MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Listing of Mailout Material
October 16, 2024

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- Meeting Agenda

I. Review and approve minutes of the meeting of August 21, 2024

- Minutes of August 21, 2024

II. Audit Results Presentation by BerganKDV/Creative Planning

- Communications Letter
- Basic Financial Statements

III. Policy Review/Updates

- Capital Assets Policy Update

IV. Old Business

V. New Business

VI. Other Business

- September 2024 Budget vs Actual

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

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

Date: October 10, 2024

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: October 16, 2024, Authority Board Meeting Preview

We will receive the MHEFA FY24 Audited Financial Report from our Auditors at our October 2024 Board Meeting. The Authority had another successful year and continued to show strong stewardship of its financial resources.

We will have updates on school staffing, possible future financings, a debt management and reporting project, and fall activities.

The meeting will be held at the Authority's Eagan office. Information on the meeting location, parking and other logistics included with your meeting information packet. The meeting may be attended in person, by video link, or teleconference.

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. In addition, telephone access is available.

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

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Board Meeting Agenda

Wednesday, October 16, 2024
3:00 PM
Location: MHEFA Office

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

I. Review and approve minutes of the meeting of August 21, 2024

II. Audit Results Presentation by BerganKDV/Creative Planning

III. Policy Review/Updates

- Capital Assets Policy Update

IV. Old Business

V. New Business

- Debt Management Model

VI. Other Business

- November Meeting
- Executive Director's Report

General Public may attend in-person at the address below,
via call-in number: 1-877-978-6969 Access Code: 661-440-467#
or through this link: https://www.gomeet.com/661-440-467

MHEFA, 860 Blue Gentian Road, Lower-Level Conference Room, Eagan, MN 55121

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

The Minnesota Higher Education Facilities Authority (the "Authority" or "MHEFA") convened a Board meeting at 2:02 pm Central Standard Time, Wednesday, August 21, 2024.

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 the lower-level conference room of Grand Oak I, 860 Blue Gentian Road, Eagan, MN 55121. Executive Director, Barry Fick, and Operations Manager, Amanda Lee, were physically present, as well as several Board Members. The location and time of the meeting was duly published and posted on the Authority website and at the entrance to the Authority office, located at 860 Blue Gentian Road, Suite 145, Eagan, MN 55121.

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.

Executive Summary – Minnesota Higher Education Facilities Authority

Meeting on August 21, 2024 Board Actions Taken:

Motions:	Result:	Vote:
Approve Meeting Minutes of June 19, 2024	Passed	Unanimous

Resolutions	Result:	Vote:

The official meeting began with a roll call to establish a quorum. The following board members or their designees were participating and attending in-person (IP), by video link ("V") or telephone ("T"):

Board Members: Bonnie Anderson Rons -IP
David Rowland - V
Gary Benson - IP
Nancy Sampair – IP
Mary Thao - V
Mary Ives – V
Ken Westphal - IP
Paul Cerkvenik – V (2:15 pm joined)

Absent: Mikeya Griffin
Poawit Yang

Other Attendees: John Berns of Carnival, Berns, P.A. - V

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

David Rowland, Chair, called the meeting order at 2:02 pm CDT. Executive Director Fick confirmed that a quorum was present.

Agenda Item I – Minutes of the June 19, 2024, Board meeting

The first item on the agenda was the review and consideration of the minutes of the most recent Authority Board meeting.

Chair Rowland asked if there were any changes or edits to the minutes of the June 19, 2024 MHEFA Board meeting. There were no suggested edits to the minutes of the June 19, 2024 MHEFA Board meeting.

Chair Rowland asked for a motion to accept and approve the June 19, 2024 Minutes. A motion was made by Gary Benson to approve the June 19, 2024 minutes. The motion was seconded by Nancy Sampair. Chair Rowland asked if there were any questions, discussion, or changes to the minutes of the most recent prior Board meeting.

There were no other 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:	Bonnie Anderson Rons	Yes
	David Rowland	Yes
	Gary Benson	Yes
	Nancy Sampair	Abstain
	Mary Ives	Yes
	Ken Westphal	Yes
	Mary Thao	Yes

There were no votes against the motion and the Minutes of the June 19, 2024, MHEFA Board meetings were approved.

Agenda Item II – Introduction of New Board Member

Chair Rowland called on Executive Director Fick to introduce a new Board member. Executive Director Fick introduced Kenneth (Ken) Westphal as one of the Greater Minnesota Board members. Ken was appointed to a full-term on the MHEFA Board by Governor Walz in July 2024. Executive Director Fick noted that Ken has a long association with the Authority and Higher Education.

Executive Director Fick asked Ken to provide some information about himself to the board members. Ken noted that he began his professional career as an accountant, working primarily with higher education clients. After more than a decade in public accounting, he transitioned to Gustavus Adolphus College, working in finance, becoming CFO for a number of years. Upon retirement, Ken worked as interim CFO at a number of colleges, before fully retiring. In addition to the MHEFA Board, Ken has served as a Director for other organizations. During his tenure at Gustavus, Ken was responsible for debt management and used MHFA as the issuing Authority for tax-exempt financing at Gustavus. Ken resides in St. Peter, Minnesota.

Concurrent with Ken's initial appointment to the MHEFA Board, Governor Walz reappointed Mary Ives to the MHEFA Board. Mary serves as a Board member representing Greater Minnesota. Ken asked if Board members had any questions for him. There were no questions. Board members congratulated Ken on his appointment to the Board and observed that his experience as a College CFO will be very helpful to the Board in the future review of financing requests.

Agenda Item III – Update on Legislative Efforts

Executive Director Fick introduced John Berns, Esq., a partner at Carnival, Berns, P.A. Carnival Berns is the legislative assistance (lobbying) firm that we have used for our Legislative expansion efforts. Doug Carnival, the other partner in the firm, was with McGrann Shea, who also served as Bond Counsel for the Authority. That firm disbanded in 2024 and Doug joined with John to form a new firm.

