2024 legislative session. We outlined a comprehensive plan to move the legislation forward in the 2024 legislative session.
We plan to meet with Legislators and/or their staff to educate them on the purpose of the legislation and the limitations or "guardrails" included in the bill. The focus will be on our focused mission of only financing qualified not-for-profit organizations.

This will include education to assure legislators that the State of Minnesota credit is not in any way affected by bonds issued by MHEFA and that there is no direct, indirect, or moral obligation to support or pay debt service on bonds issued by MHEFA.

We also plan to communicate with the Governor's staff to determine if there is any support from the executive branch to help move our bill forward.

We also will discuss with the Higher Education and Bonding Committee legislators and staff from both the Senate and House of Representatives a separate bill to increase our outstanding debt limit.

<u>Rating Agency Update</u>

- Moody's Investors Service is conducting rating updates with a number of schools over the next few weeks. We are working with the schools to prepare material for the update calls.

Borrower Assistance and Financing Application Update

- We are engaged in preliminary discussions with other schools about financing projects in the calendar year 2024 and 2025

Borrower Staffing Update

Wade Holmberg has been appointed to the position of Associate Vice President of Finance and Controller at University of St. Thomas. Wade was previously the Assistant Controller at Bethel University

Bethel has appointed Joel Costa as Chief Financial Officer and VP of Operations. Joel has a 34+ year history of ascending leadership experience in the private sector, including healthcare, transportation, and energy.

Hamline and MCAD have filled staff accountant positions and are at full strength in their finance departments. St. Olaf is in the midst of conducting a search for a new CFO after Jan Hanson's retirement at the end of June.

Various

We are preparing for the annual Financial Audit fieldwork in August.

It was announced that Carleton College staff would lead a tour of the project sites on campus for anyone at the meeting who wished to take the tour.

Chair Rowland asked if there was any Other Business to come before the Board. There was no Other Business for the Board to consider, and Chair Rowland asked for a motion to adjourn the Board Meeting.

The motion to adjourn was made by Gary Benson and the second provided by Bonnie Rons. The Board acted by voice vote to adjourn the meeting at 3:11 pm, Central Daylight Time.

Respectfully submitted,

____
Assistant Secretary

Minnesota Higher Education
Facilities Authority
Eagan, Minnesota

Communications Letter

June 30, 2023

Minnesota Higher Education Facilities Authority
Table of Contents

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

To the Executive Director, Members,
and Management
Minnesota Higher Education Facilities Authority
Eagan, Minnesota

In planning and performing our audit of the basic financial statements of the Minnesota Higher Education Facilities Authority, Eagan, Minnesota, as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

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

- *Probable*. The future event or events are likely to occur.

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

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

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated September 15, 2023, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the Management, others within the Authority, and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

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

BerganKDV, Ltd.

Minneapolis, Minnesota
September 15, 2023

Minnesota Higher Education Facilities Authority
Significant Deficiency

Lack of Segregation of Accounting Duties
During the year ended June 30, 2023, the Authority had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the Authority's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Adequate segregation exists when the following components of a transaction are separated: authorization, custody of the related asset, recording, and reconciliation. With a two person office, overlap occurs among the four components.

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

Minnesota Higher Education Facilities Authority
Required Communication

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2023. Professional standards require that we advise you of the following matters related to our audit.

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

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

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

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

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

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

Significant Risks Identified
We have identified the following significant risks of material misstatement:

- Management Override of Controls – Overall Financial Statements – Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results. Misappropriation of assets and management override of controls through the journal entry process has been identified as a risk.

Significant Risks Identified (Continued)

- Improper Revenue Recognition – Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- Misappropriation of Assets – If duties cannot be appropriately segregated, there is a risk of unauthorized disbursements being made from the Authority. Misappropriation of assets through the payroll related disbursements has been identified as a risk.

Qualitative Aspects of the Authority's Significant Accounting Practices

Significant Accounting Policies
Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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

> Depreciation and Amortization – The Authority is currently depreciating and amortizing its capital assets over their estimated useful lives, as determined by management, using the straight-line method.
>
> Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plan using estimates based on contributions.
>
> Lease liability and right-to-use lease asset – These balances are based on estimates and judgements determined by the Authority related to the discount rate, lease term, and lease payments.

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

Qualitative Aspects of the Authority's Significant Accounting Practices (Continued)

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

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

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

Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

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

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

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

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

Minnesota Higher Education Facilities Authority
Required Communication

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Authority's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

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

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Minnesota Higher Education Facilities Authority
Financial Analysis

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

Authority Operations

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

Fee revenues amounted to $473,407 for 2023, as compared to $481,264 in 2022, a decrease of $7,857, or 1.6%. Fee revenue is charged based on outstanding debt at the anniversary date of issuance. For the year ended June 30, 2023, the Authority required participating institutions to pay 35% of the contractual administrative fees, which is the same percentage as the year ended June 30, 2022.

Authority operating expenses increased from 2022 to 2023 by $72,309, or approximately 17.2%, primarily due to the Authority hosting two conferences in 2023 and none in 2022 as a result of State Covid restrictions in the prior year. In addition, the Authority reported a significant negative pension expense in 2022 due to a decrease in the net pension liability in 2022.

Net nonoperating revenues/expenses, which are comprised of interest revenue, changes in fair value of investments, and interest expense, increased from 2022 to 2023 by $71,090. The Authority's investments experienced an increase in fair market value in 2023 compared with a decrease in fair market value in 2022.

The Authority posted operating loss of $16,600 in 2023. After accounting for net nonoperating revenues of $48,602, total net position increased by $32,002. Operating results for the past five years are as follows:

For the Year Ended June 30,	2019	2020	2021	2022	2023
Operating revenues	$ 436,786	$ 416,817	$ 442,620	$ 484,264	$ 476,407
Operating expenses	(335,729)	(493,081)	(467,482)	(420,698)	(493,007)
Operating income (loss)	101,057	(76,264)	(24,862)	63,566	(16,600)
Nonoperating revenues (expenses)	72,227	88,103	2,285	(22,488)	48,602
Change in net position	173,284	11,839	(22,577)	41,078	32,002
Total net position, July 1	1,907,338	2,080,622	2,092,461	2,069,884	2,110,962
Total Net Position, June 30	**$ 2,080,622**	**$ 2,092,461**	**$ 2,069,884**	**$ 2,110,962**	**$ 2,142,964**

Over the past five years, the Authority has seen its net position increase by $62,342 or 3.0%.

Conduit Debt

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

During the year ended June 30, 2023, the Authority provided financing assistance for two new debt issues:

- Series 2023A – Minneapolis College of Art and Design – $13,120,000
- Series 2023B – Minneapolis College of Art and Design – $5,253,000

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

Revenue Bonds and Other Debt Obligations	2019	2020	2021	2022	2023
Principal at July 1	$ 928,299,593	$ 983,602,593	$ 934,191,593	$ 989,114,593	$ 1,089,175,606
Issued	151,060,000	31,995,000	120,235,000	145,923,000	18,373,000
Matured/refunded	(95,757,000)	(81,406,000)	(65,312,000)	(45,861,987)	(36,004,000)
Principal at June 30	**$ 983,602,593**	**$ 934,191,593**	**$ 989,114,593**	**$ 1,089,175,606**	**$ 1,071,544,606**

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

Minnesota Higher Education Facilities Authority
Eagan, Minnesota

Basic Financial Statements

June 30, 2023

Minnesota Higher Education Facilities Authority
Table of Contents

Independent Auditor's Report

To the Executive Director, Members
and Management
Minnesota Higher Education Facilities Authority
Eagan, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Minnesota Higher Education Facilities Authority, Eagan, Minnesota, as of and for the year ended June 30, 2023, 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, Eagan, Minnesota, as of June 30, 2023, 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 Minnesota 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.

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.

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 twelve months 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 Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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 the Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management′s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statement for the year ended June 30, 2022, from which such partial information was derived.

We have previously audited the Authority's 2022 financial statements and our report, dated September 29, 2022, 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BerganKDV, Ltd.

Minneapolis, Minnesota
September 15, 2023

(THIS PAGE LEFT BLANK INTENTIONALLY)

Minnesota Higher Education Facilities Authority
Management Discussion and Analysis

This discussion and analysis of the financial performance of the Minnesota Higher Education Facilities Authority (the Authority) is supplementary information required by the Government Accounting Standards Board (GASB). It introduces the basic financial statements and provides an analytical overview of the Authority's financial activities for the fiscal year ended June 30, 2023.

The Authority was created by the Minnesota legislature in 1971 (Sections 136A.25 through 136A.42, *Minnesota Statutes*) to assist Minnesota nonprofit institutions of higher education with their capital financing needs. The Authority consists of eight members appointed by the Governor, a representative of the Minnesota Office of Higher Education, and the President of the Minnesota Private College Council is an advisory, non-voting, ex-officio member. The Authority employs two full-time staff. To maintain strong 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 247 issues (including refunded and retired issues) totaling over $3.31 billion of which $1,071,553,424 is outstanding as of June 30, 2023. 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. The Authority has no taxing power. The Authority receives no funding from the State of Minnesota. All bond issuance costs are paid by the borrower institution.

Educational institutions eligible for assistance by the Authority are primarily 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 for financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college to finance student housing facilities.

The Authority may issue bonds for a broad range of projects, including facilities for housing, academic, 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 2023, the Authority held a delayed conference for 2022 in August 2022 and held an April 2023 conference, resulting in two conferences held in FY2023.

