Annual Financial Report

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

For Year Ending June 30, 2024

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Mission of the Authority

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

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

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

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

MHEFA Staff

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

FY2024 Municipal Advisors

Blue Rose Capital Advisors
Minneapolis, Minnesota
Carleton, Series 2023

North Slope Capital Advisors
Denver, Colorado
St. Catherine University, Series 2023
St. Olaf, Series 2024
University of St. Thomas, Series 2024A
University of St. Thomas, Series 2024B
University of St. Thomas, Series 2024C

FY2024 Bond Counsel

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota
Carleton, Series 2023
St. Catherine University, Series 2023
St. Olaf, Series 2024
University of St. Thomas, Series 2024A
University of St. Thomas, Series 2024B
University of St. Thomas, Series 2024C

FY2024 Independent Auditor

BerganKDV, Ltd.
Minneapolis, Minnesota

MHEFA Board Members

Gary D. Benson
Member with Construction Experience
Director of Project Planning & Development
Kraus-Anderson Construction Company
Resident of New Brighton, Minnesota
Term Expires January 2027

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

Mikeya Griffin
General Member
Executive Director, Rondo Community Land Trust
Resident of Saint Paul, Minnesota
Term Expires January 2026

Mary F. Ives
Member Residing Outside of Metro
Member with Higher Education Affiliation
Emeritus Trustee of the College of St. Scholastica
Real Estate Agent and Business
Owner-Operator of Hospitality Properties
Resident of Grand Rapids, Minnesota
Term Expires January 2028

Bonnie M. Anderson Rons, FY2024 Secretary
General Member
Retired Banker
Resident of Rosemount, Minnesota
Term Expires January 2027

David Rowland, FY2024 Chair
Member with Municipal Finance Experience
Executive Vice President, Co-Chief Investment Officer, The Travelers Companies, Inc.
Resident of Edina, Minnesota
Term Expires January 2025

Nancy Sampair, FY2024 Vice-Chair
General Member
Retired Banker
Resident of Saint Paul, Minnesota
Term Expires January 2026

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

Raymond VinZant, Jr.
Member Residing Outside of Metro
Founder, Midway Vo-Tech, Saint Paul
Resident of Wyoming, Minnesota
Term Expires January 2024 (served until June 30, 2024, as allowed by statute)

Poawit Yang
Ex-officio Member
CFO, Minnesota Office of Higher Education

Letter from the Board Chair

Greetings:

On behalf of the Minnesota Higher Education Facilities Authority and its borrowers, I am pleased to present the Authority's Annual Report for the fiscal year ended June 30, 2024, including audited financial statements. This Report includes information about the Authority services provided to nonprofit institutions of higher education in the State of Minnesota.

The Authority's mission is to provide conduit financing assistance and related services for capital projects of those colleges and universities, generally through tax-exempt financing. The Authority receives no federal or state financial support for its operating or financing operations. The Authority provides its services to Minnesota's nonprofit colleges and universities at no cost to Minnesota taxpayers. The bonds the Authority issues are not backed by either direct or indirect credit of the State. All Authority operating expenses are paid through fees assessed to borrowers in connection with each school's respective financing.

In fiscal year 2024, the Authority completed six financings totaling $266,120,000. These financings provided St. Catherine University, Carleton College, St. Olaf College, and the University of St. Thomas with the funding they needed to complete capital projects. At the end of fiscal year 2024, the total principal outstanding for Authority-issued debt was $1,266,863,316. The statutory limit on outstanding debt issued by the Authority as of June 30, 2024, was $1.3 billion. At the request of the Authority, the Minnesota legislature increased the outstanding debt limit to $2 billion. This increase enhances the ability to respond to borrower needs, as the annual volume of bonds the Authority issues fluctuates with market conditions and institution needs. Throughout the year, the Authority provides ongoing services that enhance the financing assistance provided to Minnesota nonprofit colleges and universities.

The Authority proudly serves as a consistent source of financing assistance and related services to Minnesota's nonprofit colleges and universities. The Authority hosted two informational and educational events in Fiscal Year 2024, a Roundtable Discussion for borrower staff, plus an annual conference that brought together college and university leaders, industry representatives, and Authority partners for important higher education topic discussions. As we have since 1971, through the combined efforts of the Authority Board Members, staff and advisors, the Authority will continue to provide service to our borrowers and the industry in an efficient and cost-effective manner.

