

07 - 0012



**Fiscal Year 2006  
Annual Report**

To the  
  
Governor  
&  
Legislature



Minnesota Public Facilities Authority  
Annual Report to the Governor & Legislature, Fiscal Year 2006

**Table of Contents**

Introduction and Summary of Financial Condition of the Authority .....	4
Authority Program Review:	
Water Pollution Control Revolving Fund .....	5
Drinking Water Revolving Fund .....	6
Transportation Revolving Fund .....	7
Wastewater Infrastructure Funding Program .....	8
Total Maximum Daily Load Grants .....	9
Clean Water Legacy Phosphorus Reduction Grants .....	9
Small Community Wastewater Treatment Program .....	9
Methamphetamine Laboratory Cleanup Revolving Loan Program .....	10
County Credit Enhancement Program .....	10
 Exhibit A, Audited Financial Report for June 30, 2006 .....	 11

## **Introduction**

The Public Facilities Authority (Authority) is a multi-agency Authority consisting of Commissioners from the Pollution Control Agency (MPCA) and Departments of Health (MDH), Transportation (MnDOT), Agriculture, Finance, and Employment and Economic Development (DEED). The MPCA, MDH, and MnDOT are responsible for establishing priorities and undertaking the technical and regulatory compliance work on projects being considered for financing by the Authority. DEED provides the administrative support to manage the various Funds and financing programs of the Authority. The Authority provides administrative funding to cover administrative costs at DEED, MDH, and MPCA (approximately 23 FTEs).

The Authority provides financial assistance to municipalities, primarily for infrastructure construction, through three revolving loan funds and several other grant and loan programs. The Authority's largest programs are the Water Pollution Control Revolving Fund and Drinking Water Revolving Fund. The Transportation Revolving Loan Fund is a smaller revolving fund for transportation projects selected by the Department of Transportation. The Authority also administers four other programs to assist municipalities with water quality related infrastructure projects: the Wastewater Infrastructure Funding program, the Total Maximum Daily Load (TMDL) grant program, the Phosphorus Reduction Grant Program, and the Small Community Wastewater Treatment Program. In addition, the Authority allocates funds from within the Water Pollution Control Revolving Fund to the Department of Agriculture and MPCA for nonpoint source loan programs.

The Authority also administers the Methamphetamine Laboratory Cleanup Fund to help local governments finance the cost of meth lab cleanups, and the County Credit Enhancement Program to provide enhanced bond ratings on county General Obligation bonds related to law enforcement facilities, social and human services buildings, and solid waste facilities.

## **Financial Condition of the Authority's Major Revolving Loan Funds**

The FY 2006 annual audit of the Authority is attached. The PFA remains in excellent financial health. All three of the major revolving funds have bonds outstanding and are highly rated. All PFA Bonds outstanding have AAA ratings by the three major national bond rating agencies, with the one exception of the \$20,450,000 original par in Transportation Revenue Bonds for a closed pool of nine municipalities that were rated Aa2 by Moody's Investor Services.

The practical effect of the strength of the Authority's funds and management practices has been to minimize the cost of borrowing for Minnesota municipalities and their taxpayers and ratepayers.

### **Water Pollution Control Revolving Fund**

In 1987, the Minnesota Legislature created the Authority with a mandate to establish the Water Pollution Control Revolving Fund (WPCRF). The Fund was designed to provide, in perpetuity, below-market rate financing for the construction of municipal wastewater treatment and collection facilities. Minnesota's WPCRF has AAA/AAA/Aaa ratings by Standard & Poor's Ratings Group, Fitch Ratings, and Moody's Investors Services, Inc.

The Authority leverages State and Federal capitalization money through revenue bond sales. Since the first issue in 1989 the Authority has issued \$1,949,732,117. The Authority issued \$282,375,000 WPCRF Bonds in FY 2006. The Fund has an outstanding bonds payable balance of \$765,750,000 par as of June 30, 2006.

During fiscal year 2006 the Authority made 7 wastewater loans for \$49,046,644 to municipalities and provided \$2,000,000 for nonpoint source pollution loan programs administered by the Department of Agriculture and MPCA. The table below shows the wastewater loans financed during state fiscal year (FY) 2006.

**Water Pollution Control Revolving Fund  
Wastewater Loans, FY 2006**

<u>Borrower</u>	<u>Amount</u>	<u>Rate</u>
Eveleth, City of-3rd	100,000.00	1.340%
Knife River Larsmont SSD	882,212.00	1.310%
Koochiching County	4,816,795.00	1.000%
Little Falls, City of-2nd	2,060,000.00	1.240%
Little Falls, City of-3rd	737,913.00	1.240%
Metropolitan Council-17th	40,000,000.00	2.840%
Rushmore, City of	449,724.00	1.210%
<u>totals and weighted average rate</u>	<u>49,046,644.00</u>	<u>2.522%</u>

## Drinking Water Revolving Fund

The Drinking Water Revolving Fund (DWRF) was created in 1996 based on the successful model of the Water Pollution Control Revolving Fund. The Fund provides below-market rate financing to municipalities and other public water suppliers for drinking water system improvements. Minnesota's DWRF has AAA/AAA/Aaa ratings by Standard & Poor's Ratings Group, Fitch Ratings, and Moody's Investors Services, Inc.

During FY 2006, the Authority made 16 loans for \$21,696,677 using a combination of State match funds, Federal capitalization grants and revenue bond proceeds. Three projects also received \$778,724 in grants from Federal funds for principal forgiveness under the Disadvantaged Community provisions of the Federal Safe Drinking Water Act. The table below shows the drinking water loans and grants financed during FY 2006.