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

Minnesota Higher Education Facilities Authority
Management Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2023, and 2022:

	2023	2022
Assets		
Current assets	$ 2,188,220	$ 2,192,867
Noncurrent assets	203,411	19,925
Total assets	2,391,631	2,212,792
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	39,078	47,160
Liabilities		
Current liabilities	64,728	44,988
Long term liabilities	207,084	16,028
Total liabilities	271,812	61,016
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	15,933	87,974
Net Position		
Invested in capital assets	27,806	737
Unrestricted	2,115,158	2,110,225
Total Net Position	$ 2,142,964	$ 2,110,962

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

	2023	2022
Operating Revenues	$ 476,407	$ 484,264
Operating Expenses	(493,007)	(420,698)
Operating Gain (Loss)	(16,600)	63,566
Nonoperating Revenues (Expenses)		
Interest income	46,751	17,053
Net increase/(decrease) in fair value of investments	8,626	(38,016)
Interest expense	(6,775)	(1,525)
Total nonoperating revenues (expenses)	48,602	(22,488)
Change in Net Position	32,002	41,078
Net Position		
Beginning of year	2,110,962	2,069,884
End of year	$ 2,142,964	$ 2,110,962

FINANCIAL HIGHLIGHTS

The Authority completed two financings in fiscal year 2023 with a total principal amount of $18,373,000. This compares to five financings completed in fiscal year 2022 with a total principal amount of $145,923,000. Following is a listing of the bond issues for fiscal year 2023.

Minneapolis College of Art and Design

- Minneapolis College of Art and Design Series 2023A Revenue Note was issued June 2023 in the amount of $13,120,000. Proceeds from the Series 2023A Revenue Note were used to acquire an apartment building adjacent to the College campus. The apartments will be converted to student housing, administrative space, and gallery space for use by the College.
- Minneapolis College of Art and Design Series 2023B Revenue Note was issued June 2023 in the amount of $5,253,000. Proceeds from the Series 2023B Revenue Note were used to fund a portion of the acquisition cost and transaction and conversion expenses for the apartment building that was purchased with proceeds of the Series 2023A Revenue Note.

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 2023, the Authority reduced the maximum allowable annual administrative fee to all borrowers by 65%. The maximum allowable fee for fiscal year 2024 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.

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.

BASIC FINANCIAL STATEMENTS

Minnesota Higher Education Facilities Authority
Statement of Net Position
June 30, 2023
(with Partial Comparative Information as of June 30, 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 426,945	$ 944,637
Investments	1,735,543	1,226,917
Accounts receivable	3,477	2,098
Interest receivable	19,473	913
Prepaid items	2,782	18,302
Total current assets	2,188,220	2,192,867
Noncurrent assets		
Security deposit receivable	4,000	-
Equipment	74,744	63,528
Less accumulated depreciation	(31,791)	(62,323)
Leased building	180,841	63,648
Less accumulated amortization	(24,383)	(44,928)
Total noncurrent assets	203,411	19,925
Total assets	2,391,631	2,212,792
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	39,078	47,160
Total assets and deferred outflows of resources	$ 2,430,709	$ 2,259,952
Liabilities		
Current liabilities		
Accounts payable	$ 28,984	$ 11,889
Lease liability	21,552	19,188
Compensated absences payable	14,192	13,911
Total current liabilities	64,728	44,988
Noncurrent liabilities		
Lease liability	150,053	-
Compensated absences payable	14,191	13,911
Net pension liability	42,840	2,117
Total noncurrent liabilities	207,084	16,028
Total liabilities	271,812	61,016
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	15,933	87,974
Net Position		
Net investment in capital assets	27,806	737
Unrestricted	2,115,158	2,110,225
Total net position	2,142,964	2,110,962
Total liabilities, deferred inflows of resources, and net position	$ 2,430,709	$ 2,259,952

Minnesota Higher Education Facilities Authority
Statement of Revenues, Expenses, and
Changes in Net Position
Year Ended June 30, 2023
(with Partial Comparative Information for the Year Ended June 30, 2022)

	2023	2022
Operating Revenues		
Annual administrative fees	$ 473,407	$ 481,264
Other income	3,000	3,000
Total operating revenues	476,407	484,264
Operating Expenses		
Payroll, payroll taxes, and employee benefits	286,023	238,589
Legal, audit, and consulting expense	44,994	70,264
Rent	8,706	1,618
Depreciation and amortization	50,673	47,094
Other general and administrative expenses	102,611	63,133
Total operating expenses	493,007	420,698
Operating income (loss)	(16,600)	63,566
Nonoperating Revenues (Expenses)		
Interest income	46,751	17,053
Change in fair value of investments	8,626	(38,016)
Interest expense	(6,775)	(1,525)
Total nonoperating revenues (expenses)	48,602	(22,488)
Change in net position	32,002	41,078
Net Position		
Beginning of year	2,110,962	2,069,884
End of year	$ 2,142,964	$ 2,110,962

See notes to basic financial statements.

Minnesota Higher Education Facilities Authority
Statement of Cash Flows
Year Ended June 30, 2023
(with Partial Comparative Information for the Year Ended June 30, 2022)

	2023	2022
Cash Flows - Operating Activities		
Cash received from annual administrative and other fees	$ 475,028	$ 485,000
Cash payments to employees	(300,170)	(290,170)
Cash payments to suppliers for goods and services	(136,224)	(147,909)
Net cash flows - operating activities	38,634	46,921
Cash Flows - Capital and Related Financing Activities		
Lease principal payments	(28,424)	(44,460)
Interest paid on leases	(6,775)	(1,525)
Purchase of capital assets	(49,318)	-
Net cash flows - capital and related financial activities	(84,517)	(45,985)
Cash Flows - Investing Activities		
Interest received	28,191	20,748
Net investment (purchases) redemptions	(500,000)	500,000
Net cash flows - investing activities	(471,809)	520,748
Net change in cash and cash equivalents	(517,692)	521,684
Cash and Cash Equivalents		
Beginning of year	944,637	422,953
End of year	$ 426,945	$ 944,637
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities		
Operating income (loss)	$ (16,600)	$ 63,566
Adjustments to reconcile operating income (loss) to net cash flows - operating activities		
Depreciation and amortization expense	50,673	47,094
Accounts receivable	(1,379)	736
Prepaid items	11,520	(16,041)
Accounts payable	17,095	(378)
Deferred outflows, inflows, and liability related to pension activity	(23,236)	(53,484)
Compensated absences payable	561	5,428
Total adjustments	55,234	(16,645)
Net cash flows - operating activities	$ 38,634	$ 46,921
Noncash Investing Activities		
Net change in fair value of investments	$ 8,626	$ (38,016)

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 2023, 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, 2023, 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, 2023, the Authority required participating institutions to pay 35% of the contractual administrative fees.

C. Cash and Investments

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Investments (Continued)

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.

D. 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.

E. 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 years for software and computer or electronic equipment and ten years for furniture. The Authority's threshold for capitalization of assets is $2,000 and an expected useful life of more than three years.

F. 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.

G. Compensated Absences

The Authority compensates all employees upon termination of employment for unused vacation up to a maximum of 275 hours. At June 30, 2023, 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.

H. Lease Liability and Right-to-Use Lease Asset

The Authority recorded a right-to-use lease asset for building space as a result of implementing GASB Statement No. 87, Leases. The right-to-use asset is amortized on a straight-line basis over the life of the related lease. The discount rate used to calculate the present value of the lease payments should be the Federal Home Loan Bank of Des Moines Fixed Rate Advances 5-year rate, rounded to the nearest 1% at the commencement of the lease. The lease term includes the noncancellable period of the lease. The Authority's threshold for capitalization of right-to-use lease assets is $10,000.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 assets 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 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. 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.

J. 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.

K. 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.

L. 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.

M. Comparative Data

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Deposits are maintained at depository banks authorized by the Authority.

Custodial Credit Risk – Deposits: As of June 30, 2023, the Authority's bank balance of $171,053 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2023, the Authority's carrying value of deposits was as follows:

Deposits	$ 170,524

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

B. Investments

As of June 30, 2023, the Authority had the following investments:

Investment	Maturities	Fair Value	S&P Rating
Eaglemark Savings Bank Certificate of Deposit	07/14/23	$ 99,807	N/A
UBS Bank Certificate of Deposit	07/14/23	99,807	N/A
Pacific Western Bank Certificate of Deposit	08/17/23	199,368	N/A
US Bank National Assocation Certificate of Deposit	09/15/23	99,929	N/A
BMW Bank North America Certificate of Deposit	12/11/23	97,775	N/A
Merrick Bank Certificate of Deposit	12/29/23	97,527	N/A
BMW Bank North American Certificate of Deposit	01/22/24	97,209	N/A
Wells Fargo Bank Certificate of Deposit	02/15/24	199,169	N/A
Citizens Bank Certificate of Deposit	03/14/24	149,716	N/A
Bank Hapoalim Certificate of Deposit	07/19/24	198,218	N/A
Discover Bank Certificate of Deposit	11/15/24	198,515	N/A
Sandy Spring Bank Certificate of Deposit	11/15/24	198,503	N/A
Wells Fargo Money Market	N/A	256,421	AAAm
Total investments		$ 1,991,964	

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, 2023, investments with ten separate issuers exceeded the five percent threshold.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

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

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

The Authority has the following recurring fair value measurements as of June 30, 2023:

- Brokered money markets of $256,421 are valued using calculated net asset value (Level 1 inputs)
- Investment securities of $1,735,543 are valued using quoted market prices (Level 2 inputs)

Deposits and investments are presented in the June 30, 2023, basic financial statements as follows:

Cash and cash equivalents	$ 426,945
Investments	1,735,543
Total deposits and investments	$2,162,488

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Office furniture and equipment	$ 63,528	$ 49,318	$ 38,102	$ 74,744
Leased building	63,648	180,841	63,648	180,841
Less accumulated depreciation	(62,323)	(7,570)	(38,102)	(31,791)
Less accumulated amortization	(44,928)	(43,103)	(63,648)	(24,383)
Total capital assets	$ 19,925	$ 179,486	$ -	$ 199,411

NOTE 4 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The Authority has a lease liability related to office space through November 2029 with monthly rent increasing each year 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
2024	$ 21,552	$ 6,472	$ 28,024
2025	23,351	5,577	28,928
2026	25,223	4,609	29,832
2027	27,172	3,564	30,736
2028	29,199	2,441	31,640
2029-2030	45,108	1,373	46,481
Total	$ 171,605	$ 24,036	$ 195,641