John went through a timeline with the Board and noted the work that was required to get our bond capacity increased from $1.3 billion to $2 billion during this past legislative session. This increase was imperative to the Authority's ability to continue to serve its borrowers and carry out its mission.

He noted that while we were able to increase our bonding capacity through a statutory change by the legislature, we were unable to get our issuance expansion that would include Healthcare through the legislature. The legislation was passed by the Higher Education and Health Care committees in both the Senate and the House. The Senate sent the bill to the Senate floor for consideration. The bill was held up by the House Local Government committee for concerns related to possible private equity benefitting from the expansion.

John noted that we have gathered information and will be working with the legislature to address their concerns and work on full passage in the 2025 legislature.

Chair Rowland asked if there were any questions for John. Board members asked about the probability of future success in getting the expansion passed. John noted that our updated plan is very strong, and we have the opportunity to work with specific legislators to address their concerns prior to the next session of the legislature. This will give us a stronger chance of success, although nothing is "guaranteed."

Board members commented that they appreciated John's presentation and the explanation of the work that was involved in passage of the legislation.

Agenda Item IV – College and University Updates

Chair Rowland asked Executive Director Fick to update the Board on recent developments with Authority borrowers. Executive Director Fick noted that three borrower schools have redeemed outstanding debt issued by the Authority on behalf of the Schools. Debt has been redeemed by:

- Augsburg - refunding
- St. Mary's University – redemption
- Minneapolis College of Art and Design - partial redemption

The redemptions will help the schools reduce interest cost. Funds for the early redemption were generated from Gifts, the sale of surplus property and refunding by another bank and issuer.

- University of St. Thomas

The St. Thomas Series 2024 bonds have been subject to various lawsuits related to the sufficiency of environmental review conducted in association with the granting of construction permits for the Arena to be constructed with proceeds of the Series 2024 Bond. The court has requested additional environmental analysis be completed and brought back to the court for final review. That analysis is in process. The University has not been required to stop construction and is continuing to construct the facility, pending further court actions.

Agenda Item V –– 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 VI – New Business

Chair Rowland asked if there were any New Business items from Board members for discussion. Chair Rowland asked Operations Manager Amanda Lee to update the Board on the status of the annual financial audit of Authority operations. Operations Manager Lee noted that the audit was completed in a timely manner and the auditors had no unresolved issues. She noted the auditors complimented the Authority on the thoroughness of the financial records and the timeliness of providing requested documents.

There were new audit staff reviewing the Authority records this year. The audit partner is also new to the Authority account but has significant experience with higher education. The audit was again fully remote, with no need to conduct a physical examination of records.

The auditors reported only one comment, relating to a lack of segregation of duties. Amanda Lee noted that is a recurring finding and is the result of the small staff at the Authority.

Operations Manager Lee noted that the results of the Audit will be presented at the October 16, 2024 meeting of the Authority, and Board members are asked to put that date on their calendars for an in-person meeting.

This concluded the presentation on the FY24 audit. Chair Rowland asked if there were questions for Operations Manager Lee regarding the audit process. There were no questions from Board members.

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

Agenda Item VII – Other Business

Chair Rowland called upon Executive Director Fick to discuss Other Business and present the Executive Directors Report:

Legislation

We were successful in our effort to increase our outstanding bond limit from $1.3 billion to $2.0 billion. This increase was vital, as we have $1.28 billion outstanding. We are working on plans for the 2025 legislative session and will provide more information when the plans are defined.

Staffing

The College of St. Scholastica has selected Peter Kendall as the VP for Finance & Strategy.
Northwest Health Sciences University has appointed Jane Garner as CFO.
Executive Director Fick has reached out to NWSU and Concordia College to introduce MHEFA to them.

Ratings

There are two Moody's update calls scheduled for September.

Conferences

Executive Director, Barry Fick, will be attending the Central Association of College & University Officials (CACUBO) and the National Association of Health and Education Facilities Finance Authorities

(NAHEFFA) in October. Shari Mayer of Carleton is the current President of CACUBO. Barry is the President Emeritus of NAHFFA.

Outreach Engagements

Barry will be meeting with Dunwoody College of Technology staff on August 22.
He will also attend the St. Scholastica ribbon cutting for their Student Center on September 3.

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. A motion to adjourn the meeting was made by Bonnie Anderson Rons. The second was made by Mary Ives.

Chair Rowland called for a voice vote regarding the adjournment of the meeting. A Voice vote was conducted, and the Board members voted to adjourn the meeting at 2:58 pm.

Respectfully submitted,

____
Assistant Secretary

Minnesota Higher Education
Facilities Authority
Eagan, Minnesota

Communications Letter

June 30, 2024

Minnesota Higher Education Facilities Authority
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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, 2024, 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 over financial reporting 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 30, 2024, 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 30, 2024

Minnesota Higher Education Facilities Authority
Significant Deficiency

Lack of Segregation of Accounting Duties

During the year ended June 30, 2024, 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, 2024. 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 credit card disbursements has been identified as a risk.
- Capital Assets Valuation – Capital assets and related depreciation are material to the financial statements and involve significant estimates.
- Pension Valuation – Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- Lease Valuation – Lease liability and right-to-use assets are material to the financial statements and involve significant estimates.

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 2024. 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 and Related Disclosures
Accounting estimates and related disclosures 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.

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

Significant Accounting Estimates and Related Disclosures (Continued)
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.

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.

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. However, in accordance with professional standards, we have read the information included by the Authority and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatements of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.

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 $560,502 for 2024, as compared to $473,407 in 2023, an increase of $87,095, or 18.4%. Fee revenue is charged based on outstanding debt at the anniversary date of issuance. For the year ended June 30, 2024, the Authority required participating institutions to pay 35% of the contractual administrative fees, which is the same percentage as the year ended June 30, 2023.