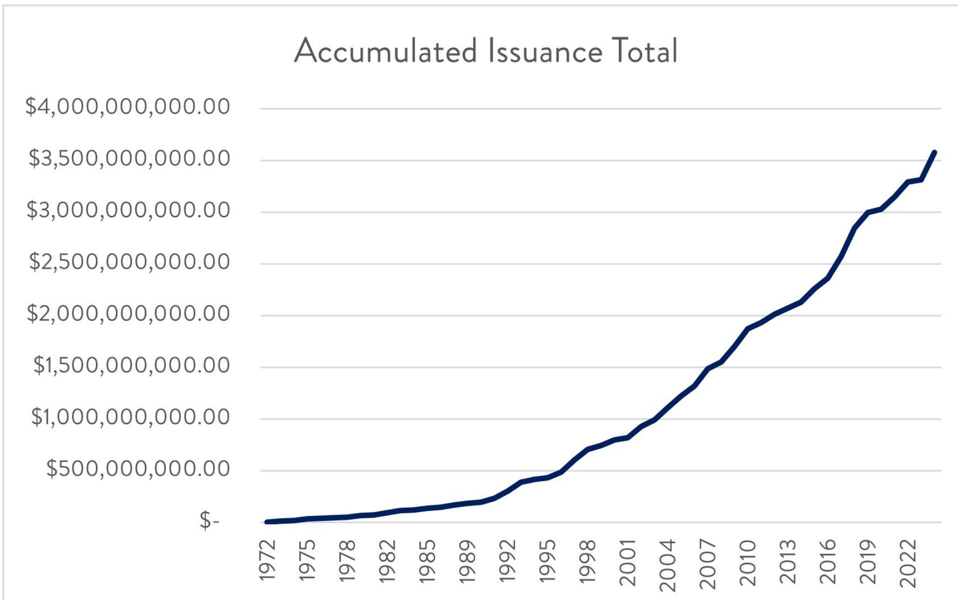
Respectfully submitted,

David Rowland

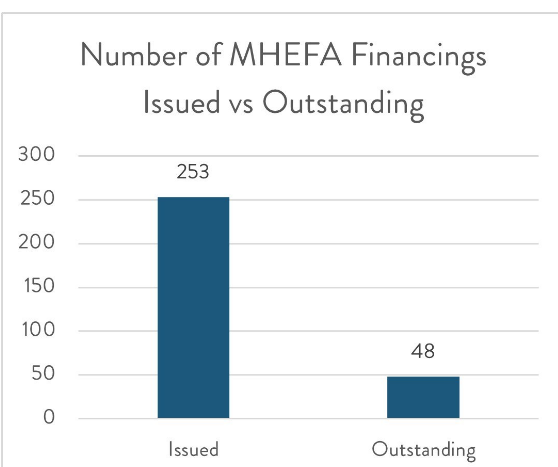
Chair, Fiscal Year 2024

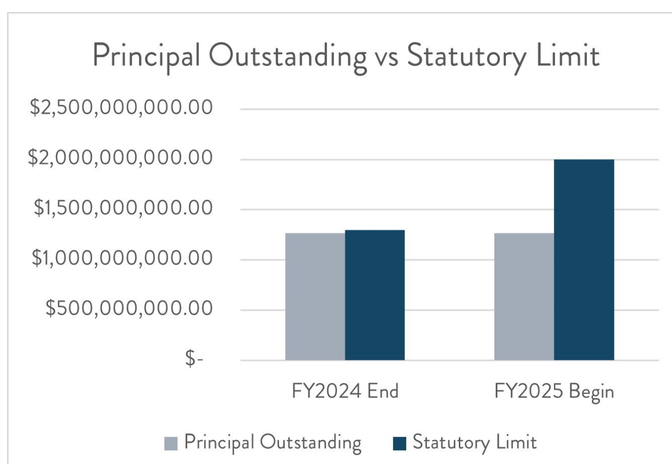
Authority Debt Issue Capacity and Issue Summary

The Authority is authorized to issue revenue bonds and notes whose aggregate principal amount is in State legislation governing the Authority. Since the inception of the Authority, it has issued 253 Bond and Note issues. This number includes new money financing, refunding financing and retirement of debt issues. The total issuance since the 1971 founding of the Authority is $3.57 billion.



At June 30, 2024, the Authority had $1,266,863,316 outstanding, representing 48 debt issues. The Authority's statutory limit was $1.3 billion for Fiscal Year 2024. At the Authority's request, the limit was increased to $2 billion, effective for Fiscal Year 2025.