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities

Changes in long-term liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	$ 19,188	$ 180,841	$ (28,424)	$ 171,605	$ 21,552
Compensated absences	27,822	33,248	(32,687)	28,383	14,192
Total long-term liabilities	$ 47,010	$ 214,089	$ (61,111)	$ 199,988	$ 35,744

NOTE 5 – CONDUIT DEBT

At June 30, 2023, there were 48 conduit bond issues and leases outstanding with an aggregate principal balance outstanding of $1,071,544,606 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	11,900,000
Series Seven-R, College of St. Scholastica			
Revenue Bonds, October 2012	2032	9,380,000	5,380,000
Series Seven-T, College of St. Benedict			
Revenue Bonds, January 2013	2024	5,235,000	495,000
Series Seven-U, University of St. Thomas			
Revenue Bonds, March 2013	2027	25,685,000	10,860,000
Series Seven-W, Gustavus Adolphus College			
Revenue Bonds, July 2013	2034	11,410,000	7,685,000
Series Seven-Z, University of St. Thomas			
Revenue Note, March 2014	2034	24,210,000	12,818,593
Series Eight-D, Minneapolis College of Art and Design			
Revenue Bond, March 2015	2026	7,845,000	2,380,000
Series Eight-E, Augsburg College			
Revenue Note, April 2015	2036	12,400,000	8,665,000
Series Eight-G, St. Olaf College			
Revenue Bonds, July 2015	2032	53,745,000	36,700,000
Series Eight-H, St. John's University			
Revenue Bonds, August 2015	2026	13,815,000	1,800,000
Series Eight-I, St. John's University			
Revenue Bonds, December 2015	2035	18,275,000	13,380,000
Series Eight-J, Macalaster College			
Revenue Bonds, September 2015	2032	22,660,000	12,610,000
Series Eight-K, College of St. Benedict			
Revenue Bonds, April 2016	2043	34,360,000	30,080,000
Series Eight-L, University of St. Thomas			
Revenue Bonds, March 2016	2039	55,355,000	42,880,000

NOTE 5 – CONDUIT DEBT (CONTINUED)

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series Eight-N, St. Olaf College			
Revenue Bonds, September 2016	2035	$ 22,845,000	$ 21,690,000
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	11,260,000
Series 2017, Carleton College			
Revenue Bonds, May 2017	2047	124,900,000	103,455,000
Series 2017A, Saint Mary's University of Minnesota			
Revenue Note, June 2017	2037	5,546,000	4,532,000
Series 2017, Bethel University			
Revenue and Refunding Bonds, July 2017	2047	44,565,000	44,565,000
Series 2017, Gustavus Adolphus College			
Revenue Bonds, September 2017	2047	52,515,000	50,025,000
Series 2017, St. John's University			
Revenue and Refunding Bonds, September 2017	2033	7,595,000	5,690,000
Series 2017, Macalester College			
Revenue and Refunding Bonds, November 2017	2048	40,315,000	28,915,000
Series 2017B, Hamline University			
Revenue and Refunding Bonds, December 2017	2047	34,650,000	30,865,000
Series 2017A, University of St. Thomas			
Revenue Bonds, December 2017	2037	60,750,000	52,440,000
Series 2017B, University of St. Thomas			
Revenue and Refunding Note, December 2017	2025	8,220,000	1,325,000
Series 2017, College of St. Benedict			
Revenue and Refunding Bonds, December 2017	2036	8,605,000	5,580,000
Series 2018, Minneapolis College of Art and Design			
Revenue Note, May 2018	2028	3,643,000	3,416,013
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	78,325,000
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	Indebtedness Outstanding
Series 2019, College of St. Scholastica			
Revenue Refunding Bonds, September 2019	2040	$ 29,075,000	$ 26,210,000
Series 2020A, University of St. Thomas			
Revenue Refunding Note, October 2020	2032	9,610,000	7,760,000
Series 2020B, University of St. Thomas			
Revenue Note, October 2020	2030	9,135,000	7,435,000
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	12,030,000
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	8,135,000
Series 2022, Minneapolis College of Art and Design			
Revenue Note, March 2022	2032	1,500,000	1,490,000
Series 2022A, Mitchell Hamline School of Law			
Revenue Note, March 2022	2038	12,425,000	11,915,000
Series 2022B, Mitchell Hamline School of Law			
Revenue Note, March 2022	2034	998,000	930,000
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
Series 2023A, Minneapolis College of Art and Design			
Revenue Note, June 2023	2053	13,120,000	13,120,000
Series 2023B, Minneapolis College of Art and Design			
Revenue Note, June 2023	2053	5,253,000	5,253,000
Total		$1,262,145,000	$1,071,544,606

NOTE 5 – CONDUIT DEBT (CONTINUED)

A summary of changes in conduit debt outstanding for the year ended June 30, 2023, is presented below.

Conduit debt - July 1, 2022	$	1,089,175,606
Additions		
Revenue bonds issued		18,373,000
Reductions		
Principal retirements		(36,004,000)
Conduit debt - June 30, 2023	$	1,071,544,606

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, 2023, 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, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

NOTE 7 – STATE EMPLOYEES RETIREMENT FUND (CONTINUED)

B. Benefits Provided

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

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

C. Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 6.0% of their annual covered salary in fiscal year 2022 while participating employers were required to contribute 6.25% of covered salary in fiscal year 2022. The Authority's contribution to the General Plan for the fiscal year ending June 30, 2022, was $5,443. 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% Per year
Active member payroll growth	3.00% Per year
Investment rate of return	6.75%

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, 2022, 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 July 12, 2022.

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	100.0 %	

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

- The investment return and single discount rates increased from 6.5% to 6.75%.
- 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, 2022, was 6.75%. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.69%. 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 2122. 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

As of June 30, 2022, the Authority reported a liability of $42,840 for its proportionate share of MSRS net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of MSRS's participating employers. As of June 30, 2022, the Authority's proportionate share was 0.0034% at the end of the measurement period and 0.0034% 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 (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Authority's proportionate share of the net pension liability (asset)	$ 100,536	$ 42,840	$ (4,888)

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, 2023, the Authority recognized pension expense of ($17,350). As of June 30, 2023, 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	$ 334	$ 275
Changes of assumptions	29,331	15,577
Net difference between projected and actual earnings on investments	2,041	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	1,486	81
Contributions paid to MSRS subsequent to the measurement date	5,886	-
Total	$ 39,078	$ 15,933

The $5,886 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, 2024.

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
2024	$ 3,074
2025	2,659
2026	2,861
2027	8,665
Total	$ 17,259

NOTE 8 – STATE UNCLASSIFIED EMPLOYEES' RETIREMENT PROGRAM

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

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 6.0% for employees and 6.25% for the employer. Actual contributions were 100% of required contributions. Required contributions for the Authority were:

Year	Amount
2023	$ 8,342
2022	7,788
2021	7,757

REQUIRED SUPPLEMENTARY INFORMATION

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

For Fiscal Year Ended June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0034%	$ 42,840	$ 87,088	49.19%	90.60%
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%

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

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

For Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually	Contribution Deficiency (Excess)	Authority's Covered-Employee	Contributions as a Percentage of Covered-
2023	$ 5,886	$ 5,886	$ -	94,176	6.25%
2022	5,443	5,443	-	87,088	6.25%
2021	5,266	5,266	-	84,256	6.25%
2020	4,934	4,934	-	78,944	6.25%
2019	4,408	4,408	-	75,030	5.88%
2018	3,916	3,916	-	71,200	5.50%
2017	4,341	4,341	-	78,927	5.50%
2016	5,368	5,368	-	97,600	5.50%
2015	5,174	5,174	-	94,073	5.50%
2014	4,609	4,609	-	92,180	5.00%

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

See notes to required supplementary information.

Minnesota Higher Education Facilities Authority
Notes to the Required Supplementary Information

State Employees Retirement Fund

Fiscal Year 2022 Changes Since the Fiscal Year 2021 Actuarial Valuation
Changes in Actuarial Assumptions
- The investment return and single discount rates increased from 6.5% to 6.75%.

Changes to Plan Provisions
- No changes

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% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed, resulting in proposed rates that average 0.25% 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% to 60%.
- The assumed age difference was changed from three years younger for males to 2 years younger.
- The assumed number of married male new retirees electing the 50% and 100% Joint and Survivor options changed from 15% to 10% to 65%, respectively. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 30% to 40%. 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

Minnesota Higher Education Facilities Authority
Notes to the Required Supplementary Information

State Employees Retirement Fund (Continued)

Fiscal Year 2018 Changes Since the Fiscal Year 2017 Actuarial Valuation

Changes in Actuarial Assumptions

- The single discount rate changed from 5.42% to 7.50%.

Changes to Plan Provisions

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

Fiscal Year 2017 Changes Since the Fiscal Year 2016 Actuarial Valuation

Changes in Actuarial Assumptions:

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

Changes to Plan Provisions:

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

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.

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.

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.

To:	CC:	From:
MHEFA – Barry Fick and Amanda Lee	n/a	Voom Creative – Paj Ann Herr

10.10.23

Subject: MHEFA Website Accessibility

Hi Amanda and Barry,

Below is an outline of our approach to review the accessibility of the MHEFA website and solve any accessibility concerns and issues, including design and development.

This first phase is estimated to be approximately $7,000.

- **PHASE 1: DISCOVERY**
  - Create development and Staging site copies
  - Run third party software audit such as Siteimprove
  - Review audit report results
  - Estimate Phase 1 remediation based on report

The cost of these remaining phases, which depend on each preceding phase, typically falls within the range of $35,000 to $60,000.

- **PHASE 2: STAGE 1 REMEDIATION**
  - Solve design remediation issues
  - Implement design changes
  - Implement accessibility changes in code
  - Goal – third party audit score of 90+
- **PHASE 3: THIRD PARTY MANUAL ACCESSIBILITY**
  - Test updated site and run manual audit among users with accessibility needs
- **PHASE 4: STAGE 2 REMEDIATION**
  - Implement accessibility code changes based on third party manual testing
  - Launch site back to production

Please let me know if you have any questions and keep us updated after your upcoming board meeting.