Authority operating expenses increased from 2023 to 2024 by $867, or 0.2%. While total operating expenses remained consist, there were more significant variances in some categories of expenses. Payroll, payroll taxes, and employee benefits increased $31,131, or 10.9%. Pay and fringe benefit increases for 2024 equaled approximately $17,000 of the increase, while the remainder was related to changes in the State Employees Retirement Fund imposed pension liability. Other general and administrative expenses decreased $24,929, or 24.3%, due to the Authority hosting two conferences in 2023 as a result of State Covid restrictions in 2022 and one conference in 2024.

Net nonoperating revenues/expenses, which are comprised of interest income, changes in fair value of investments, and interest expense, increased from 2023 to 2024 by $47,909. The Authority's investments reflected higher interest rates in 2024 compared to the prior year.

The Authority posted operating income of $68,628 in 2024. After accounting for net nonoperating revenues of $96,511, total net position increased by $165,139. Operating results for the past five years are as follows:

For the Year Ended June 30,	2020	2021	2022	2023	2024
Operating revenues	$ 416,817	$ 442,620	$ 484,264	$ 476,407	$ 562,502
Operating expenses	(493,081)	(467,482)	(420,698)	(493,007)	(493,874)
Operating income (loss)	(76,264)	(24,862)	63,566	(16,600)	68,628
Net nonoperating revenues (expens	88,103	2,285	(22,488)	48,602	96,511
Change in net position	11,839	(22,577)	41,078	32,002	165,139
Total net position, July 1	2,080,622	2,092,461	2,069,884	2,110,962	2,142,964
Total Net Position, June 30	**$ 2,092,461**	**$ 2,069,884**	**$ 2,110,962**	**$ 2,142,964**	**$ 2,308,103**

Over the past five years, the Authority has seen its net position increase by $215,642, or 10.3%.

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, 2024, the Authority provided financing assistance for the following new debt issues:

- St. Catherine University Series 2023 – $21,235,000
- Carleton College Series 2023 - $60,495,000
- St. Olaf College Series 2024 - $25,000,000
- University of St. Thomas Series 2024A - $94,440,000
- University of St. Thomas Series 2024B - $50,000,000
- University of St. Thomas Series 2024C - $14,950,000

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

Revenue Bonds and Other Debt Obligations	2020	2021	2022	2023	2024
Principal at July 1	$ 983,602,593	$ 934,191,593	$ 989,114,593	$ 1,089,175,606	$ 1,071,544,606
Issued	31,995,000	120,235,000	145,923,000	18,373,000	266,120,000
Matured/refunded	(81,406,000)	(65,312,000)	(45,861,987)	(36,004,000)	(70,801,290)
Principal at June 30	**$ 934,191,593**	**$ 989,114,593**	**$ 1,089,175,606**	**$ 1,071,544,606**	**$ 1,266,863,316**

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. This amount increased to $2 billion effective July 1, 2024.

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- Tax Returns – Individual and Business
- Tax-Efficient Investing
- Tax-Efficient Income
- Accounting
- Corporate Tax Law

INVESTMENT MANAGEMENT

- Customized Portfolios
- Concentrated Positions
- Private Equity & Private Lending
- Equity Compensation Strategies
- Negotiated Margin Rates

INTERNATIONAL

- Advisory Services for Americans Abroad
- International Tax Planning
- Expatriate Insurance

RETIREMENT & FOUNDATIONS

- Retirement Plan Advisory
- 3(38) and 3(21) Fiduciary
- TPA Recordkeeping
- Customized Investment Solutions
- Investment Policy Statements
- Development
- Board Oversight

LEGAL

- Estate Planning
- Trust Administration
- Real Estate Transactions
- Illiquid Asset Administration
- Buy-Sell Agreements
- Business Incorporations/LLCs
- Litigation Support
- Powers of Attorney
- Employee Benefit Plan Legal Services

BUSINESS SERVICES

- Tax
- Audit & Attest*
- Lending
- M&A and Consulting
- Technology
- Outsourced Accounting & Payroll
- Legal
- Insurance
- Business Valuations

INSURANCE

- Life
- Disability
- Long-Term Care
- Medicare Supplements
- Property & Casualty – Home, Auto
- Commercial Property
- Workers' Compensation
- Directors and Officers (D&O)

RETIREMENT PLANNING

- Tax-Efficient Withdrawal Strategies
- Social Security
- Real Estate Investment/Vacation Homes

**Creative Planning is an independent wealth management firm also providing business consulting, tax and financial services to clients. Creative Planning works closely with BerganKDV, an independent and separately governed licensed CPA firm that provides audit and assurance services to its clients.*

CREATIVE PLANNING
BUSINESS SERVICES

Business Services

DELIVERING BUSINESS SERVICES THAT INNOVATE AND INSPIRE

At Creative Planning, our business services offering provides customized, high-quality expertise to support every phase of your business journey.

BUSINESS VALUATIONS

- Accredited Valuations
- Calculation Reports
- ESOP Feasibility Studies
- Succession/Exit Planning

LEGAL

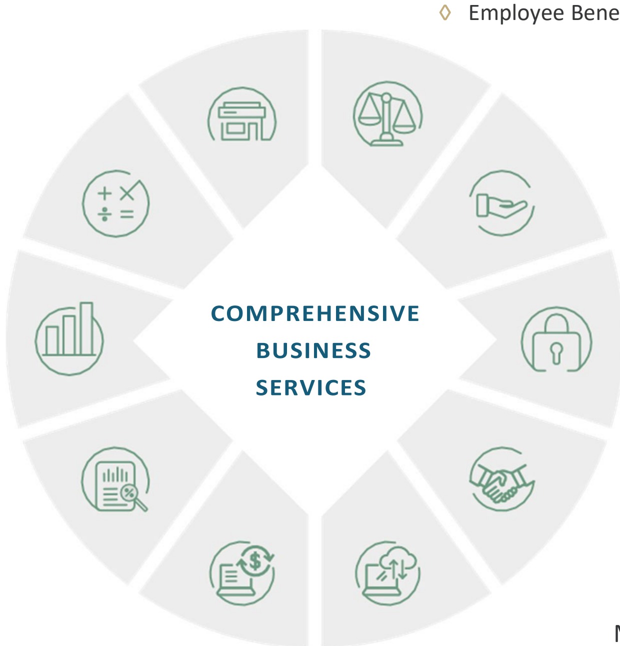
- Business Incorporations/LLCs
- Buy-Sell Agreements
- Real Estate Transactions
- Litigation Support
- Powers of Attorney
- Employee Benefit Plan Legal Services