**Drinking Water Revolving Fund  
Drinking Water Loans, FY 2006**

Borrower	Loan Amount	Disadv. Comm.	Rate
		Grants	
Ada, City of-2nd	264,245		1.090%
Albany, City of	4,890,184	424,866	1.960%
Chokio, City of	750,000		1.310%
Fosston, City of	1,480,224		1.720%
Frost, City of	385,256	193,744	1.310%
Henning, City of	562,800		1.000%
Hitterdal, City of	157,957		1.810%
Hutchinson, City of	5,697,247		2.530%
Loretto, City of	775,000		2.310%
Mankato, City of	2,309,300		2.310%
Park Rapids, City of	956,750		2.570%
Plainview, City of	937,164		2.630%
Sabin, City of	949,886	160,114	2.720%
Stewart, City of	719,342		2.220%
Sturgeon Lake, City of-2nd	250,000		1.310%
Winsted, City of	611,322		2.560%
totals and weighted average rate	21,696,677	778,724	2.180%

### Transportation Revolving Loan Fund Program

This program was created by the 1997 Legislature in response to the federal initiative to create State Infrastructure Banks as a way to develop innovative financing of transportation projects to help address the growing gap between transportation needs and funding availability. During fiscal year 2003 the Legislature removed \$8.2 million dollars from the Fund. To date the net contributions from Federal and State monies totals \$50,527,600. This has been leveraged with fund revenues and \$37,530,000 of revenue bonds to make 17 subsidized loans for \$106,676,432. The interest savings to the borrowers is estimated to be over \$15.38 million.

During fiscal year 2006, the Authority made one transportation loan, to the Minnesota Department of Transportation, for \$3,900,000.

The table below shows the list of loans made to date.

**Transportation Revolving Loan Fund  
Loans Made through June 30, 2006**

<u>Loan Date</u>	<u>Borrower</u>	<u>Loan Amount</u>	<u>Rate</u>
03/12/99	Metropolitan Council	21,025,000	2.710%
10/26/99	Mazeppa, City of	535,000	2.480%
04/18/00	Mn Dept of Transportation-1st	15,000,000	3.490%
05/04/01	Ramsey County-1st	6,872,000	3.590%
05/29/01	Pine County-1st	1,434,459	3.000%
06/27/01	Waite Park, City of	2,100,000	3.190%
06/28/01	Woodbury, City of-1st	13,049,400	2.700%
06/28/01	Woodbury, City of-2nd	4,589,700	2.690%
08/29/01	Pennington County	1,731,285	3.140%
09/17/01	Richfield, City of	6,700,000	2.000%
10/23/01	Benton County	469,000	2.150%
10/23/01	Robbinsdale, City of	927,843	2.290%
11/14/01	Rochester, City of	2,500,000	2.830%
11/28/01	Newport, City of	1,625,600	1.390%
01/02/02	Mn Dept of Transportation-2nd	24,200,000	2.550%
03/15/02	Pine County-2nd	17,145	1.810%
07/14/05	Mn Dept of Transportation-3rd	3,900,000	1.160%
<u>totals and weighted average rate</u>		<u>106,676,432</u>	<u>2.732%</u>

## Wastewater Infrastructure Funding Program

The Wastewater Infrastructure Funding (WIF) program was created to provide supplemental assistance in combination with the Water Pollution Control Revolving Fund and was modified to also match grant funds provided by the US Department of Agriculture's Rural Development loan and grant programs. The purpose is to keep wastewater projects affordable. WIF appropriations for 2005 and 2006 included funds targeted for corrective action work for 15 small communities whose newly built systems were failing and for several other municipalities with specific needs that were named in the bills.

The table below shows the WIF project awards during FY 2006, as well as the list of projects expected to be awarded during FY 2007.

### Wastewater Infrastructure Funding Program Loan and Grant Awards, FY 2006

<u>Project</u>	<u>General WIF</u>	<u>Corrective Action</u>	<u>Special Appropriations</u>
General WIF:			
Bird Island	2,900,000		
Dent	81,000		
Garrison/Kathio/W. Mille Lacs Lake SD	4,000,000		
Rushmore	290,876		
Corrective Action:			
Dumont		752,585	
Hennriette *		148,500	
McGrath *		29,000	
Ostrander		897,800	
Special Appropriations:			
Aurora			1,500,000
Central Iron Range San Sewer District			1,700,000
Duluth SSO, Phase 2 *			1,122,840
Eagle Bend			1,700,000
Two Harbors			1,500,000
<b>Total WIF Program Awards</b>	<b>\$ 7,271,876</b>	<b>\$ 1,827,885</b>	<b>\$ 7,522,840</b>

\* Partial award, eligible for additional funds to complete construction.

Reserved for General WIF projects expected to proceed in FY 2007:

Alborn Twp	\$ 750,000
Bigelow	667,000
Canosia & Grand Lake Twps - Caribou Lake	3,450,000
Effie	466,500
Faribault County - Huntley	732,000
Forada	528,500
Hudson Twsp	746,346
Kent	354,000
Quamba	615,000
Sturgeon Lake	3,330,000
Watkins - rehab	677,500
<b>Total General WIF Program Reserved</b>	<b>\$ 12,316,846</b>



### **Total Maximum Daily Load (TMDL) Grants**

The TMDL Grant Program was created in 2005 to assist municipalities with the cost of wastewater treatment or stormwater projects needed to comply with a point source wasteload allocation under the requirements of a TMDL implementation plan under Section 303(d) of the federal Clean Water Act. The program provides grants for 50% of eligible project costs as certified by the MPCA. The program received a \$2 million appropriation in the 2005 bonding bill and an additional \$5 million in the 2006 bonding bill. In July 2006, the Authority published a State Register notice that applications for the program were being accepted. A total of 26 applications were received for a total of \$16 million in grants. Under Minnesota Statutes 446A.073, funds are to be reserved for projects in the order their TMDL was approved by the U.S. Environmental Protection Agency. A list of eligible applicants in funding order is posted on the PFA website. One grant has been certified by the MPCA and awarded to date (City of Hammond for \$810,000). Additional grants will be awarded in funding order to projects that receive MPCA certification by June 30, 2007.