Thanks,
Paj Ann

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

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

Date: 15 November 2023

To: Minnesota Higher Education Facilities Authority Board Members

From: Amanda Lee, Operations Manager

Subject: Policy Review – Section 600

Our annual policy review with the Board will be Section 600, however all sections available in this current format are included here and are available for discussion or edits proposed by the Board.

Our goal continues to be to ensure policies are being reviewed, updated to match current practices and procedures, and are consolidated/simplified or expanded where appropriate.

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Standing Rules of Operation

Table of Contents

000 Temporary

001 Face Coverings Policy for Agency Staff (State of MN HR/LR Policy #1442)

Policy Rescinded by State of MN on 4/22/2022

1442-facecoverings
agencystaff.pdf

002 COVID-19 Proof of Vaccination and Testing (State of MN HR/LR Policy #1446)

Policy Rescinded by State of MN on 5/24/2022

1446-covid19testin
gvaccination.pdf

100 Financing Governance

101 Executive Director Arbitrage Election Authorization

Created through Resolution 5-89-2, May 24, 1989	
Policy Review Schedule: *None required*	
Most Recent Review: 10/18/2023	

Renumbers policy from: 201 Executive Director Arbitrage Election Authorization

- Authorizes the Executive Director to make elections required by the Arbitrage Rebate Regulations with respect to bond issues.

102 Executive Director to Conduct Public Hearings

Created through Resolution *12-92-4*, December 16, 1992
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

1. Under Section 147(f) of the Internal Revenue Code, the Authority is required to hold a public hearing with respect to each project described in the application after notice of the public hearing is published at least 7 days prior to the date of the hearing on the Authority's primary public website in an area of the website used to inform residents about events affecting the residents. Notice is also published at least 7 days prior to the date of the hearing in the local newspaper published in the geographic area of the site of the project to be financed. The notice may be, but is not required to be published, in the Minnesota State Register, the official publication of the State of Minnesota's Executive Branch of government, which contains official notices of the State of Minnesota.
2. In the event fewer than a quorum of the Authority members are able to attend, for whatever reason, any public hearing, the Executive Director of the Authority may conduct such hearing to allow all members of the public who wish to comment on a proposed project the opportunity to express their views. The Executive Director shall report on the public hearing and provide a recording of the hearing and written comments, if any, submitted by the public to the Authority at the next meeting of the Authority. The Authority shall consider and take action on the application under review after receiving the Executive Director's report and reviewing the recording and written comments, if any, and after an opportunity to discuss the application with the institution at the next or any future meeting of the Authority.

Related Reference Information:
https://www.govinfo.gov/content/pkg/FR-2018-12-31/pdf/2018-28371.pdf

103 Compliance with SEC Rule 15c2-12 (Continuing Disclosure)

Created through Resolution 3-96-6, March 20, 1996
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Renumbers policy from: 205 Compliance with SEC Rule 15c2-2 (Continuing Disclosure)

- It shall be the policy of the Minnesota Higher Education Facilities Authority (the "Authority") that for each issue of debt securities subject to the continuing disclosure requirement of SEC Rule 15c2-12, a Continuing Disclosure Agreement will be prepared and executed as a part of the initial financing documents, pursuant to which the obligated party (generally the college of university) will agree with the trustee (for the benefit of the bondholders) to provide annual reports and reporting of material events, as specified by the Rule.
- To facilitate compliance with the Continuing Disclosure Agreement, the Authority will coordinate with the borrowing institution to provide for the Authority to function as a dissemination agent for the annual report information. In that role, the Authority will agree to receive a copy of the

institution's annual report information and file the report with EMMA. If an institution prefers to be responsible for required reporting, the Authority will confirm with the borrowing institution that the obligation to comply with Rule 15c2-12 lies with the institution rather than the Authority. While not obligating itself to ensure the timely preparation and filing of each institution's reports, the Authority will maintain a file of due dates for reporting by the various institutions which have entered into Continuing Disclosure Agreements and consult with the institutions to help facilitate timely filing of the annual report with EMMA.

104 Application Questionnaire

Policy Review Schedule: *None required*
Most Recent Review: October 18, 2023

Renumbers policy from: 102 Application Questionnaire

- The Authority shall maintain an Application Questionnaire to obtain project information and to initiate the financing process.

105 Policy on Private Placement Financing

Policy Review Schedule: *Annual*
Created: May 20, 2009
Most Recent Policy Review: October 18, 2023

The Authority will entertain proposals to finance projects by means of a direct placement of debt obligations where that option is deemed to be more cost-effective than a public offering of bonds. Eligible projects include any project within the Authority's legislative authorization. The program is expected to be cost-effective based on prevailing investor interest and market conditions. This policy supersedes the Policy Statement on Small Project Financing originally approved as Resolution No. 1-90-2 and revised by Resolution 5-02-4 to better reflect current industry practices.

The following general guidelines shall apply to financings under this program:

1. The debt obligation will be in the form of a revenue note or notes issues and sold in a private placement to a financial institution or institutional buyer (including an individual who has the knowledge and means to

be an “accredited investor”) as an exempt transaction under the Minnesota Securities Act, Section 80A.46(13) and regulations. A private placement of notes or interests therein to two or more financial institutions or institutional buyers is permitted in denominations of $100,000 or more.

2. The revenue note will be secured by the general obligation of the borrowing institution and, unless required by the purchaser of the note, no security interest in or mortgage lien on facilities is expected to be granted by the institution to secure the note. Unless required by the purchaser of the note, no debt service reserve or credit enhancement is expected to be pledged to the note. Standard provisions will be included in the loan documents, including representations and covenants relating to insurance and tax covenants.
3. No official statement or private placement memorandum will be issued or approved by the Authority. The borrowing institution may prepare a private placement memorandum or other disclosure materials. The purchaser will be required to furnish an investment letter acknowledging receipt of information necessary for an investment decision and representing that the purchaser has purchased the note for investment and without a view to distribution thereof.
4. No rating of the revenue note is required.
5. The Authority will assign its interest in the loan agreement (except for its rights to fees, reimbursement and indemnity) to the purchasers of the placement agent on its behalf, who shall be responsible for administration of loan repayments and covenants and for keeping the bond registry. No trustee will be appointed by the Authority.
6. Bond counsel for the Authority will prepare and make available standard financing documents, including the loan agreement, revenue note, assignment and note purchase agreement. Any variations will be subject to the approval of the Authority. The form of application and the review and public hearing process are to be the same as for a standard bond financing. Upon submission of the application, the Authority’s bond counsel shall report on the eligibility of the Institution, the project, and other legal matters. The Authority’s financial advisor shall provide a financial report and a plan of finance to the effect that:
    A. The proposed financing appears to be feasible within the available resources of the institution.
    B. The proposed finance does not appear to violate existing covenants of prior debt financings of the institution.
    C. The proposed interest rates for the financial are not unreasonable, taking into account the current bond market and the private placement nature of the transaction.
7. The institution shall be responsible for payment of all fees, including fees of the placement agent, the institution’s attorney, the Authority, and the Authority’s financial advisor and bond counsel. Legal fees of attorneys representing the purchaser or the placement agent, if any, shall be paid by the institution, the purchaser or the placement agent, as they may agree. The Authority’s fee will be consistent with the fee applicable to all Authority bonds, subject to any fee reductions approved by the Authority from time to time. The fee of the Authority’s bond counsel shall be as established by the Attorney General from time

to time. The fee of the Authority's financial advisor shall be established in the general agreement between the Authority and its financial advisor.

106 Delayed, Altered or Abandoned Previously Approved Application Projects

Created through Resolution 3-91-4, Mary 27, 1991
Policy Review Schedule: *Annual*
Most Recent Policy Review: October 18, 2023

In the interest of encouraging Colleges to proceed in a timeline manner and with a minimum of change of direction once a financing request in undertaken, and to limit the amount of duplication of effort associated with delays and changes, the Authority adopts the following policy:

1. **Project Delay or Abandonment**

Once a financing project is undertaken, as evidenced by final approval of the application by the Authority, the Authority is entitled to expect satisfactory progress toward completion of the financing on the part of the College. If such progress is not forthcoming, the Authority may deem a project abandoned and authorize billing for services provided as defined in the Indemnity Agreement.

Guidelines for satisfactory progress are as follows:

- After public hearing and final approval of application, the project should proceed to the point of electronically posting or printing the Preliminary Official Statement within two months.
- After publication of the Preliminary Official Statement, sale of the Bonds should be accomplished within four weeks.

If either of these milestones is not reached, due to delay on the part of the College, the Authority shall request the College to provide a report at the Authority's next regular meeting as to the state of the project, reasons for lack of timely progress and plans for continuation of the project, if any. The Authority may then either waive the guideline or declare the project abandoned.

In the event the project is abandoned, bond counsel and fiscal advisor will submit invoices to the College for actual services produced to date, as specified in the Indemnity Agreement.

2. **Project Changes**

   A. **Deletion of project components**

After final approval of the application and preparation of the first draft of bond documents, significant project components which are dropped from the request for financing will be treated separately as abandoned projects. A special fee shall be negotiated between the College officials and the Authority because of the already completed work of bond counsel and fiscal consultant.

B. **Additions of project components**

If additional project components are added after the first draft of bond documents has been prepared, the Authority may, upon approving the revised application, provide for inclusion of the additional project in the same bond issue, if practical, in order to assist the College to limit printing, rating and other costs, or it may direct that it be placed in a separate issue. However, if it is to be included in the same application, a special fee shall be negotiated between the College officials and the Authority, because of the additional work of bond counsel and fiscal consultant.