Colleges and Universities with Bond Issues Outstanding

Augsburg University

- Augsburg Series 2016A in the amount of $32,240,000 and Series 2016B in the amount of $13,680,000 issued December 2016. The proceeds were used to finance a portion of a Science, Business and Religion Center.

Bethel University

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

Carleton College

- Carleton Series 2017 issued May 2017 in the amount of $124,900,000. The proceeds were used for the construction of several campus buildings, various utility infrastructure improvements, and to refund the Series Five-G, Series Six-T and Series Seven-D Bonds.
- Carleton Series 2023 issued September 2023 in the amount of $60,495,000. The proceeds were used for demolition and construction of various facilities, including 11 student townhomes and a multipurpose Student Health and Counseling Center.

College of Saint Benedict

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

Colleges and Universities with Bond Issues Outstanding

The College of St. Scholastica

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

Concordia University, St. Paul

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

Gustavus Adolphus College

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

Hamline University

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

Colleges and Universities with Bond Issues Outstanding

Macalester College

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

Minneapolis College of Art and Design

- Series Eight-D issued March 2015 in the amount of $7,845,000. The proceeds were used to refund the Series Six-K Bonds and Series Six-Z Notes.
- Minneapolis College of Art and Design ("MCAD") Series 2018 issued May 2018 in the amount of $3,643,000 as a Private Bank Placement. The proceeds were used for roof repair and renovation of studio and classroom space.
- Minneapolis College of Art and Design ("MCAD") Series 2022 issued March 2022 in the amount of $1,500,000 as a Private Bank Placement. The proceeds were used to purchase two properties adjacent to campus.
- Minneapolis College of Art and Design ("MCAD") Series 2023A issued June 2023 in the amount of $13,120,000 as a Private Bank Placement. The proceeds were used to acquire an apartment building adjacent to the College campus, which will be converted to student housing, administrative space and gallery space for use by the College.
- Minneapolis College of Art and Design ("MCAD") Series 2023B issued June 2023 in the amount of $5,253,000 as a Private Bank Placement. The proceeds were used to fund a portion of the acquisition cost and transaction and conversion expenses for the apartment building purchased with the Series 2023A proceeds.

Colleges and Universities with Bond Issues Outstanding

Mitchell Hamline School of Law

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

Saint John's University

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

Colleges and Universities with Bond Issues Outstanding

St. Catherine University

- St. Catherine Series 2018A issued September 2018 in the amount of $49,770,000. The proceeds were used to refund the Series Five-N2 Bonds, Series Eight-B Note, and to provide funding for a portion of new construction projects on the University's Saint Paul campus.
- St. Catherine Series 2018B issued September 2018 in the amount of $20,765,000. These Bonds were issued as taxable and the proceeds were used to refund the Series Seven-Q Bonds.
- St. Catherine Series 2023 issued July 2023 in the amount of $21,235,000. The proceeds were used to renovate student residence halls and apartments, science and technology spaces, and to pay for other small renovation projects.

St. Olaf College

- Series Eight-G issued July 2015 in the amount of $53,745,000. The proceeds were used to refund portions of the Series Six-O and Five-M2 Bonds and for the renovation of various campus buildings.
- Series Eight-N issued September 2016 in the amount of $22,845,000. The proceeds were used to refund a portion of the Series Seven-F Bonds.
- St. Olaf Series 2021 issued March 2021 in the amount of $57,335,000. The proceeds were used to fund construction of a residential tower, construction and furnishing of ten townhome residences, and renovations to an existing residential building.
- St. Olaf Series 2024 issued March 2024 in the amount of $25,000,000 as a Private Bank Placement. The proceeds were used to renovate residence halls, construct a new facilities operations building, and to complete other various improvements to infrastructure and roof replacements.