### **Clean Water Legacy Phosphorus Reduction Grants**

The Phosphorus Reduction Grant Program was created in 2006 to assist municipalities with the cost of wastewater treatment projects that will reduce their discharge of total phosphorus to one milligram per liter or less. The program received an appropriation of \$2,310,000 in the 2006 bonding bill. The program provides for up to 50% of eligible costs as certified by the MPCA, and the appropriation language limits the grants to \$500,000. In July 2006, the Authority published a State Register notice that applications for the program were being accepted. A total of 47 applications were received for a total of \$18.2 million in grants. Under Minnesota Statutes 446A.074, funds are to be awarded in the order that the project facilities plans are approved, with the first priority to projects that began construction after July 1, 2006. A list of eligible applicants in funding order is posted on the PFA website. Grants will be awarded to new projects that are certified by MPCA by May 1, 2007. Any funds remaining after that date will be awarded to eligible projects that started construction before July 1, 2006.

### **Small Community Wastewater Treatment Program**

The Small Community Wastewater Treatment Program provides loans and grants to assist local governments with costs to replace non-complying Individual Sewage Treatment Systems (ISTS) with new ISTS and small cluster systems that will be publicly owned and operated. The program received an appropriation of \$1,000,000 in the 2006 bonding bill, and an additional \$100,000 general fund money for technical assistance grants. The maximum funding for a community is \$500,000 per year. Funding priorities follow the MPCA's project priority list, and the PFA has been working with the highest priority communities interested in this approach to assist them with the application requirements to prepare for 2007 construction.

### **Methamphetamine Laboratory Cleanup Revolving Loan Program**

This program provides low interest loans to help local governments finance the cleanup of clandestine lab sites used for the manufacturing of methamphetamine. The program received a \$500,000 general fund appropriation in 2005. No loans were made as of June 30, 2006. Early in fiscal year 2007, one loan has been made for \$12,816 to Mille Lacs County.

### **County Credit Enhancement Program**

This program reduces county borrowing costs on general obligation bonds issued for certain purposes by providing a limited state-guarantee of the bond payments, thereby allowing counties to receive higher bond ratings. The county debt obligation must be a general obligation bond issued to provide funds for the construction of jails, correctional facilities, law enforcement facilities, social and human services facilities, or solid waste facilities. In FY 2006 the Authority approved agreements with six counties to cover bonds totaling \$46.3 million.

**Exhibit A**  
**Audited Financial Report for June 30, 2006**

**[This page intentionally left blank]**



**Minnesota Public Facilities Authority**  
**(A Component Unit of the State of Minnesota)**

**Financial Report**  
**June 30, 2006**

[This page intentionally left blank]

**Minnesota Public Facilities Authority**  
**(A Component Unit of the State of Minnesota)**

**Financial Report**  
**June 30, 2006**

**Table of Contents**

---

Independent Auditor's Report .....	4
Required Supplementary Information:	
Management's Discussion and Analysis .....	5
Financial Statements:	
Statement of Net Assets .....	14
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	16
Statement of Cash Flows .....	18
Notes to the Financial Statements .....	20

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

Minnesota Public Facilities Authority  
St. Paul, Minnesota

0We have audited the accompanying financial statements of the business-type activities and major funds of the Minnesota Public Facilities Authority (the Authority), a component unit of the State of Minnesota, as of and for the years ended June 30, 2006 and 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major funds of the Authority, as of June 30, 2006 and 2005, and the respective changes in financial position and the cash flows where applicable thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
August 18, 2006



## **Management's Discussion and Analysis**

This section of the Minnesota Public Facilities Authority's (the Authority) annual financial report presents a discussion and analysis of the financial condition as of and financial activities for the fiscal years ended June 30, 2006 and 2005. Please read it in conjunction with the financial statements and notes following this section.

### *Introduction and Discussion of the Authority's Operations:*

The Authority was created in 1987 by the State of Minnesota under Minnesota Statutes, Chapter 446A. The Minnesota Department of Employment and Economic Development provides administrative staff and support services to the Authority. The Authority provides low interest loans and some grants to Minnesota municipalities to help finance infrastructure for clean water, drinking water, and transportation projects. Federal grants and state appropriations received by the Authority may be used directly or leveraged with proceeds of the Authority's revenue bonds.

The Authority has issued tax-exempt revenue bonds the proceeds of which are deposited into four separate bond funds. Revenues and assets of each bond fund are separately pledged to the holders of that fund's bonds for debt service payments. Assets and revenues of the Authority outside of the bond funds are not pledged, and are used for grant and loan programs and general administration.

### *Financial Statement Presentation:*

The basic financial statements following Management's Discussion and Analysis consist of those required for a special purpose governmental entity engaged in business-type activities:

- *Statement of Net Assets* - This is presented in the format of assets (financial and capital resources) less liabilities equals net assets. The portion of net assets that is reported as restricted has constraints on its use due to bond resolutions and or enabling legislation.
- *Statement of Revenues, Expenses, and Changes in Fund Net Assets* - This statement presents the accrual basis operations and the resulting change in fund net assets of the Authority for the fiscal year.
- *Statement of Cash Flows* - This statement presents useful information regarding the sufficiency of cash flows to meet debt service requirements, because it includes cash flows such as principal received on loans and principal paid on bonds.