TAX

- Corporate and Non-Profit Tax
- Estate Tax
- Tax Reform Initiatives
- R&D Tax Credits
- Cost Segregation
- Federal and State Incentives
- Community Tax Credits
- Work Opportunity Tax Credits
- Employee Retention Credit

LENDING

- Commercial
- SBA
- Non-Residential



RETIREMENT

- Retirement Plan Advisory
- 3(38) and 3(21) Fiduciary
- TPA Recordkeeping
- Customized Investment Solutions

INSURANCE

- Commercial Property
- Life and Disability
- Long-Term Care and Medicare Supplements
- General Liability
- Fleet Auto
- Workers' Compensation
- Directors and Officers
- Surety Bonds

AUDIT & ATTEST*

- Audit and Assurance
- Accounting Services
- Fraud and Forensic Accounting

M&A AND CONSULTING

- Buy- and Sell-Side Investment Banking
- Turnaround Services
- Business Performance
- Executive Coaching and Training
- Compensation Structure and Analysis

OUTSOURCED ACCOUNTING & PAYROLL

- Accounting and ERP Software
- Custom Programming and Apps
- Bookkeeping
- Virtual CFO/Controller/HR
- State and Local Tax Registrations
- Sales and Use Tax Nexus Studies
- Payroll Processing
- Benefits Administration

TECHNOLOGY

- Help Desk Services
- Virtual CIO
- Cybersecurity Audits
- IT Hardware
- Hosted Cloud Services
- Off-Site Data Backup

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Minnesota Higher Education Facilities Authority
Eagan, Minnesota

Basic Financial Statements

June 30, 2024

Minnesota Higher Education Facilities Authority
Table of Contents

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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

Opinion

We have audited the financial statements of the Minnesota Higher Education Facilities Authority, Eagan, Minnesota, as of and for the year ended June 30, 2024, 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, 2024, 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 Opinion

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 opinion.

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, that 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statement for the year ended June 30, 2023, from which such partial information was derived.

We have previously audited the Authority's June 30, 2023, financial statements and our report, dated September 15, 2023, 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, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BerganKDV, Ltd.

Minneapolis, Minnesota
September 30, 2024

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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 Governmental 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, 2024.

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, and a representative of the Minnesota Office of Higher Education. The President of the Minnesota Private College Council is an advisory, non-voting 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 set by the legislature. From 2010 to June 30, 2024, that limit was $1.3 billion. As of July 1, 2024, the Authority's limit has been raised to $2 billion. The Authority has had 253 issues (including refunded and retired issues) totaling over $3.57 billion of which $1,266,863,316 is outstanding as of June 30, 2024.

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 full faith or credit or moral obligation of the State of Minnesota. The operations of the Authority are financed solely 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 operating and 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, limited to financing of child-care and parking facilities. 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 wide 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 to refund 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 2024, the conference was held in April, and provided an opportunity for Authority borrowers, along with legal and finance professionals, to share information relevant to higher education capital financings. A second, smaller roundtable-style conference was held during fiscal year 2024, allowing CFO staff from borrower schools to discuss Authority services, common issues between schools, and to ask questions of the Authority or other borrowers.

The Authority regularly reviews its policies and procedures to effectively provide financing assistance to Minnesota's nonprofit colleges and universities. Through the Authority's coordination of efforts of the borrowers, Authority's staff, advisors, as well as other public finance professionals, 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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statement 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, 2024, and 2023.

	2024	2023
Assets		
Current assets	$ 2,367,104	$ 2,188,220
Noncurrent assets	172,664	203,411
Total assets	2,539,768	2,391,631
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	38,155	39,078
Liabilities		
Current liabilities	79,908	64,728
Long term liabilities	166,369	207,084
Total liabilities	246,277	271,812
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	23,543	15,933
Net Position		
Invested in capital assets	18,611	27,806
Unrestricted	2,289,492	2,115,158
Total Net Position	$ 2,308,103	$ 2,142,964

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

	2024	2023
Operating Revenues	$ 562,502	$ 476,407
Operating Expenses	(493,874)	(493,007)
Operating Gain (Loss)	68,628	(16,600)
Nonoperating Revenues (Expenses)		
Interest income	93,653	46,751
Net increase/(decrease) in fair value of investments	9,330	8,626
Interest expense	(6,472)	(6,775)
Total nonoperating revenues (expenses)	96,511	48,602
Change in Net Position	165,139	32,002
Net Position		
Beginning of year	2,142,964	2,110,962
End of year	$ 2,308,103	$ 2,142,964

FINANCIAL HIGHLIGHTS

The Authority completed six financings in fiscal year 2024 with a total principal amount of $266,120,000. This compares to two financings completed in fiscal year 2023 with a total principal amount of $18,373,000. The following is a listing of the bond issues for fiscal year 2024.

St. Catherine University

- St. Catherine Series 2023 Revenue Bonds were issued July 2023 in the amount of $21,235,000. Proceeds from the Series 2023 Revenue Bonds were used to renovate student residence halls and apartments, science and technology spaces in the Historic Mendel Building, and pay for several other small renovation projects on the University's Saint Paul campus.

Carleton College

- Carleton Series 2023 Revenue Bonds were issued September 2023 in the amount of $60,495,000. Proceeds from the Series 2023 Revenue Bonds were used to demolish existing buildings, and to design, construct, improve, equip and furnish various facilities, including 11 student townhomes and a multipurpose Student Health and Counseling Center on the College's Northfield campus.