107 Guidelines for Selection and Retention of Bank Trustees

Created through Resolution 7-92-4, July 29, 1992
Policy Review Schedule: *Annual*
Most Recent Policy Review: October 18, 2023

1. Suggested Bank Requirements
    - Minimal capital and surplus of at least $25 million, or if it is part of a bank holding company, look to parent for capital and surplus as long as the trust division meets the balance of criteria
    - Bank must be a registered transfer agent as required by Rule 17Ad-13a of SEC
    - Minimum of ten years in the trust business
2. Operational Qualifications
    - Ability to provide "electronic data transmission" where appropriate (including fund transfer)
    - Monthly reports that are accurate, meaningful, consistent, and timely
    - A well-defined fee structure which permits meaningful comparisons and ability reasonably to project actual costs
3. Other Considerations
    - Compliance monitoring system which goes beyond the individual trust administrator
    - Written policies, procedures, and an account review system
    - Demonstrated general knowledge of the arbitrage rebate requirements and willingness to work with Authority appointed expert

108 Post-Issuance Compliance

These procedures are being reexamined. This is currently a 16-page history and assessment document that primarily compares procedures to a checklist from the National Association of Bond Lawyers 2013.

200 Financing Education Provided

201 Annual Bond Financing Conference

Created through Resolution *9-88-3*, September 21, 1988
Policy Review Schedule: *None required*
Most Recent Review: October 18, 2023

Renumbers policy from: 101 Annual Bond Financing Conference

- Direct the Executive Director to prepare an annual conference with help from Authority Bond Counsel and Fiscal Consultant.
- Three major objectives of this annual conference are:
    1. To explain current policies and procedures of the Authority
    2. To explain debt financing as a useful tool in college financial management; and
    3. To explain current opportunities in the marketplace

202 Financing Education on Authority Website

Policy Review Schedule: *None required*
Most Recent Review: October 18, 2023

Replaces Policies: 103 Guide to Tax Exempt Financing

104 Frequently Asked Questions

- The Authority shall maintain a website which will include information for borrowers and the public on the borrowing process and tax-exempt financing.

300 Financing Fees

301 Annual Fee Calculation to be Based on Outstanding Balance

(Renamed from "Authority Fee Schedule")

Created through Resolution 4-90-2, April 25, 1990
Policy Review Schedule: *None required*
Most Recent Review: October 18, 2023

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

302 Annual Fee Adjustments for Maturities and Refundings

(Renamed from Section 304: "Administrative Fees")

Created through Resolution 9-2007-2, September 19, 2007
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

1. If the final maturity date of a series of bonds will occur within approximately twelve months after the Due Date, then the Authority Staff shall, in the normal course of business, send a fee invoice showing the amount due, as adjusted for any discount, with a notation that the fee is waived because the final maturity is imminent.
2. If the closing date of any Refunding Bonds is expected to occur within approximately eight weeks after the Due Date of the related Prior Bonds, then the Authority Staff shall, in the normal course of business, send a fee invoice showing the amount due, as adjusted for any discount, with a notation that payment of the fee is deferred to a specific date ("Deferred Date") that is approximately eight weeks after the Due Date provided that the fee is waived if Refunding Bonds are issued on or before the Deferred Date.

3. The Authority Staff may use its discretion in applying the guidelines and may waive a fee or extend the deferral period in order to carry out its statutory purposes.
4. The Authority Staff shall make changes to the form and timing of the invoices as may be desirable.

303 Application Fees

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

Created through Resolution 11-2009-3, November 18, 2009
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

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

304 Annual Fee Discount Calculation

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

Created through Resolution 6-96-5, June 19, 1996
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

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

- Prior to the beginning of each fiscal year (presumably in early June), the following calculation would be made:
    a. Determine the projected operating fund balance at the end of the current fiscal year.

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

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

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

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

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

400 Governance

401 Bylaws of Minnesota Higher Education Facilities Authority

Created 12/7/1971, Amended 9/23/1980, 6/21/1989, 12/16/1992, 11/17/1993, 4/21/2021, and 11/8/2021
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Article I – The Authority

Section 1. Office of the Authority

The general offices of the Authority shall be located in the Twin Cities Metro Area of Minnesota, or at such other place as the Authority may from time to time designate by resolution.

Section 2. Purposes

The purpose of the Authority is to provide assistance to nonprofit institutions of higher education in the State of Minnesota in the acquisition and improvement of facilities under and by the exercise of powers granted by the Minnesota Higher Education Facilities Authority Act, Sections 136A.25 to 136A.42, Minnesota Statutes, and any amendments and supplements thereto.

Section 3. Program

The program of the Authority shall conform to the following requirements:

- The program of the Authority shall involve the acquisition of obligations of participating institutions of higher education entered into to carry out the purposes of the Authority, including leases of facilities by the Authority and participating institutions.
- At least 90% of all such leases and other obligations shall be evidences of loans (within the meaning of the Internal Revenue Code) to exempt persons (within the meaning of Section 103(b) (3) of the Internal Revenue code).
- At least 90% of all amounts received by the Authority with respect to obligations acquired under the program shall be used for one or more of the following purposes: To pay the principal or interest or otherwise to service the debt on revenue bonds or notes of the Authority relating to the program; to reimburse the Authority, or to pay, for administrative costs of issuing such revenue bonds and notes; to reimburse the Authority, or to pay, for administrative and other costs and anticipated future losses directly related to the program financed by such revenue bonds and notes; to make additional loans for the same general purposes of the Authority; or to redeem and retire revenue bonds and notes of the Authority at the next earliest possible date of redemption.
- Any participating institution (or any related person, as defined in Section 103(b) (6) (C) of the Internal Revenue Code) from whom the Authority may, under the program, acquire obligations shall not, pursuant to an arrangement, formal or informal, purchase the revenue bonds or notes of the Authority in any amount related to the amount of lease or other obligations of the participating institution to be acquired under the program from such person by the Authority.

Article II – Officers

Section 1. Officers

The officers of the Authority shall be a Chairperson, a Vice Chairperson and a Secretary. The Authority may in its discretion appoint an Assistant Secretary, a Treasurer, and such additional officers as it may deem expedient. Except for the Chairperson, the Vice Chairperson and the Secretary, officers of the Authority need not be members of the Authority.

Section 2. Chairperson

The Chairperson shall be elected at the annual meeting for a term of one year or until his/her replacement is duly elected and shall preside at all meetings of the Authority and shall have general supervision over the business and affairs of the Authority. The Chairperson may serve only two full consecutive terms in this position. Except as otherwise authorized by resolution of the Authority, the Chairperson shall sign all orders, contracts and other instruments made by the Authority.

Section 3. Vice Chairperson

The Vice Chairperson shall be elected at the annual meeting for a term of one year or until his/her replacement is duly elected. The Vice Chairperson may serve only two full consecutive terms in this position. Except as otherwise prohibited by law, the Vice Chairperson shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson.

Section 4. Secretary

The Secretary shall keep a record of the proceedings of the Authority and shall be custodian of all books, documents and papers filed with the Authority and of the minute book or journal of the Authority. The Secretary may serve only two full consecutive terms in this position. The Secretary may cause copies to be made of all minutes and other records and documents of the Authority and may give certificates to the effect that such copies are true copies, and all persons dealing with the Authority may rely upon such certificates.

Section 5. Assistant Secretary and Recording Secretary

The Assistant Secretary and Recording Secretary are optional positions created by the Board to assist with the duties of the Secretary. These positions are not required to be held, nor are they required to be filled by members of the Board, as referenced in Section 1. The Assistant Secretary and Recording Secretary have full power and authority to act as and to perform the duties of the Secretary, including without limitation the powers and authority to execute all documents, to affix the official seal thereto and to certify copies of resolutions and other papers of the Authority in place and stead of the Secretary. The execution of any document, certificate, or other act by the Assistant Secretary or Recording Secretary shall be binding on the Authority to the same extent as if executed by the Secretary of the Authority.

Section 6. Additional Duties

The officers and members of the Authority shall perform such other duties and functions as may from time to time be required by the Authority or the Bylaws or rules and regulations or resolutions of the Authority.

Section 7. Additional Personnel

The Authority may from time to time employ such personnel as it may deem necessary to exercise its powers, duties and functions as prescribed by law. The selection and compensation of such personnel and of the Executive Director shall be determined by the Authority in accordance with applicable provisions of law.

Article III – Executive Director and Assistant Director

Section 1. Executive and Assistant Executive Officer

The Executive Officer of the Authority shall be called the “Executive Director.” The person responsible in the event of the absence of the Executive Director is the “Assistant Executive Director.” In the absence of a full-time Assistant Executive Director on staff, the Executive Director may designate another member of Authority staff to act as Assistant Executive Director at his/her discretion when the Executive Director is unavailable due to illness, vacation, or other absence.

Section 2. Responsibilities

The Executive Director shall have general supervision over and be in administrative charge of the business and affairs of the Authority. Except as otherwise provided by resolution of the Authority, the Executive Director, or in his or her absence, the Assistant Executive Director, shall make final certification for payment of all duly authenticated and authorized items of expenditure for payment from any Authority funds from whatever source derived, and shall also approve all vouchers, payrolls, and requisitions before submission thereof for signature by an officer or member authorized to sign the same. Any duties delegated by the Authority to the Executive Director may be performed by the Assistant Executive Director, in the event of the absence of the Executive Director, without further specific delegation by the Authority or the Executive Director.

Article IV – Meetings

Section 1. Annual Meeting

The annual meeting of the Authority shall be held each year during the month of June.

Section 2. Regular Meetings

Regular meetings of the Authority shall be held at such time or times as shall be determined by motion of the Authority.

Section 3. Special Meetings

The Chairperson of the Authority may, when the Chairperson deems it expedient, and shall, upon the request of two members of the Authority, or the Executive Director, call a meeting of the Authority. The call for a meeting, specifying the time and place of the meeting, shall be delivered by email or posting on the Authority website [or social media used by the Authority] to each member of the Authority not less than two days prior to the date of such special meeting. At such meetings any and all matters may be considered and acted upon by the members of the Authority present, whether or not such matters were specified in the call.

Section 4. Quorum

At all meetings of the Authority six of the ten members of the Authority shall constitute of quorum for the purpose of transacting business provided that a small number may meet and adjourn to some other time and place or until a quorum shall be present.