Statements for the fiscal year ended June 30, 2006 are followed by statements for the fiscal year ended June 30, 2005 to allow comparison of the Authority's financial position and results of operations for the current and prior fiscal years.

These statements are prepared on the accrual basis and present information on the Authority's overall financial position and results of operations. Assets and revenues of the separate funds contained within these statements are generally restricted as to use and the reader should not assume they might be used in any aggregate manner.

The Authority defines each of its four funds under separate bond resolutions as major funds for financial reporting purposes, with all other accounts and activities outside of these bond resolutions reported in the Other Fund. A summary of the major funds reported by the Authority follows. A more detailed description of each is presented later in the section headed Analysis of Individual Funds' Balances and Transactions for Bond Funds.

- Clean Water Bond Fund (CWBF): In conjunction with the Minnesota Pollution Control Agency (MPCA), the Authority provides loans from the fund to municipalities for wastewater treatment projects certified by the MPCA.
- Drinking Water Bond Fund (DWBF): In conjunction with the Minnesota Department of Health, the Authority provides loans for public drinking water facilities.
- Transportation Bond Funds (TBF): Two separate closed resolutions have been created to make loans in cooperation with the Minnesota Department of Transportation: (1) TBF Series 1999A and (2) TBF Series 2001.
- Other: All of the Authority's non-revenue bond activity and accounts are aggregated in the Other Fund.

Within each of the bond funds, the Authority uses bond proceeds, federal capitalization grants, and state matching funds to make loans, pay for the costs of issuing debt, and to fund debt service reserve accounts when used. Federal capitalization grants and state matching grants within these funds are recognized as contributed capital. Net loan repayments and investment earnings provide the necessary cash flow to pay the required debt service on the bonds.

The operations in the Other Fund consist of administrative costs paid by a portion of the loan repayments or by federal grant funds, and grant and loan programs funded through interest earnings, loan repayments, and federal grants and state appropriations, recognized in these accounts primarily as revenue.

*Condensed Financial Information:*

The following page presents condensed financial statement information as of and for the fiscal years ended June 30, 2006, 2005, and 2004.

[The remainder of this page intentionally left blank]

**Minnesota Public Facilities Authority**  
**Condensed Financial Statement Information**

**Condensed Statements of Net Assets**

**June 30, 2006, 2005, and 2004**

	2006	2005	2004
<b>Assets:</b>			
Cash, cash equivalents, and investments	\$ 424,915,445	\$ 334,932,542	\$ 419,703,664
Loans receivable	1,344,062,740	1,310,809,244	1,125,070,424
Other	38,774,538	30,296,495	40,357,833
Total assets	1,807,752,723	1,676,038,281	1,585,131,921
<b>Liabilities:</b>			
Interest payable on bonds	15,405,919	14,463,373	13,777,323
Bonds payable	972,928,255	902,486,408	827,438,385
Other	28,750,244	16,085,973	23,844,308
Total liabilities	1,017,084,418	933,035,754	865,060,016
Net Assets	<u>\$ 790,668,305</u>	<u>\$ 743,002,527</u>	<u>\$ 720,071,905</u>

**Condensed Statements of Revenues, Expenses,  
and Changes in Fund Net Assets,**

**Years ended June 30, 2006, 2005, and 2004**

	2006	2005	2004
<b>Operating Revenues:</b>			
Interest on loans	\$ 36,247,665	\$ 35,249,636	\$ 35,657,242
Investment earnings	11,791,958	11,972,829	13,946,031
Grants, appropriations, and fees	9,990,612	2,824,665	3,201,964
Other	857,000	47,207	(10,633,913)
Total operating revenues	58,887,235	50,094,337	42,171,324
<b>Operating Expenses:</b>			
Interest on bonds	42,412,938	41,366,348	40,729,432
Other	23,213,938	16,206,632	17,405,777
Total operating expenses	65,626,876	57,572,980	58,135,209
Operating loss	(6,739,641)	(7,478,643)	(15,963,885)
Capital Contributions	54,405,419	30,409,265	6,476,617
Change in Net Assets	47,665,778	22,930,622	(9,487,268)
Net Assets at Beginning of Year	743,002,527	720,071,905	729,559,173
Net Assets at End of Year	<u>\$ 790,668,305</u>	<u>\$ 743,002,527</u>	<u>\$ 720,071,905</u>

**Condensed Statements of Cash Flows,  
Years ended June 30, 2006, 2005, and 2004**

	2006	2005	2004
<b>Operating Activities:</b>			
Principal and interest received on loans	\$ 103,992,316	\$ 87,851,839	\$ 236,964,126
Operating grants, appropriations, and fees	10,038,774	(1,311,816)	2,629,621
Other	(18,541,490)	(11,882,655)	(13,834,396)
Net cash provided by operating activities	95,489,600	74,657,368	225,759,351
<b>Non Capital Financing Activities:</b>			
Capital contributions	54,386,283	30,409,265	2,376,617
Proceeds from sales of bonds	393,452,935	348,771,073	53,020,936
Funds deposited in escrow for bond refunding	(274,127,302)	(230,777,816)	-
Payments to make loans	(101,712,479)	(240,468,480)	(255,780,754)
Principal and interest paid on bonds	(88,953,139)	(82,141,393)	(79,916,438)
Other payments	(942,289)	(717,061)	(100,000)
Net cash used in non capital financing activities	(17,895,991)	(174,924,412)	(280,399,639)
<b>Investing Activities</b>	26,698,308	32,072,982	69,256,900
Net increase (decrease) in cash and cash equivalents	104,291,917	(68,194,062)	14,616,612
Cash and cash equivalents at beginning of year	146,520,541	214,714,603	200,097,991
Cash and cash equivalents at end of year	<u>\$ 250,812,458</u>	<u>\$ 146,520,541</u>	<u>\$ 214,714,603</u>

The table below summarizes certain financial activities during the fiscal years 2006, 2005, and 2004 for reference with the following discussion and analysis.