St. Olaf College

- St. Olaf Series 2024 Revenue Note was issued March 2024 in the amount of $25,000,000. Proceeds from the Series 2024 Revenue Note were used for residence hall renovations, a new building for facilities operations, various improvements to facilities infrastructure and roof replacements.

FINANCIAL HIGHLIGHTS (CONTINUED)

University of St. Thomas

- St. Thomas Series 2024A Revenue Bonds were issued March 2024 in the amount of $94,440,000. Proceeds from the Series 2024A Revenue Bonds are being used for site planning, design, and demolition in preparation for, and construction, furnishing and equipping a multipurpose arena on the South Campus of the University in St. Paul.

- St. Thomas Series 2024B Revenue Bonds (Green Bonds) were issued March 2024 in the amount of $50,000,000. The Series 2024B Bonds were issued in two subseries, 2024B-1 and 2024B-2. Proceeds from the Series 2024B Revenue Bonds (Green Bonds) are being used for site planning, design, and demolition in preparation for, and construction, furnishing and equipping a multipurpose arena on the South Campus of the University in St. Paul. The Series B Bonds have a shorter final maturity than the Series A Bonds.

- St. Thomas Series 2024C Taxable Revenue Bonds (Green Bonds) were issued March 2024 in the amount of $14,950,000. Proceeds from the 2024C Revenue Bonds (Green Bonds) are being used for the estimated taxable portion of use associated with the multipurpose arena, including the construction, furnishing and equipping a multipurpose arena on the South Campus of the University in St. Paul

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, ensure sufficient accumulated operating reserves to offset risk, and maintain stable discount rates for its borrowers.

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 2024, the Authority reduced the maximum allowable annual administrative fee to all borrowers by 65%. The maximum allowable fee for fiscal year 2025 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

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BASIC FINANCIAL STATEMENTS

Minnesota Higher Education Facilities Authority
Statement of Net Position
June 30, 2024
(with Partial Comparative Information as of June 30, 2023)

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 491,104	$ 426,945
Investments	1,794,873	1,735,543
Accounts receivable	51,831	3,477
Interest receivable	27,979	19,473
Prepaid items	1,317	2,782
Total current assets	2,367,104	2,188,220
Noncurrent assets		
Security deposit receivable	4,000	4,000
Equipment	74,744	74,744
Less accumulated depreciation	(38,155)	(31,791)
Leased building	180,841	180,841
Less accumulated amortization	(48,766)	(24,383)
Total noncurrent assets	172,664	203,411
Total assets	2,539,768	2,391,631
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	38,155	39,078
Total assets and deferred outflows of resources	$ 2,577,923	$ 2,430,709
Liabilities		
Current liabilities		
Accounts payable	$ 41,635	$ 28,984
Lease liability	23,351	21,552
Compensated absences payable	14,922	14,192
Total current liabilities	79,908	64,728
Noncurrent liabilities		
Lease liability	126,702	150,053
Compensated absences payable	14,921	14,191
Net pension liability	24,746	42,840
Total noncurrent liabilities	166,369	207,084
Total liabilities	246,277	271,812
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	23,543	15,933
Net Position		
Net investment in capital assets	18,611	27,806
Unrestricted	2,289,492	2,115,158
Total net position	2,308,103	2,142,964
Total liabilities, deferred inflows of resources, and net position	$ 2,577,923	$ 2,430,709

Minnesota Higher Education Facilities Authority
Statement of Revenues, Expenses, and
Changes in Net Position
Year Ended June 30, 2024
(with Partial Comparative Information for the Year Ended June 30, 2023)

	2024	2023
Operating Revenues		
Annual administrative fees	$ 560,502	$ 473,407
Other income	2,000	3,000
Total operating revenues	562,502	476,407
Operating Expenses		
Payroll, payroll taxes, and employee benefits	317,154	286,023
Legal, audit, and consulting expense	47,357	44,994
Rent	20,934	8,706
Depreciation and amortization	30,747	50,673
Other general and administrative expenses	77,682	102,611
Total operating expenses	493,874	493,007
Operating income (loss)	68,628	(16,600)
Nonoperating Revenues (Expenses)		
Interest income	93,653	46,751
Change in fair value of investments	9,330	8,626
Interest expense	(6,472)	(6,775)
Total nonoperating revenues (expenses)	96,511	48,602
Change in net position	165,139	32,002
Net Position		
Beginning of year	2,142,964	2,110,962
End of year	$ 2,308,103	$ 2,142,964

Minnesota Higher Education Facilities Authority
Statement of Cash Flows
Year Ended June 30, 2024
(with Partial Comparative Information for the Year Ended June 30, 2023)

	2024	2023
Cash Flows - Operating Activities		
Cash received from annual administrative and other fees	$ 514,148	$ 475,028
Cash payments to employees	(300,170)	(300,170)
Cash payments to suppliers for goods and services	(156,942)	(136,224)
Net cash flows - operating activities	57,036	38,634
Cash Flows - Capital and Related Financing Activities		
Lease principal payments	(21,552)	(28,424)
Interest paid on leases	(6,472)	(6,775)
Purchase of capital assets	-	(49,318)
Net cash flows - capital and related financial activities	(28,024)	(84,517)
Cash Flows - Investing Activities		
Interest received	85,147	28,191
Investment purchases	(50,000)	(500,000)
Net cash flows - investing activities	35,147	(471,809)
Net change in cash and cash equivalents	64,159	(517,692)
Cash and Cash Equivalents		
Beginning of year	426,945	944,637
End of year	$ 491,104	$ 426,945
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities		
Operating income (loss)	$ 68,628	$ (16,600)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities		
Depreciation and amortization expense	30,747	50,673
Accounts receivable	(48,354)	(1,379)
Prepaid items	1,465	11,520
Accounts payable	12,651	17,095
Deferred outflows, inflows, and liability related to pension activity	(9,561)	(23,236)
Compensated absences payable	1,460	561
Total adjustments	(11,592)	55,234
Net cash flows - operating activities	$ 57,036	$ 38,634
Noncash Investing Activities		
Net change in fair value of investments	$ 9,330	$ 8,626