Section 5. Passage of a Resolution

Any action taken by the Authority may be authorized by resolution approved by a majority of the voting members present at any regular or special meeting.

Section 6. Manner of Voting

The voting on all questions, motions, or resolutions at meetings of the Authority shall be by roll call vote, unless the Board Chair or individual members request a voice vote, and the Board consents by verbal agreement to use voice voting for administrative actions or other questions, motions, or resolutions. When roll call votes are performed, the yeas and nays should be recorded in the minutes in good practice, although not required.

Section 7. Approval of Actions Concerning Bond Issues Without a Meeting

The Authority may delegate to the Chairperson, the Vice Chairperson, the Secretary, or the Executive Director by resolution the power to fix the date of sale of bonds, to receive bids or proposals, to award and sell bonds and to take all other necessary action. The exercise of such delegated powers may be, but is not required to be, made subject to the approval of a majority of the members of the Authority. The Assistant Executive Director may take actions, in the absence of the Executive Director, as permitted by Article III.

Section 8. Certifications of Resolutions

Each member of the Authority, and each officer of the Authority, is authorized to certify, when required, the records, proceedings, and documents for resolutions of the Authority.

Section 9. Roberts' Rules of Order

Except to the extent inconsistent with the Bylaws or applicable statutes, meetings of the Authority shall be conducted in accordance with Roberts' Rules of Order, as revised.

Article V – Fiscal Year

The fiscal year of the Authority shall commence July 1 of each calendar year and conclude June 30 of the following calendar year.

Article VI – Amendments

The Bylaws may be amended by resolution duly adopted at any meeting, annual, regular or special, provided that notice of intention to present such resolution shall be given at least five days in advance of the meeting at which the motion to adopt such resolution is made. Such notice shall be given in writing and shall state the contents of the proposed amendments and shall be posted on the Authority's website and emailed to all members, or in the alternative, such notice may be given orally at any meeting, in which event such notice shall be noted in the minutes of the meeting at which it is given. Advance notice of motions to amend motions to amend the Bylaws need not be given.

Article VII – Suspension of Bylaws

Any and all of the provisions of the Bylaws may be suspended by unanimous consent of the members constituting a quorum present at any meeting of the Authority.

500 Administration – Financial and Accounting

501 Deposit and Investment Policy

Created 3/21/1996, Amended 5/15/1996, 12/7/2005, 12/8/2005, 6/20/2018, 10/19/2022
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Purpose:

The Authority maintains an invested balance of its General Operating Fund. The purpose of this policy is to define the guidelines for deposit and investment of those funds, in terms of insurance or collateralization of deposits, permitted investment vehicles and the general approach to the makeup of the investment portfolios, within the overall framework provided by Minnesota Statutes.

Policy:

1. Investment Objectives
    a. Preservation of capital shall be the primary objective of the Authority's investment policy.
    b. In order to generate income to support its budget, maximization of income is the secondary objective, consistent with security of principal.
    c. Investments should be made with consideration of cash flow requirements, taking into account budgeted expenditures in the Operating Fund and be scheduled to mature in a "ladder portfolio" structure to reduce interest rate reinvestment risk.
2. Permitted Investments
    a. Investments of Authority funds are limited by law to those permitted in Minnesota Statutes.
    b. Within the legal investments, the Authority shall prioritize investment in the following:
        i. Direct obligations or securities insured by the United States.
        ii. Obligations of agencies, instrumentalities or organization created by an act of Congress.

    iii. Commercial paper and bankers' acceptances maturing in not more than 365 days and rated in the top two rating categories by Moody's Investors Service of Standard & Poor's Ratings.
    iv. Money market funds investing primarily in U.S. Treasury or agency securities.
    v. Certificates of deposit provided they are fully insured by a federal agency.
  c. Liquidity and marketability should be considered in the selection of individual securities or investments.
  d. Credit quality should be considered in the selection of individual securities or investments of any single issuer that exceed 5% of the Authority's total invested funds.
3. Investment Guidelines for General Operating Fund
  a. A portion (not less than $50,000) of the principal should be in short-term investments (a money market or other readily liquid investment) to provide for reasonably anticipated expenditures.
  b. The balance of the Fund shall be invested according to the prioritization in 2.b. above or in fixed income investments maturing or which may be tendered for purchase at the option of the holiday in not more than seven years, but preferably in a laddered maturity portfolio over not more than a five-year period.
  c. The investments should be reviewed for compliance on a regular basis, not less than quarterly.
4. Deposit with Financial Institutions
  a. In general, funds on deposit with financial institutions shall not exceed available federal deposit insurance.
  b. To the extent that such funds exceed available federal deposit insurance, the Authority shall require the financial institution to furnish collateral security or a corporate surety bond in an amount equal to 110% of the uninsured funds.

502 Checking Account Balances

Created 12/12/1988 through Resolution 12-88-2, 10/19/2022
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Transfers from the Double Signature Checking Account to the Single Signature Checking Account are typically done when the next upcoming expense exceeds the funds available in the Single Signature Checking Account. This results in an approximate maximum account balance of the amount of the transfer, although balances fluctuate with timing of transfers and payments.

The authorized amount of the transfers (historical and current) is:

1971-1988: $5,000

1988-2022: $10,000

2022 (beginning 10/19/2022): $15,000

503 Policy on Credit Card Use for MHEFA

Amended 10/19/2022
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Purpose:

The following policy covers the use of the Authority's Wells Fargo VISA Business Platinum credit card and describes responsibilities and procedures to be followed to offer protection from fraud and fiscal damage to the Authority.

Users of the cards:

There are two credit cards issued by Wells Fargo for the Authority's use. One is in the name of and retained by Barry Fick, who is responsible for its security, and the other is in the name of and retained by Amanda Lee who is responsible for its security. Each credit card has a credit limit of $5,000.

Uses of the cards:

The Wells Fargo credit cards are to be used only for official Authority business. No personal uses are authorized. The card may be used on such things as recurring Authority expenses, travel expenses associated with Authority business or continuing education of staff, authorized conference registration, supplies for Authority office use, computer programs that are used in the Authority offices, and other items directly associated with the operation of the Authority.

Handling of receipts:

Receipts will be obtained whenever possible for purchases made on the credit card. The Operations Manager will maintain all receipts collected.

Reconciliation of receipts:

The Operations Manager will reconcile receipts with invoices received and prepare payments. The Executive Director will verify receipts and invoices.

Audit of card records:

All documents associated with the credit card account will be available to auditors.

Rebates/Rewards:

There are no rebates or rewards issued by the Wells Fargo credit card.

Cash advances:

No cash advances using this credit card are allowed.

Payment of Monthly Credit Card Statement:

The charges incurred on the credit card will be paid off in full each month.

504 Fixed Asset Capitalization Policy

Amended 10/19/2022
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Definition of a Fixed Asset

"Land, buildings, equipment, machinery, vehicles, leasehold improvements, and other such items. Fixed assets are not consumed or sold during the normal course of a business, but their owner uses them to carry on its operations. In accounts, 'fixed' does not necessarily mean 'immovable;' any asset expected to last, or be in use, for more than one year is considered a fixed asset. On a balance sheet, these assets are shown at their book value (purchase price less depreciation)."

Capitalize vs. Expense

Items that will be capitalized include items that cost more than $2,000 and have an expected useful life of three or more years.

Depreciation Method

Straight line depreciation will be used as the depreciation method for all fixed assets subject to depreciation. Depreciation will be calculated for the number of months an asset is in service for the year in which the item is purchased.

Descriptions of Assets over $2,000

The Authority purchases furniture, computer software and computer/electronic equipment. Generally, furniture is depreciated over 10 years, and software and computer/electronic equipment is depreciated over 3 years.

Disposal of Assets

Assets are not generally disposed of before they are fully depreciated, but in the case of an asset being disposed of before being fully depreciated, any remaining net asset value (i.e. fixed asset cost less accumulated depreciate) is to be expensed in the year of disposal.

505 Lease Accounting Policy GASB 87 (Governmental Accounting Standards Board – Statement No. 87)

Created 10/19/2022
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Purpose: To define the policies and procedures needed to gain control and efficiencies in the lease process to ensure the Minnesota Higher Education Facilities Authority ("MHEFA" or "Authority") properly and accurately accounts for leases in the Authority's financial statements beginning with the fiscal year ending June 30, 2022, following Governmental Accounting Standards Board ("GASB") Statement No. 87.

Below are the policies that the Authority has established, and the Authority Board has approved regarding the handling of leases. These policies are subject to modification or amendment as recommended by staff and approved by the Authority Board.

1. **Capitalization Threshold:** The Minnesota Higher Education Facilities Authority will capitalize any leases that have a present value of $10,000 or more at the commencement date of the lease or the implementation date of this GASB statement. This threshold will apply to leases of capital assets, including buildings, land, and equipment whether the Authority is a Lessor or a Lessee.

2. **Discount Rate:** Unless otherwise noted in the lease agreement, the discount rate used to calculate the present value of the lease payments should be the Federal Home Loan Bank of Des Moines Fixed Rate Advances Five (5) Year Rate, rounded to the nearest 1% at the commencement of the lease or the implementation date of this GASB statement. See Advances - FHLB Des Moines (fhlbdm.com).

3. **Compiling Lease Agreements:** The Board designates the Operations Manager with responsibility to maintain the information on the various leases entered into by the Authority.

4. **Lease Reviews:** The Executive Director and the Operations Manager will review the lease agreements and contracts to determine if they qualify as a lease under GASB Statement No. 87.*

5. **Lease Entries for Annual Financial Report (AFR):** The Executive Director and the Operations Manager will review the details of each lease to determine the classification of each lease under GASB Statement No. 87. The Operations Manager will make the appropriate lease entries in the Authority's accounting records. The entries will be completed at the end of each fiscal year.*

* The Authority may consult with accountants or other qualified parties to independently review the determination of the status of Authority Leases and obtain confirmation or clarification to ensure that leases are properly and accurately accounted for.