		<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Operating revenues and capital contributions from federal grants and state appropriations:</b>				
Clean Water Bond Fund (CWBF):				
	Federal capitalization grants	\$ 19,857,240	\$ 24,358,653	\$ -
	State match	7,695,000		
Drinking Water Bond Fund (DWBF):				
	Federal capitalization grants	20,128,579	5,971,412	6,397,417
	State match	6,685,000		
Other Fund:				
	Drinking water federal grants		2,819,915	3,200,464
	Transportation federal grant	39,600	79,200	79,200
	Transportation state appropriations		(4,100,000)	(4,100,000)
	Other state appropriations and fees	6,734,719		(700,000)
		<u>\$ 61,140,138</u>	<u>\$ 29,129,180</u>	<u>\$ 4,877,081</u>
<b>Bonds Payable (par):</b>				
	issued	365,740,000	319,000,000	53,000,000
	defeased	(263,365,000)	(216,700,000)	
	redeemed	(45,130,000)	(40,595,000)	(39,365,000)
	net increase	<u>\$ 57,245,000</u>	<u>\$ 61,705,000</u>	<u>\$ 13,635,000</u>
<b>Loans Receivable:</b>				
	disbursed	101,712,479	240,468,480	255,780,754
	prepayment rcbl			4,045,309
	repaid	(68,458,984)	(54,729,661)	(203,634,464)
	net increase	<u>\$ 33,253,495</u>	<u>\$ 185,738,819</u>	<u>\$ 56,191,599</u>

*Analysis of the Authority's overall Financial Position and Results of Operations:*

During the fiscal years ended June 30, 2006, 2005, and 2004, net assets changed by: +\$47.7, +\$22.9 million, and - \$9.5 million, respectively. This change is due largely to two factors:

- Timing of federal and state grants as operating revenue and capital contributions: revenue and capital contributions were \$61.1, \$29.1, and \$4.9 million, respectively, during fiscal years 2006, 2005, and 2004.
- Up and down swings in the recorded fair value of long-term investments due to market rate changes. The unrealized change in market value was: -\$7.6, -\$0.5, and -\$10.9 million, respectively, during fiscal years 2006, 2005, and 2004.

The weighted average interest rate on outstanding loan balances at June 30, 2006 had declined to 2.71%, from 2.84% at June 30, 2005, and 2.95% at June 30, 2004. This reflects the general decline in the rates given on new loans, as market rates, until recently, have generally fallen during this period.

The weighted average investment earnings rate (earnings ÷ average cash and investments balance) during fiscal year 2006 was 4.89%. This is higher than the average rate during 2005, 3.05%, and higher than the 2003 average rate, 2.94%. This reflects the significant increase in short term rates during the last two fiscal years.

The Authority made 25 loan commitments during fiscal year 2006 for approximately \$75 million, 30 during fiscal year 2005 for approximately \$134 million, and 48 during fiscal year 2004 for approximately \$271 million. The drop in loan volume during fiscal years 2005 and 2006 was anticipated by the Authority after several years of temporarily increased loan volume.

*Discussion of Long-term Debt Activity, Credit Ratings, and Debt Limitations:*

During fiscal year 2006 the Authority issued Clean Water bonds of \$282,375,000 par and Drinking Water bonds of \$83,365,000 par, including \$111,350,000 of new money bonds and \$254,390,000 of refunding bonds. The refunding bonds were used to fund escrow accounts to defease \$263,365,000 million par. During fiscal year 2005 the Authority issued Clean Water bonds of \$319,000,000 par, including \$110,000,000 of new money bonds and \$209,000,000 of refunding bonds. The refunding bonds were used to fund escrow accounts to defease \$216,700,000 million par. During fiscal year 2004 the Authority issued Drinking Water bonds of \$53,000,000 par.

The Clean Water and Drinking Water bonds are rated triple A by Standard and Poor's (AAA), Moody's (Aaa), and Fitch Ratings (AAA). The Transportation Series 1999A bonds are also rated triple A by Standard and Poor's (AAA) and Moody's (Aaa). The Transportation Series 2001 bonds are rated Aa2 by Moody's.

The Authority's outstanding debt limit is \$1,500,000,000. The Authority bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority). The principal amount of bonds outstanding at June 30, 2005 was \$ 946,465,000.

*Analysis of Individual Funds' Balances and Transactions for Bond Funds:*

This section will provide general information on each bond fund, followed by presentation and analysis of more detailed financial information.

**Clean Water Bond Fund (CWBF):** This fund is a part of the Authority's Clean Water State Revolving Fund, operated under the federal Clean Water program, CFDA #66.458. Initiated in 1989, eighteen series of bonds have been issued for \$1.7 billion par, which includes \$650 million for refunding prior issues. Federal capitalization grant awards and state match appropriations through June 30, 2006 was approximately \$566 million, net of set-asides for administrative costs. The Authority has over the years transferred out approximately \$77 million from the CWBF for related but non-pledged programs known as non point-source programs. During fiscal years 2006, 2005, and 2004, the Authority transferred \$2 million, \$0, and \$4 million, respectively, from net assets for these programs. This is reflected on the Statement of Revenues, Expenses, and Changes in Fund Net Assets as transfers out of the CWBF to the Other Fund, then as expenditures in the Other Fund as sub-recipients expend the awards. Prior to removing assets from the CWBF, the Authority must meet conditions defined in the fund's basic bond resolution. The CWBF has made 290 loan commitments to 188 borrowers for approximately \$1.53 billion. The largest borrower, at \$835 million in loan commitments at June 30, 2006, is the Metropolitan Council.