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority finances projects through the issuance of bonds; the principal and interest of which are paid by the lease/loan payments collected from the higher education institutions. For the year-ended June 30, 2024, 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 as of June 30, 2024, 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, 2024, 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. As of June 30, 2024, 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 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, 2024, the Authority's bank balance of $201,717 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2024, the Authority's carrying value of deposits was as follows:

Deposits	$	199,536

Custodial Credit Risk – 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, 2024, the Authority had the following investments:

Investment	Maturities	Amount	S&P Rating
Bank Hapoalim Certificate of Deposit	07/19/24	$ 199,857	N/A
Bank of America Certificate of Deposit	08/08/24	99,959	N/A
Discover Bank Certificate of Deposit	11/15/24	199,521	N/A
Sandy Spring Bank Certificate of Deposit	11/15/24	199,628	N/A
JP Morgan Chase Bank Certificate of Deposit	02/10/25	149,987	N/A
Morgan Stanley Bank Certificate of Deposit	03/06/25	199,773	N/A
JP Morgan Chase Bank Certificate of Deposit	09/15/25	200,020	N/A
Enterprise Bank Certificate of Deposit	01/30/26	173,401	N/A
Texas Heritage National Bank Certificate of Deposit	02/02/26	173,290	N/A
Mountain Commerce Bank Certificate of Deposit	03/16/26	199,437	N/A
Wells Fargo Money Market	N/A	291,568	AAAm
Total investments		$ 2,086,441	

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, 2024, investments with eight separate issuers exceeded the 5% threshold.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – Investments: 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, 2024:

- Brokered money markets of $291,568 are valued using calculated net asset value (Level 1 inputs)
- Investment securities of $1,794,873 are valued using quoted market prices (Level 2 inputs)

Deposits and investments are presented in the June 30, 2024, basic financial statements as follows:

Cash and cash equivalents	$	491,104
Investments		1,794,873
Total deposits and investments	$	2,285,977

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Office furniture and equipment	$ 74,744	$ -	$ -	$ 74,744
Leased building	180,841	-	-	180,841
Less accumulated depreciation	(31,791)	(6,364)	-	(38,155)
Less accumulated amortization	(24,383)	(24,383)	-	(48,766)
Total capital assets	$ 199,411	$ (30,747)	$ -	$ 168,664

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
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	31,310	1,235	32,545
2030	13,798	138	13,936
Total	$ 150,053	$ 17,564	$ 167,617

C. Changes in Long-Term Liabilities

Changes in long-term liability activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Lease liability	$ 171,605	$ -	$ 21,552	$ 150,053	$ 23,351
Compensated absences	28,383	35,544	34,084	29,843	14,922
Total capital assets	$ 199,988	$ 35,544	$ 55,636	$ 179,896	$ 38,273

NOTE 5 – CONDUIT DEBT

As of June 30, 2024, there were 48 conduit bond issues and leases outstanding with an aggregate principal balance outstanding of $1,266,863,316 as follows:

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
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	11,000,000
Series Seven-R, College of St. Scholastica			
Revenue Bonds, October 2012	2032	9,380,000	4,955,000
Series Seven-U, University of St. Thomas			
Revenue Bonds, March 2013	2027	25,685,000	8,940,000
Series Seven-W, Gustavus Adolphus College			
Revenue Bonds, July 2013	2034	11,410,000	7,185,000
Series Eight-D, Minneapolis College of Art and Design			
Revenue Bond, March 2015	2026	7,845,000	1,620,000
Series Eight-G, St. Olaf College			
Revenue Bonds, July 2015	2032	53,745,000	33,770,000
Series Eight-H, St. John's University			
Revenue Bonds, August 2015	2026	13,815,000	1,385,000
Series Eight-I, St. John's University			
Revenue Bonds, December 2015	2035	18,275,000	12,590,000
Series Eight-J, Macalaster College			
Revenue Bonds, September 2015	2032	22,660,000	11,015,000
Series Eight-K, College of St. Benedict			
Revenue Bonds, April 2016	2043	34,360,000	29,110,000
Series Eight-L, University of St. Thomas			
Revenue Bonds, March 2016	2039	55,355,000	40,510,000
Series Eight-N, St. Olaf College			
Revenue Bonds, September 2016	2035	22,845,000	21,270,000
Series 2016A, Augsburg College			
Revenue Bonds, December 2016	2046	32,240,000	31,875,000
Series 2016B, Augsburg College			
Revenue Bonds, December 2016	2046	13,680,000	10,795,000
Series 2017, Carleton College			
Revenue Bonds, May 2017	2047	124,900,000	97,750,000

NOTE 5 – CONDUIT DEBT (CONTINUED)

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series 2017, Bethel University Revenue and Refunding Bonds, July 2017	2047	$ 44,565,000	$ 44,565,000
Series 2017, Gustavus Adolphus College Revenue Bonds, September 2017	2047	52,515,000	49,240,000
Series 2017, St. John's University Revenue and Refunding Bonds, September 2017	2033	7,595,000	5,280,000
Series 2017, Macalester College Revenue and Refunding Bonds, November 2017	2048	40,315,000	27,770,000
Series 2017B, Hamline University Revenue and Refunding Bonds, December 2017	2047	34,650,000	29,975,000
Series 2017A, University of St. Thomas Revenue Bonds, December 2017	2037	60,750,000	49,310,000
Series 2017B, University of St. Thomas Revenue and Refunding Note, December 2017	2025	8,220,000	665,000
Series 2017, College of St. Benedict Revenue and Refunding Bonds, December 2017	2036	8,605,000	5,245,000
Series 2018, Minneapolis College of Art and Design Revenue Note, May 2018	2028	3,643,000	3,053,717
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	76,840,000
Series 2019, College of St. Scholastica Revenue Refunding Bonds, September 2019	2040	29,075,000	25,520,000
Series 2020A, University of St. Thomas Revenue Refunding Note, October 2020	2032	9,610,000	7,100,000
Series 2020B, University of St. Thomas Revenue Note, October 2020	2030	9,135,000	6,560,000
Series 2021, St. Olaf College Revenue Bonds, March 2021	2050	57,335,000	57,335,000