Colleges and Universities with Bond Issues Outstanding

University of St. Thomas

- Series Seven-U issued March 2013 in the amount of $25,685,000. The proceeds were used to refund the Series Five-L and the Series Five-Z Bonds.
- Series Eight-L issued March 2016 in the amount of $55,355,000. The proceeds were used to refund the Series Six-W and Six-X Bonds.
- St. Thomas Series 2017A issued December 2017 in the amount of $60,750,000. The proceeds of were used to refund the Series Seven-A Bonds.
- St. Thomas Series 2017B issued December 2017 in the amount of $8,220,000 as a Private Bank Placement. The proceeds were used to refund the Series Seven-O Bonds.
- St. Thomas Series 2019 issued May 2019 in the amount of $80,525,000. The proceeds were used to construct, equip, and furnish two new residence halls, including the demolition of a current residence hall and faculty residence.
- St. Thomas Series 2020A issued July 2020 in the amount of $9,610,000 as a Private Bank Placement. The proceeds were used to refund the St. Thomas Series 2017C Note.
- St. Thomas Series 2020B issued July 2020 in the amount of $9,135,000 as a Private Bank Placement. The proceeds were used to renovate a residence hall and the Child Development Center/Center for Well-Being.
- St. Thomas Series 2022A Green Bonds issued June 2022 in the amount of $60,720,000. The proceeds were used to fund a LEED Gold certified STEAM (Science, Technology, Engineering, Arts, Math) building.
- St. Thomas Series 2022B issued June 2022 in the amount of $70,280,000. The proceeds were used to fund renovation of several buildings on campus and to fund the acquisition of land for future Athletic Complex projects.
- St. Thomas Series 2024A issued March 2024 in the amount of $94,440,000. The proceeds were used for site planning, design, and demolition in preparation for and construction of a multipurpose arena.
- St. Thomas Series 2024B Green Bonds issued March 2024 in the amount of $50,000,000. The Series 2024B Bonds were issued in two subseries, 2024B-1 and 2024B-2. The proceeds were used for site planning, design, and demolition in preparation for and construction of a multipurpose arena. The St. Thomas Series 2024B Bonds have a shorter final maturity than the St. Thomas Series 2024A Bonds.
- St. Thomas Series 2024C (Taxable) Green Bonds issued March 2024 in the amount of $14,950,000. The proceeds were used for the estimated taxable portion of use associated with a multipurpose arena.

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinions

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

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

Independent Auditor's Report

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

Management Discussion and Analysis

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

Management Discussion and Analysis

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.

Management Discussion and Analysis

Overview of the Financial Statements

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

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

Management Discussion and Analysis

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2024 and 2023.

	2024	2023
Assets		
Current assets	$ 2,188,220	$ 2,192,867
Noncurrent assets	203,411	19,925
Total assets	2,391,631	2,212,792
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	39,078	47,160
Liabilities		
Current liabilities	64,728	44,988
Long term liabilities	207,084	16,028
Total liabilities	271,812	61,016
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	15,933	87,974
Net Position		
Invested in capital assets	27,806	737
Unrestricted	2,115,158	2,110,225
Total Net Position	$ 2,142,964	$ 2,110,962
Operating Revenues	$ 476,407	$ 484,264
Operating Expenses	(493,007)	(420,698)
Operating Gain (Loss)	(16,600)	63,566
Nonoperating Revenues (Expenses)		
Interest income	46,751	17,053
Net increase/(decrease) in fair value of investments	8,626	(38,016)
Interest expense	(6,775)	(1,525)
Total nonoperating revenues (expenses)	48,602	(22,488)
Change in Net Position	32,002	41,078
Net Position		
Beginning of year	2,110,962	2,069,884
End of year	$ 2,142,964	$ 2,110,962

Management Discussion and Analysis

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.

Management Discussion and Analysis

- **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 Saint Paul.

  - St. Thomas Series 2024B Revenue Bonds (Green Bonds) were issued March 2024 in the amount of $50,000,000. The St. Thomas Series 2024B Revenue 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 Saint Paul. The St. Thomas Series 2024B Bonds have a shorter final maturity than the St. Thomas Series 2024A 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 Saint Paul.

Management Discussion and Analysis

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

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Phone: 651-296-4690
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Website: www.mnhefa.org

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Statement of Net Position

Year ended June 30, 2024 (With Partial Comparative Information for the Year Ended 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

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Statement of Net Position

Year ended June 30, 2024 (With Partial Comparative Information for the Year Ended June 30, 2023)

	2024	2023
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

See notes to basic financial statements.

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

See notes to basic financial statements.

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

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Statement of Cash Flows

Year ended June 30, 2024 (With Partial Comparative Information for the Year Ended June 30, 2023)

	2024	2023
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.

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.

Notes to Basic Financial Statements

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

C. Cash and Investments *(Continued)*

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

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

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

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.

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

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.

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.

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

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

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.

Notes to Basic Financial Statements

Note 2—Deposits and Investments

A. Deposits

Deposits are maintained at depository banks authorized by the Authority.

Custodial Credit Risk – Deposits: As of June 30, 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.