**Drinking Water Bond Fund (DWBF):** This fund is a part of the Authority's Drinking Water State Revolving Fund, operated under the federal Safe Drinking Water program, CFDA #66.468. Initiated in 1998, four series of bonds have been issued for \$172.3 million, which includes \$35.5 million for refunding prior issues. Federal capitalization grant awards and state match appropriations through June 30, 2006 was approximately \$168 million, net of non-pledged set-asides. The fund has made 173 loan commitments to 149 borrowers for approximately \$304 million. The largest borrower, at \$64.9 million in loan commitments at June 30, 2006, is the City of Minneapolis.

**Transportation Revenue Bond Funds:** these two funds are closed, stand alone bond issuances with separate pledged accounts and loans:

The series 1999A bonds of \$17.08 million par were issued in March 1999. The Authority transferred \$4.1 million in cash into the fund at issuance, from its non-pledged accounts. One loan for \$21.025 million was made to the Metropolitan Council.

The series 2001 bonds of \$20.45 million par were issued in December 2001. The Authority transferred \$16.77 million in cash and loans receivable into the fund. Nine loan commitments totaling \$34.78 million from the loan pool pledged to these bonds, and a \$1.9 million debt service reserve account was also created from the assets transferred in.

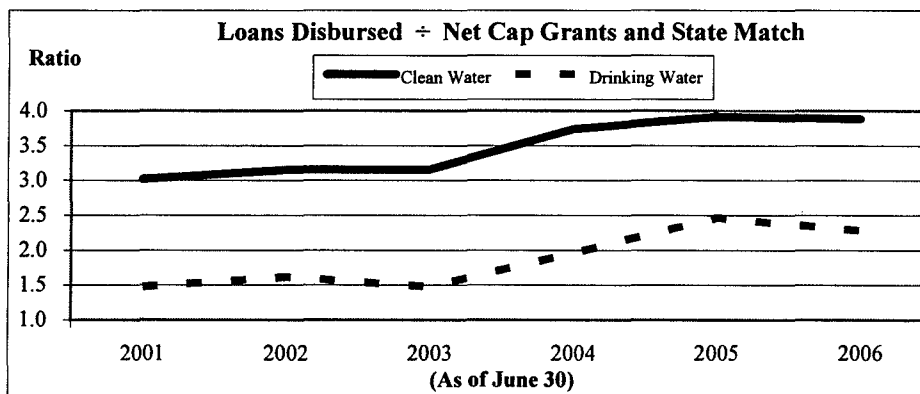
Criteria used in evaluating the financial results and conditions of the bond funds include:

- The efficient use of contributed capital to accomplish the goal of making below market rate loans to program participants (CWBF and DWBF).
- The ability to generate cash flows sufficient to make debt service payments (all bond funds).

*Analysis of the efficient use of federal capitalization grants and state match:*

The amount of loans disbursed by the CWBF and DWBF, compared to the net amount of federal capitalization grants and state match recognized in the funds, gives a measure of the effective use of the capital contributions. Timing may affect the ratios at any point in time, but over time this ratio should grow as the programs grow in size and loan repayments become a larger portion of the available sources for new loans. The following chart displays the ratio at June 30th for the past six years.