NOTE 5 – CONDUIT DEBT (CONTINUED)

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series 2021, Macalester College Revenue Refunding Bonds, April 2021	2043	$ 12,870,000	$ 11,625,000
Series 2021, St. John's University Revenue Bonds, September 2021	2041	21,560,000	20,720,000
Series 2021, Hamline University Revenue Refunding Note, June 2021	2032	9,725,000	7,300,000
Series 2022, Minneapolis College of Art and Design Revenue Note, March 2022	2032	1,500,000	1,479,599
Series 2022A, Mitchell Hamline School of Law Revenue Note, March 2022	2038	12,425,000	11,320,000
Series 2022B, Mitchell Hamline School of Law Revenue Note, March 2022	2034	998,000	862,000
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	2043	13,120,000	13,120,000
Series 2023B, Minneapolis College of Art and Design Revenue Note, June 2023	2043	5,253,000	5,253,000
Series 2023, St. Catherine University Revenue Bonds, July 2023	2053	21,235,000	21,235,000
Series 2023, Carleton College Revenue Bonds, September 2023	2053	60,495,000	60,495,000
Series 2024, St. Olaf College Revenue Note, March 2024	2055	25,000,000	25,000,000
Series 2024A, University of St. Thomas Revenue Bonds, March 2024	2054	94,440,000	94,440,000
Series 2024B, University of St. Thomas Revenue Bonds, March 2024	2030	50,000,000	50,000,000
Series 2024C, University of St. Thomas Revenue Bonds, March 2024	2036	14,950,000	14,950,000
Total		$ 1,471,294,000	$ 1,266,863,316

NOTE 5 – CONDUIT DEBT (CONTINUED)

A summary of changes in conduit debt outstanding for the year ended June 30, 2024, is presented below.

Conduit debt - July 1, 2023	$ 1,071,544,606
Additions	
Revenue bonds issued	266,120,000
Reductions	
Principal retirements	(70,801,290)
Conduit debt - June 30, 2024	$ 1,266,863,316

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, 2024, 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.

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.

NOTE 7 – STATE EMPLOYEES RETIREMENT FUND (CONTINUED)

B. Benefits Provided (Continued)

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 2023, while participating employers were required to contribute 6.25% of covered salary in fiscal year 2023. The member contribution rate was changed from 6.0% to 5.5% of pay for two years effective July 1, 2023. The Authority’s contribution to the General Plan for the fiscal year ending June 30, 2023, was $5,886. 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, 2023, 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	7.00% Per year

Salary increases were based on a service-related table. Mortality rates 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, 2023, valuation were based on the results of an actuarial experience study for state employees covering fiscal years 2018-2022.

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
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 long-term rate of return assumption increased from 6.75% to 7.00%.
- The single discount rate increased from 6.75% to 7.00%.
- The member contribution rate was changed from 6.00% to 5.50% for pay for two years, effective July 1, 2023.
- A one-time direct state aid contribution of $76.4 million was contributed to the Plan on October 1, 2023.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A 1.00% one-time, noncompounding benefit increase was paid in a lump sum by March 31, 2024.
- The vesting period for members hired after June 30, 2010, was changed from five years to three years.

E. Discount Rate
A Single Discount Rate used to measure the total pension liability as of June 30, 2023, was 7.00%. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.86%. 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 2123. 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, 2023, the Authority reported a liability of $24,746 for its proportionate share of MSRS net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of MSRS's participating employers. As of June 30, 2023, the Authority's proportionate share was 0.0033% 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 6.00%	Current Discount Rate 7.00%	1% Increase in Discount Rate 8.00%
Authority's proportionate share of the net pension liability (asset)	$ 83,422	$ 24,746	$ (20,302)

H. Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2024, the Authority recognized pension expense of $5,419. As of June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	$ 2,975	$ 170
Changes of assumptions	19,319	20,845
Net difference between projected and actual earnings on investments	-	2,468
Changes in proportion and differences between actual contributions and proportionate share of contributions	881	60
Contributions paid to MSRS subsequent to the measurement date	14,980	-
Total	$ 38,155	$ 23,543

NOTE 7 – STATE EMPLOYEES RETIREMENT FUND (CONTINUED)

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

The $14,980 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, 2025.

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
2025	$ (960)
2026	(762)
2027	4,959
2028	(3,605)
Total	$ (368)

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
2024	$ -
2023	8,342
2022	7,788

The Authority's sole participant in the SUERP elected to move to the MSRS State Employee Retirement Fund effective July 1, 2023.

NOTE 9 – SUBSEQUENT EVENT

Effective July 1, 2024, the Authority's authorized maximum revenue bonds outstanding increased from $1.3 billion to $2 billion.

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 Plan's Year Ended June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0033%	$ 24,746	$ 94,176	26.28%	94.54%
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%

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

For Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2024	$ 14,980	$ 14,980	$ -	$ 239,680	6.250%
2023	5,886	5,886	-	94,176	6.250%
2022	5,443	5,443	-	87,088	6.250%
2021	5,266	5,266	-	84,256	6.250%
2020	4,934	4,934	-	78,944	6.250%
2019	4,408	4,408	-	75,030	5.875%
2018	3,916	3,916	-	71,200	5.500%
2017	4,341	4,341	-	78,927	5.500%
2016	5,368	5,368	-	97,600	5.500%
2015	5,174	5,174	-	94,073	5.500%

See notes to required supplementary information.