600 Administration – Personnel and Facilities

601 Smoking Policy

Created 1/25/1989 via Resolution 1-89-4, Amended 6/20/2018, 10/18/2023
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Policy:

It is the policy of the Higher Education Facilities Authority that smoking will not be allowed at any time in any part of the office complex.

602 Training and Development Plan

Created 9/25/1991 via Resolution 9-91-3, Amended 10/18/2023
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Description and Scope:

Training and development is an on-going management program to assist employees in attaining and maintaining a quality of job performance and meets the needs of the state and the Minnesota Higher Education Facilities Authority (MEHFA) and, where practical, the career objectives of the individual employee. As a management program, training and development is used at the discretion of the Executive Director.

Training represents and specific means or method of employee development that consists of formal, systematic, and structured activities that meet specific, predetermined learning objectives designed to improve and/or increase the knowledge, skills or abilities of an employee. Specific application of the training and development process is not an employee benefit or right.

Objectives:

To improve individual, group, or agency efficiency and effectiveness within State service and to the specific entities MHEFA serves by administering, conducting and coordinating training and career development activities for employees of MHEFA.

Responsibilities:

The Authority Board and Executive Director must continually promote and encourage and development of staff. Employees have the obligation to strive for self-improvement. The Executive Director should coach, encourage, and document needed job improvements and/or career development for staff. Employees should be made aware of job-related or career development opportunities that are available.

Career development is a permissive subject of collective bargaining. Appointing authorities and employees covered by a collective bargaining agreement should refer to it for a delineation of standards pertaining to career development for specific groups of employees. Standards cities in a labor agreement supersede the standards cites above and any provisions developed by MHEFA.

An employee may participate in, and MHEFA will pay the expenses for, an approved developmental activity or program. All job-related or career development training must receive prior approval of the Executive Director. A request for training may be denied if it does not meet the criteria of this training plan or if funds are not available.

All employees of MHEFA who are working at least half-time and who are on unlimited appointment are eligible to participate in job-related training/education approved and finically supported by MHEFA.

Definitions:

1. Job-Related Training/Education

   Training or education clearly and directly relates to the knowledge, skills, and abilities needed to attain, maintain, or improve competence in performance current job responsibilities or responsibilities within the level and scope of the current position. The primary emphasis is meeting the organizational needs.

   a. Job Assigned Training/Education:
      Job assigned training is organizationally required and assigned by management.
   b. Non-Assigned Job-Related Training/Education:
      Non-assigned job-related training is approve or permitted, but not assigned or required by management.

2. Career Development Training/Education

   Career development is training that facilitates upward mobility in state service by preparing employees to perform higher level or more complex responsibilities than those of the position they currently hold. Training activities that meet promotional requirements or lead to an advancement in salary fall into this category.

Financial Support of Training/Education Activities

1. Job Assigned and Non-Assigned Job-Related Training/Education

   The following expenses associated with job assigned and non-assigned job-related training/education may be paid from agency training/education funds

   a. 100 percent of tuition or registration
   b. 100 percent of fees and materials
   c. Time off with pay to attend training
   d. Time off with pay to travel to training
   e. In-state and/or out-of-state travel expenses to participate in job assigned and or non-assigned job-related training should be made as part of the initial request for reimbursement and will be supported from agency funds
   f. Reimbursement for textbooks requires prior approval and textbooks become the property of the agency

2. State of Minnesota Training/Education

The following expenses associated with training courses offered by the Department of Employee Relations and Inter-Technologies, Department of Administration, whether they are job-related or career development, may be paid from agency training/education funds.

a. 100 percent of tuition or registration
b. 100 percent of fees and materials
c. Time off with pay to attend training
d. Time off with pay to travel to training
e. In-state and/or out-of-state travel expenses to participate in job assigned or non-assigned job-related training should be made as part of the initial request for reimbursement and will be supported from agency funds

3. Non-job-Related Career Development

The following expenses associated with non-job-related career development training/education may be paid from available agency training/education funds

a. 75 percent of tuition or registration
b. Time off to attend and travel to training during normal work hours will be accommodated to the extent possible through the use of flex-time.
c. In-state and out-of-state travel expenses to participate in career development training/education will generally not be reimbursed. Approval of travel expenses, however, could be at the discretion of the Executive Director.

Procedures

An eligible employee must submit a request in writing in advance of commencement of a program or course to participate in a training/education program. The employee must submit the written request to the Executive Director on the Training and Development Request Form (Attachment A).

Registration for training offered by the State of Minnesota is done through the State of Minnesota Self-Service portal, which connects to the Enterprise Learning Management (ELM) system. Approval by the Executive Director is done within the State's ELM system.

The Director will review the request to determine if the course is consistent with the general goals and objectives of MHEFA and its Training and Development Plan.

Fees and material costs for approved programs and courses will be paid by MHEFA. Evidence of successful completion of the program or training must be provided to the Executive Director. A fee statement, registration receipt, invoice or other document indicating the amount of the expense associated with approved training must be submitted.

Attachment A:

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

TRAINING AND DEVELOPMENT REQUEST FORM

Staff Name:

Date:

Course/Seminar Title or Training Activity:

Date of Course/Seminar:

Name of Institution or Program:

Tuition or Registration Fees:

Other Fees:

Explain the relationship of the course, seminar or workshop to your job responsibilities or career/educational objectives:

<u>SUPERVISOR'S RECOMMENDATION:</u> Approved Denied

Comments:

Signature:

Name:

Title:

Date:

603 Policy on Achievement Awards

Created 6/12/2012 Amended 6/20/2018, 10/18/2023
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Background

The Higher Education Facilities Authority (HEFA) is committed to recognizing and rewarding the outstanding work of its employees through the issuance of achievement awards. This policy supersedes Policy No. 6-98-4 adopted June 17, 1998 and amended February 20, 2008. This current policy was approved by MMB June 12, 2012 (Attachment A), and updated June 20, 2018 to reflect current staff and language.

Scope

HEFA is a small agency and employs only two full-time staff, both of whom are covered by the Managerial Plan. A third staff position has not been filled as a cost-saving measure. The dollar limits and number of staff eligible to receive achievement awards are contained in the Managerial Plan. Awards may be granted any time during the fiscal year.

Awards may be made pursuant to the following criteria:

1. An employee must be covered by the Plan
2. An employee must have received a performance review within the previous 12 months
3. An employee may receive only one lump-sum award per fiscal year

Awards may be made in the following categories:

1. Overall Performance
    a. The employee consistently excels in the performance of job duties; and
    b. The overall performance rating of the last performance review is “above expectations” or “outstanding”
2. Special Project
    a. The employee completed the project in an outstanding manner, and
    b. The project constituted a significant part of the employee’s performance during the appraisal period; and
    c. The overall performance rating of the last performance review is at least “satisfactory”
3. Cost Containment Efforts

a. The employee has made recommendations which have been implemented and have resulted in measurable cost savings to the Authority; and
b. The overall performance rating of the last performance review is at least “satisfactory”

Procedures

The Executive Director, in consultation with the Operations Manager, prepares a Plan of Action outlining agency goals and projects for the next fiscal year for approval by the governing board at one of the final two meetings of the fiscal year, held in May or June. At such meeting, the Executive Director reviews the progress made by the two members of the staff on the Plan of Action for the concluding fiscal year. Using the Plan of Action as a benchmark, the governing board reviews and assesses staff performance for the year. The Board as a whole makes a final determination if the employee(s) will be granted a lump-sum award, taking into account the award criteria and total dollar amount available under the terms of the Managerial Plan.

The Operations Manager implements any such award through coordination with State of Minnesota payroll staff, along with appropriate documentation.

Attachment A

MINNESOTA Management & Budget

Office Memorandum

Date: June 12, 2012

To: Elaine Yungerberg, Assistant Executive Director
Minnesota Higher Education Facilities Authority

From: Jim Schowalter, Commissioner, MMB
Tina Smith, Chief of Staff, Governor's Office

Subject: Achievement Award Policy

The Governor's office and Minnesota Management and Budget have reviewed and approved the Achievement Award Policy for the Minnesota Higher Education Facilities Authority.

The policy includes the elements that are important in successfully implementing this component of a rewards and recognition program as directed by the governor's office. The program values of timely feedback directly related to excellence in performance; budgeting for providing achievement awards as a valuable tool in managing performance; and integrating rewards into the overall performance management system are clearly demonstrated in your plan.

Please proceed with implementation of your plan. If you have any questions, please feel free to contact Ann O'Brien at 651-259-3636.

cc: Ann O'Brien, Assistant Commissioner, MMB
Lynn Anderson, Deputy Commissioner, MMB

604 Indemnification Guidelines

Created 10/19/1988 via Resolution 10-88-1, Amended 6/20/2018, 10/18/2023
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Policy Statement Indemnification Guidelines

1. In the event of any claim, demand, suit or other action against any member, officer or employee of the Authority arising out of the discharge of their duties within the scope of their authority it shall be the policy of the Authority to either (1) provide legal representation reasonably satisfactory to such individual or to (2) pay all reasonable costs incurred in providing their legal representation, provided, that said individual:
    a. Gives reasonable notice to the Authority of any such claim, demand, suit or other action; and
    b. Where legal representation is provided by the Authority such individual sully cooperates with the Authority in such legal representation.

2. This legal obligation to provide for a defense shall not arise whether the action or proceeding is brough by or on behalf of the Authority.

3. To the extent permitted by applicable law, including the provisions of the Minnesota Tort Claims Act, Minnesota Statute SS 3,736. The Authority shall indemnify and save harmless its officers, members and employees in the amount of any judgement obtained against such members, officers and employees in any state or federal court, or in the amount of any settlement of a claim, provided that the act or omission from which such judgment or settlement arose, occurred while the members, officers or employees were acting in the scope of their public employment or duties; the duty to indemnify and save harmless shall not arise where the injury or damage resulted from intentional wrongdoing or recklessness on the part of the members, officers and employees.