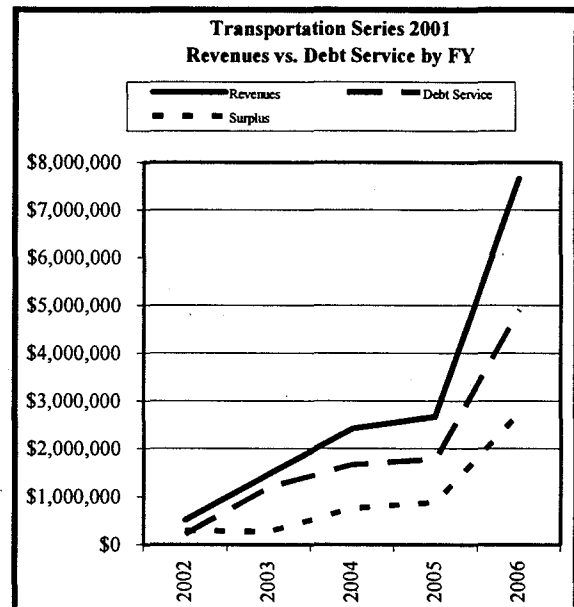
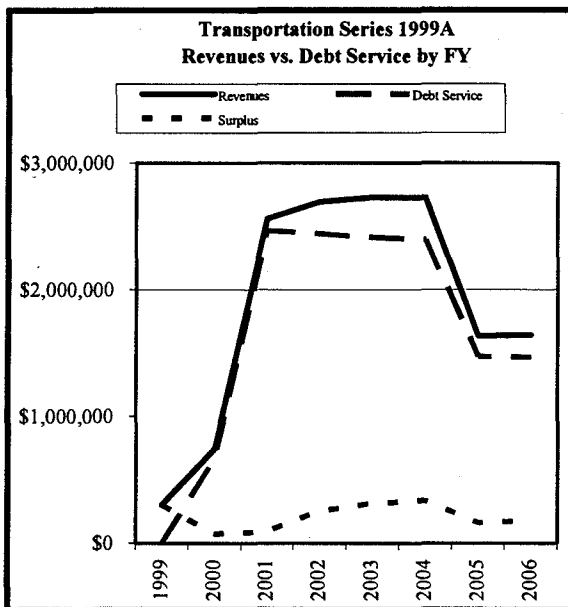
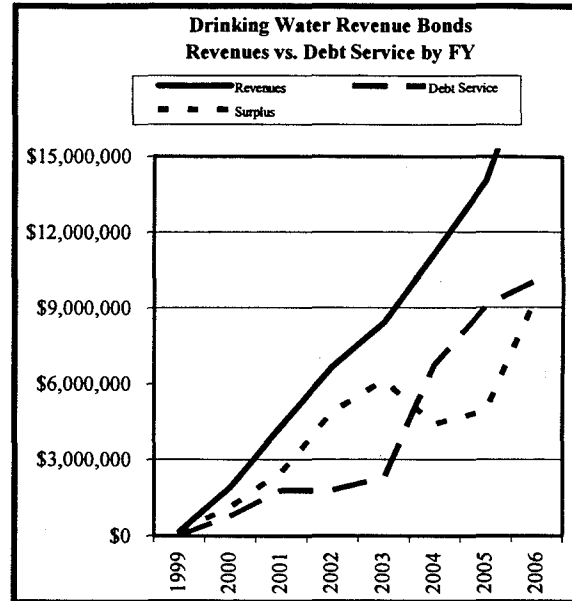
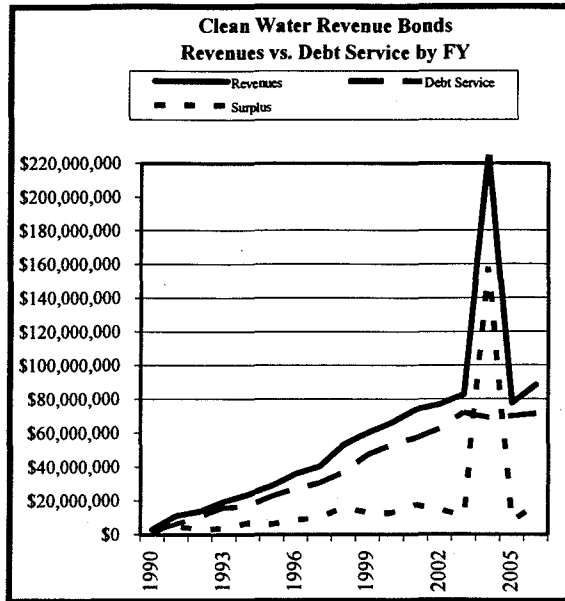
**Clean Water and Drinking Water Bond Fund Programs  
Leveraging of Federal Capitalization Grants and State Match**



*Analysis of historical cash flow sufficiency to make debt service payments:*

The following charts show each bond fund's cash flow history to date in meeting debt service payments. Annual total bond fund revenues, debt service, and net surplus are charted.

**Charts of each fund's cash flow history to date in meeting debt service payments**  
(note differing scales between the charts)



*Financial ratios:* the following table presents financial ratios regarding financial position and ability to generate cash flows sufficient to pay debt service requirements.

		Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001
Current ratios	June 30, 2006	4.84	11.66	1.22	1.71
	June 30, 2005	3.15	4.62	1.22	1.90
	June 30, 2004	3.20	14.35	1.22	3.71
Debt ratios	June 30, 2006	0.59	0.48	0.79	0.56
	June 30, 2005	0.59	0.45	0.79	0.55
	June 30, 2004	0.58	0.47	0.79	0.55
Operating	FY 2006	0.98	1.48	0.77	1.38
Income ratios	FY 2005	1.02	1.42	0.78	1.20
	FY 2004	0.83	1.25	0.76	1.17
Debt Service	FY 2006	1.23	1.90	1.12	1.56
Coverage ratios	FY 2005	1.11	1.54	1.11	1.49
	FY 2004	3.32	1.65	1.14	1.45

current ratio:  $\text{current assets} \div \text{current liabilities}$

debt ratio:  $\text{debt} \div \text{assets}$

operating income ratio:  $\text{operating revenues} \div \text{operating expenses}$

debt service coverage ratios:  $(\text{loan repayments} + \text{investment interest}) \div (\text{bond debt service})$

Even though the operating income ratio for the Transportation Series 1999A fund is less than 1, the cash flows are sufficient to pay debt service because the outstanding loan balance is greater than the outstanding bonds. This fact is reflected in the debt service coverage ratio, which includes principal repayments as well as interest. Principal repaid on the loan exceeds the bond principal requirements and more than overcomes the lower interest earned on the loan. This financing was structured such that repayments on the \$21.025 million loan made to the Metropolitan Council are sufficient to pay debt service on the bonds issued of \$17.080 million.

#### *Analysis of Individual Funds' Balances and Transactions for Non-Bond Funds:*

The Other Fund includes grant and loan programs not funded with Authority bond proceeds, and the administrative costs for the Authority including costs of the Department of Employment and Economic Development, the Minnesota Pollution Control Agency (PCA), and the Department of Health. These administrative costs are funded partially from federal grants and partially from the fee portion of loans repayments.

The Authority, through inter-agency agreements, sub-grants some of its assets to Health, PCA, and the Department of Agriculture. The assets are from federal grant awards or from net assets removed from the CWBF. When the agencies make expenditures under the sub-grants, the assets set aside for the sub-grants are reduced and a grant expense is recorded. The following chart shows the activity during the fiscal year:



Sub-Grants Allocations & Expenditures	MPCA Clean Water Partnership	Dept of Agriculture Best Management Practices	Dept of Health Drinking Water Set-Asides
New allocations	\$ 1,000,000	\$ 1,000,000	no new awards <sup>1</sup>
Expenditures	2,810,475	1,000,000	1,972,127

The drinking water set-asides originated from federal capitalization grant awards. <sup>1</sup> During fiscal year 2006, some prior awards designated for set-aside programs were re-designated for the loan program.