Minnesota Higher Education Facilities Authority
Notes to the Required Supplementary Information

State Employees Retirement Fund

Fiscal Year 2023 Changes Since the Fiscal Year 2022 Actuarial Valuation

Changes in Actuarial Assumptions

- The long-term rate of return assumption increased from 6.75% to 7.00%.
- The single discount rate increased from 6.75% to 7.00%.

Changes to Plan Provisions

- The member contribution rate was changed from 6.00% to 5.50% for pay for two years, effective July 1, 2023.
- A one-time direct state aid contribution of $76.4 million was contributed to the Plan on October 1, 2023.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A 1.00% one-time, noncompounding benefit increase was paid in a lump sum by March 31, 2024.
- The vesting period for members hired after June 30, 2010, was changed from five years to three years.

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.

State Employees Retirement Fund (Continued)

Fiscal Year 2020 Changes Since the Fiscal Year 2019 Actuarial Valuation (Continued)
Changes in Actuarial Assumptions (Continued)
- The assumed number of married male new retirees electing the 50% 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

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.

State Employees Retirement Fund (Continued)

Fiscal Year 2016 Changes Since the Fiscal Year 2015 Actuarial Valuation
Changes in Actuarial Assumptions

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

Fiscal Year 2015 Changes Since the Fiscal Year 2014 Actuarial Valuation
Changes in Actuarial Assumptions

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

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.

504 Fixed Asset Capitalization Policy

Amended 10/16/2024
Policy Review Schedule: *Annual*
Most Recent Review: October 16, 2024

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 one 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.

MN Higher Education Facilities Authority

Budget vs. Actuals: FY25 Original Budget - FY25 P&L

July 2024 - June 2025

	TOTAL			
	ACTUAL	BUDGET	REMAINING	% OF BUDGET
Income				
4010 Annual Fee Income	504,768.75	572,352.30	67,583.55	88.19 %
4020 Application Fee Income		1,000.00	1,000.00	
Discounts given	-328,099.70		328,099.70	
Total Income	**$176,669.05**	**$573,352.30**	**$396,683.25**	**30.81 %**
GROSS PROFIT	**$176,669.05**	**$573,352.30**	**$396,683.25**	**30.81 %**
Expenses				
6000 Stipends	385.00	2,640.00	2,255.00	14.58 %
6001 Board Travel	81.01	4,000.00	3,918.99	2.03 %
6002 Communications				
6002.01 Communications - Phones	551.48	5,000.00	4,448.52	11.03 %
6002.02 Communications - Internet	189.76	2,500.00	2,310.24	7.59 %
6002.03 Communications - Software	32.00	1,000.00	968.00	3.20 %
6002.04 Communications - Website	10.11	20,000.00	19,989.89	0.05 %
6002.05 Communications - Misc	138.55	750.00	611.45	18.47 %
Total 6002 Communications	**921.90**	**29,250.00**	**28,328.10**	**3.15 %**
6003 Staff Travel	**1,343.22**	**25,000.00**	**23,656.78**	**5.37 %**
6004 Office Rent	12,418.56	52,500.00	40,081.44	23.65 %
6005 Office Supplies		1,000.00	1,000.00	
6006 Repairs		1,500.00	1,500.00	
6007 Printing Expense		1,000.00	1,000.00	
6008 Periodicals/Memberships	3,393.00	10,000.00	6,607.00	33.93 %
6009 Fiscal Consultant Fees		5,000.00	5,000.00	
6010 Audit Fees	18,000.00	20,950.00	2,950.00	85.92 %
6012 Legal Fees	4,000.00	27,000.00	23,000.00	14.81 %
6013 Insurance Expense		2,400.00	2,400.00	
6015 Miscellaneous Expense		6,000.00	6,000.00	
6016 Bank Service Charges	157.41	2,000.00	1,842.59	7.87 %
6017 Conference Expenses	880.00	16,000.00	15,120.00	5.50 %
6018 Professional Development-Board		3,000.00	3,000.00	
6020 Professional Development-STAFF	1,125.00	5,000.00	3,875.00	22.50 %
6021 IT				
6021.01 IT - Managed IT Services	1,911.36	8,000.00	6,088.64	23.89 %
6021.02 IT - Software	159.50	2,500.00	2,340.50	6.38 %
6021.03 IT - Consulting and Training		5,000.00	5,000.00	
6021.04 IT - Misc	616.74	750.00	133.26	82.23 %
Total 6021 IT	**2,687.60**	**16,250.00**	**13,562.40**	**16.54 %**
6023 Postage/Delivery Expense	31.94	400.00	368.06	7.99 %
6100 Salaries	52,309.54	253,000.00	200,690.46	20.68 %
6101 Fringe Benefits	18,559.04	89,000.00	70,440.96	20.85 %

MN Higher Education Facilities Authority

Budget vs. Actuals: FY25 Original Budget - FY25 P&L

July 2024 - June 2025

	TOTAL			
	ACTUAL	BUDGET	REMAINING	% OF BUDGET
6104 Worker's Compensation	170.00	170.00	0.00	100.00 %
6107 Office Contract Work		1,000.00	1,000.00	
6200 Equipment Leases	467.10	500.00	32.90	93.42 %
Total Expenses	**$116,930.32**	**$574,560.00**	**$457,629.68**	**20.35 %**
NET OPERATING INCOME	**$59,738.73**	**$ -1,207.70**	**$ -60,946.43**	**-4,946.49 %**
Other Income				
4000 Interest Income	40,156.93	60,000.00	19,843.07	66.93 %
4050 Unrealized Gain/Loss Adjustment on Sale	176.98		-176.98	
Total Other Income	**$40,333.91**	**$60,000.00**	**$19,666.09**	**67.22 %**
NET OTHER INCOME	**$40,333.91**	**$60,000.00**	**$19,666.09**	**67.22 %**
NET INCOME	**$100,072.64**	**$58,792.30**	**$ -41,280.34**	**170.21 %**