    A member, officer or employee represented by private counsel shall cause to be submitted to the Executive Director, any proposed settlement which may be subject to indemnification by the Authority. After review of such proposed settlement, the Director shall give their approval, if in their Judgment, the settlement is in the best interest of the Authority. Additional approvals may be required by the Commissioner of Finance, the Attorney General, and other State officers as required by law. Nothing in this shall be construed to authorize the Authority to indemnify or save harmless an officer, member or employee with respect to a settlement not so reviewed and approved by the Executive Director.

Upon entry of a final judgment against the member, officer or employee, or upon the settlement of the claim, the member, officer or employee shall cause to be served a copy of such judgment or settlement upon the Executive Director; and if not inconsistent with the provisions of this Resolution, such judgment or settlement shall be paid by the Authority.

4. The indemnification between the Authority and any participating institution would be secondary to the indemnification agreement originally signed by an institution in the application process. Both in the indemnification agreement and in the loan agreement that the institution signs, the institution agrees to indemnify the Authority and all its members, officers and consultants from any liability. If there is any claim against an officer or member, the institution should be held primarily liable.

   Nothing contained in this Resolution shall be deemed to have any effect upon or be inconsistent with the Laws of Minnesota.

605 Affirmative Action

Created every two years
Policy Review Schedule: *Every Two Years*
Most Recent Review: October 18, 2023

The Minnesota Higher Education Facilities Authority maintains an Affirmative Action Plan, registered with MMB, that is updated every two years. The Affirmative Action Plan is available in a separate accessible PDF-format.

606 Code of Conduct

Created 6/28/2009, Amended 6/20/2018, 10/18/2023
Policy Review Schedule: *Annual*
Most Recent Review: October 18, 2023

Background

Since the creation of this policy in 2009, the State of Minnesota has updated its Code of Conduct Policy from MMB Statewide Operating Policy #0103-01 to HR/LR Policy #1445: Code of Ethical Conduct. The Minnesota Higher Education Facilities Authority (MHEFA) adopts these changes as they occur in the MMB policy book. The State of Minnesota's current policy can be found online through mn.gov and is also available at the time of review as Attachment A.

Internal Control Assessment

The mission of the Authority is very specific and dictates and nature of our operations and staff size. The philosophy and operating style of the board and staff have been to undertake only those activities that will advance the mission of providing efficient and economical capital financing for Minnesota private colleges and universities. The annual Plan of Action provides an overview of these activities, and the annual budget summarizes how our resources are deployed. The plan and budget are developed by staff and presented in detail to the board for approval. The staff reports monthly on the budget and at year-end on the plan of action. The plan and budget are frameworks for setting objectives, assessing risk, and evaluating progress.

The are a number of written policies and procedures that document a consistent attempt to achieve reliable financial reports, to comply with laws and regulations and to have effective and efficient operations. These policies and procedures form our internal controls.

The Internal Controls Procedure Document describes controls established to initiate, record, process, summarize or report financial date as well as to minimize loss or unauthorized use of assets. The document was written internally but reviewed by the Authority's independent auditors to minimize significant internal control deficiencies. Procedures relating to bank accounts, payroll entry and annual audit are described. It is updated annually at the time of the Authority's fiscal year end audit. The Authority also completes an extensive Internal Controls Review annually for the MMB Internal Controls Group. The document is signed by the Authority Board Chairperson and reviewed annually with MMB staff who provide feedback on the Authority's Internal Controls processes.

The Administrative Assistant Resource Book describes general office procedures established to creative an effective and efficient operation and to reduce risks including errors, omissions an delays or failure to comply with applicable laws and regulations. The manual was written internally and includes duties relating to pending financings, monthly board meetings, annual conference, publication of notices, updating the website, deposits and invoices, database maintenance, communication with the public on records and electronic meetings, emergency procedures and business continuation.

Policies adopted by the board since 1972 are collected in digital format and relate to operations and capital financings under then applicable laws and prevailing industry practices. The policies are reviewed annually, and proposed changes are presented to the Board for review adoption into the Authority's Standing Rules of Operation.

Attachment A:

606 Code of Conduct
Attachment A (MMB H

700 Administration – Office Procedures

MN Higher Education Facilities Authority

Budget vs. Actuals: FY2024 Original Budget - FY24 P&L

July 2023 - June 2024

	TOTAL					
	ACTUAL	BUDGET	OVER BUDGET	REMAINING	% OF BUDGET	% REMAINING
Income						
4010 Annual Fee Income	464,939.63	494,087.95	-29,148.32	29,148.32	94.10 %	5.90 %
4020 Application Fee Income		1,000.00	-1,000.00	1,000.00		100.00 %
Discounts given	-282,529.03		-282,529.03	282,529.03		
Total Income	**$182,410.60**	**$495,087.95**	**$ -312,677.35**	**$312,677.35**	**36.84 %**	**63.16 %**
GROSS PROFIT	**$182,410.60**	**$495,087.95**	**$ -312,677.35**	**$312,677.35**	**36.84 %**	**63.16 %**
Expenses						
6000 Stipends	323.45	2,640.00	-2,316.55	2,316.55	12.25 %	87.75 %
6001 Board Travel	64.19	4,000.00	-3,935.81	3,935.81	1.60 %	98.40 %
6002 Communications	**2,979.81**	**18,500.00**	**-15,520.19**	**15,520.19**	**16.11 %**	**83.89 %**
6003 Staff Travel	**6,043.35**	**20,000.00**	**-13,956.65**	**13,956.65**	**30.22 %**	**69.78 %**
6004 Office Rent	15,909.72	46,000.00	-30,090.28	30,090.28	34.59 %	65.41 %
6005 Office Supplies	19.74	1,000.00	-980.26	980.26	1.97 %	98.03 %
6006 Repairs		1,500.00	-1,500.00	1,500.00		100.00 %
6007 Printing Expense		1,500.00	-1,500.00	1,500.00		100.00 %
6008 Periodicals/Memberships	4,587.00	9,000.00	-4,413.00	4,413.00	50.97 %	49.03 %
6009 Fiscal Consultant Fees	475.00	5,000.00	-4,525.00	4,525.00	9.50 %	90.50 %
6010 Audit Fees	18,950.00	20,550.00	-1,600.00	1,600.00	92.21 %	7.79 %
6012 Legal Fees	81.50	52,000.00	-51,918.50	51,918.50	0.16 %	99.84 %
6013 Insurance Expense		2,000.00	-2,000.00	2,000.00		100.00 %
6015 Miscellaneous Expense		5,000.00	-5,000.00	5,000.00		100.00 %
6016 Bank Service Charges	225.00	2,750.00	-2,525.00	2,525.00	8.18 %	91.82 %
6017 Conference Expenses	398.21	16,000.00	-15,601.79	15,601.79	2.49 %	97.51 %
6018 Professional Development-Board		3,000.00	-3,000.00	3,000.00		100.00 %
6020 Professional Development-STAFF	345.00	5,000.00	-4,655.00	4,655.00	6.90 %	93.10 %
6021 IT						
6021.01 IT - Managed IT Services	2,177.63	9,000.00	-6,822.37	6,822.37	24.20 %	75.80 %
6021.02 IT - Software	236.22	2,300.00	-2,063.78	2,063.78	10.27 %	89.73 %
6021.03 IT - Consulting and Training		5,000.00	-5,000.00	5,000.00		100.00 %
6021.04 IT - Misc		750.00	-750.00	750.00		100.00 %
Total 6021 IT	**2,413.85**	**17,050.00**	**-14,636.15**	**14,636.15**	**14.16 %**	**85.84 %**
6023 Postage/Delivery Expense	32.02	400.00	-367.98	367.98	8.01 %	92.00 %
6100 Salaries	43,763.20	278,000.00	-234,236.80	234,236.80	15.74 %	84.26 %
6101 Fringe Benefits	17,051.58	86,000.00	-68,948.42	68,948.42	19.83 %	80.17 %
6104 Worker's Compensation		170.00	-170.00	170.00		100.00 %
6107 Office Contract Work		1,000.00	-1,000.00	1,000.00		100.00 %
6200 Equipment Leases						
6200.01 Equipment Lease - Copier	2,301.69	3,250.00	-948.31	948.31	70.82 %	29.18 %
6200.02 Equipment Lease - Postage Machine	182.57	250.00	-67.43	67.43	73.03 %	26.97 %
6200.03 Equipment Lease - Aquos Board	927.72	2,800.00	-1,872.28	1,872.28	33.13 %	66.87 %
Total 6200 Equipment Leases	**3,411.98**	**6,300.00**	**-2,888.02**	**2,888.02**	**54.16 %**	**45.84 %**

MN Higher Education Facilities Authority

Budget vs. Actuals: FY2024 Original Budget - FY24 P&L

July 2023 - June 2024

	TOTAL					
	ACTUAL	BUDGET	OVER BUDGET	REMAINING	% OF BUDGET	% REMAINING
Total Expenses	**$117,074.60**	**$604,360.00**	**$ -487,285.40**	**$487,285.40**	**19.37 %**	**80.63 %**
NET OPERATING INCOME	**$65,336.00**	**$ -109,272.05**	**$174,608.05**	**$ -174,608.05**	**-59.79 %**	**159.79 %**
Other Income						
4000 Interest Income	18,262.86	35,000.00	-16,737.14	16,737.14	52.18 %	47.82 %
4050 Unrealized Gain/Loss Adjustment on Sale	1,087.60		1,087.60	-1,087.60		
Total Other Income	**$19,350.46**	**$35,000.00**	**$ -15,649.54**	**$15,649.54**	**55.29 %**	**44.71 %**
NET OTHER INCOME	**$19,350.46**	**$35,000.00**	**$ -15,649.54**	**$15,649.54**	**55.29 %**	**44.71 %**
NET INCOME	**$84,686.46**	**$ -74,272.05**	**$158,958.51**	**$ -158,958.51**	**-114.02 %**	**214.02 %**

Note

Due to staffing changes at MMB, payroll reports are not yet available to MHEFA for October. Therefore, this report does not include October payroll and benefit expenses.