Note 2—Deposits and Investments *(Continued)*

B. Investments

As of June 30, 2024, the Authority had the following investments:

Investment	Maturities	Fair Value	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 De-	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	

Note 2—Deposits and Investments *(Continued)*

B. Investments *(Continued)*

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's policy states the Authority should consider the credit quality in the selection of individual securities of any single issuer in excess of 5% of the Authority's total investments. As of June 30, 2024, investments with eight separate issuers exceeded the 5% threshold.

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.

Note 2—Deposits and Investments *(Continued)*

B. Investments *(Continued)*

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 $1,749,873 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)
Capital assets, net	$ 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	Additions	Reductions	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
	$ 199,988	$ 35,544	$ 55,636	$ 179,896	$ 38,273

Note 5—Conduit Debt

At 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

Note 5—Conduit Debt *(Continued)*

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
Series Eight-N, St. Olaf College Revenue Bonds, September 2016	2035	$ 22,845,000	$ 21,270,000
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
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

Note 5—Conduit Debt *(Continued)*

College/University	Final Maturity	Indebtedness Issued	Outstanding
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
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

Note 5—Conduit Debt *(Continued)*

College/University	Final Maturity	Indebtedness Issued	Indebtedness Outstanding
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.

Notes to Basic Financial Statements

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.

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

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

C. Contributions

Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 6.0% 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	Active Member Payroll Growth	Investment Rate of Return
2.25% per year	3.00% per year	7.00%

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 (Geometric Mean)
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	**100%**	

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

- The 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.

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

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.

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)

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

H. Pension Plan Fiduciary Net Position

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
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

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)
	$ (368)

Note 8—State Unclassified Employee's Retirement Program

Pension fund information is provided by the Minnesota State Retirement System (MSRS), who prepares and publishes their own stand-alone 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

State Employees Retirement Fund, Last Ten Years.

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

For Fiscal Year Ended June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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%

See notes to required supplementary information.

Required Supplementary Information

State Employees Retirement Fund, Last Ten Years. *(Continued)*

B. Schedule of Authority's Contributions

For Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required	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.

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

Notes to the Required Supplementary Information

State Employees' Retirement Fund *(Continued)*

Fiscal Year 2020 Changes Since the Fiscal Year 2019 Actuarial Valuation

Changes in actuarial assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed, resulting in proposed rates that average 0.25% less than the previous rates.
- Assumed rates of retirement were changed, resulting in more unreduced (normal) retirements, fewer Rule of 90 retirements and fewer early retirements.
- Assumed rates of termination were changed, resulting in new rates which are generally lower than the previous rates for years 1-5 and slightly higher thereafter.
- Assumed rates of disability were changed, resulting in fewer predicted disability retirements.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2015 to Scale MP-2018. The base mortality table for disabled annuitants was changed from the RP-2014 disable annuitant mortality table (with future mortality improvement according to Scale MP-2015) to the Pub-2010 General/Teacher disabled annuitant mortality table (with future mortality improvement according to Scale MP-2018), with adjustments.
- The percent married assumption for female members was changed from 65% to 60%.
- The assumed age difference was changed from three years younger for males to 2 years younger.
- The assumed number of married male new retirees electing the 50% and 100% Joint & Survivor options changed from 15% to 10% to 65%, respectively. The assumed number of married female new retirees electing the 100% Joint & 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

Notes to the Required Supplementary Information

State Employees' Retirement Fund *(Continued)*

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.

Notes to the Required Supplementary Information

State Employees' Retirement Fund (Continued)

Fiscal Year 2017 Changes Since the Fiscal Year 2016 Actuarial Valuation

Changes in Actuarial Assumptions:

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

Changes to Plan Provisions:

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

Fiscal Year 2016 Changes Since the Fiscal Year 2015 Actuarial Valuation

Changes in Actuarial Assumptions:

- Assumed salary increase rates were changed to rates that average 0.2% greater than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer unreduced retirements and fewer Rule of 90 retirements. Distinct rates for reduced (early) retirements were adopted for members hired prior to July 1, 1989, and members hired after June 30, 1989.
- Assumed rates of termination were changed, with new rates generally greater than the previous rates for years 3 through 9 and less than the previous rates after 15 years.
- Assumed rates of disability for females were reduced to 75.0% of previous rates. Rates for male members were lowered by utilizing the same disability rates as for females.
- 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.

Notes to the Required Supplementary Information

State Employees' Retirement Fund *(Continued)*

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

Changes in Actuarial Assumptions *(Continued):*

- The 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.

Fiscal Year 2024 Annual Report

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