State Appropriations – The Authority received multiple appropriations during the 2005 regular and special legislative sessions and the 2006 legislative session. These appropriations will be recognized as revenue in future fiscal years as related expenditure obligations are incurred. Per Minnesota Laws of 2003, special session chapter 19 article 2 section 66, \$8.2 million of prior appropriations was cancelled from the Transportation Revolving Loan Fund portion of the Other Fund and returned to the State general fund, \$4.1 million during fiscal year 2004 and \$4.1 million during fiscal year 2005. Also cancelled during fiscal year 2004, by Laws of 2003, chapter 128 article 10 section 11, was \$700,000 of prior WIF appropriations.

#### Discussion of Facts and Conditions Expected to Have a Significant Impact on Financial Position and or Results of Operations:

During fiscal year 2004 the Authority received early pay-offs on eleven CWBF loans with a total principal balance of \$146 million. The funds from these repayments were used to make new CWBF loans. Net revenues to the CWBF will be reduced from fiscal year 2005 through fiscal year 2014 because the new loans will have interest free and payment free periods and they will be made at rates lower than the paid-off loans. The Authority structured the CWBF bonds issued during fiscal year 2005 to offset the cash flow impact through this period in order to achieve relatively level revenue coverage in the CWBF.

The Authority adopts an annual Intended Use Plan (IUP) for the Clean Water program and for the Drinking Water program. The IUPs identify which projects may be considered for funding during the fiscal year, based on priority lists established by the MPCA for Clean Water projects and by the Department of Health for Drinking Water projects. The Authority reviews the long term funding capacity of the Clean Water Bond Fund and the Drinking Water Bond Fund when determining the level of funding for the annual IUPs. In fiscal years 2001 through 2004 the Authority intentionally approved a level of funding that exceeded the long-term sustainable capacity of the Bond Funds. It did so knowing that existing needs across the State to make improvements to wastewater and drinking water systems was substantial and with the intention that the increased funding level would be temporary so as to preserve the Bond Funds' long-term capacity to fund high priority projects throughout the State. The Authority anticipated that funding levels would drop for the fiscal year 2005 and 2006 IUPs.

**Minnesota Public Facilities Authority**  
**Statement of Net Assets**  
**June 30, 2006**

	Revenue Bond Funds					
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 139,975,596	\$ 74,933,546	\$ 27,629	\$ 455,884	\$ 35,419,803	\$ 250,812,458
Investments	26,840,786					26,840,786
Loans receivable	49,465,588	11,157,220	1,380,000	3,687,658	7,719,347	73,409,813
Federal grants receivable		19,136			87,594	106,730
Accrued interest receivable:						
Investments	3,055,130	87,740		35,541		3,178,411
Loans	10,686,513	2,364,160	95,877	251,028	561,480	13,959,058
Securities lending collateral					19,077,000	19,077,000
Total current assets	<u>230,023,613</u>	<u>88,561,802</u>	<u>1,503,506</u>	<u>4,430,111</u>	<u>62,865,224</u>	<u>387,384,256</u>
Noncurrent assets:						
Investments	134,922,233	10,443,227		1,896,741		147,262,201
Loans receivable	972,732,520	239,610,309	7,985,000	20,522,424	29,802,674	1,270,652,927
Deferred bond issuance costs	1,898,046	375,852	54,064	125,377		2,453,339
Total noncurrent assets	<u>1,109,552,799</u>	<u>250,429,388</u>	<u>8,039,064</u>	<u>22,544,542</u>	<u>29,802,674</u>	<u>1,420,368,467</u>
Total assets	<u>1,339,576,412</u>	<u>338,991,190</u>	<u>9,542,570</u>	<u>26,974,653</u>	<u>92,667,898</u>	<u>1,807,752,723</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable					4,079,357	4,079,357
Interest payable on bonds	12,657,962	2,393,232	108,392	246,333		15,405,919
Arbitrage rebate liability	1,840,378					1,840,378
Compensated absences payable					18,970	18,970
Bonds payable	33,020,000	5,205,000	1,120,000	2,345,000		41,690,000
Securities lending collateral					19,077,000	19,077,000
Total current liabilities	<u>47,518,340</u>	<u>7,598,232</u>	<u>1,228,392</u>	<u>2,591,333</u>	<u>23,175,327</u>	<u>82,111,624</u>
Noncurrent liabilities:						
Bonds payable	754,759,370	157,372,464	6,453,564	12,652,857		931,238,255
Arbitrage rebate liability	3,392,696	109,485	25,984			3,528,165
Compensated absences payable					206,374	206,374
Total liabilities	<u>805,670,406</u>	<u>165,080,181</u>	<u>7,707,940</u>	<u>15,244,190</u>	<u>23,381,701</u>	<u>1,017,084,418</u>
<b>NET ASSETS</b>						
Restricted by bond resolutions	533,906,006	173,911,009	1,834,630	11,730,463		721,382,108
Restricted by legislation					67,808,605	67,808,605
Unrestricted					1,477,592	1,477,592
Total net assets	<u>\$ 533,906,006</u>	<u>\$ 173,911,009</u>	<u>\$ 1,834,630</u>	<u>\$ 11,730,463</u>	<u>\$ 69,286,197</u>	<u>\$ 790,668,305</u>

see accompanying notes to the financial statements

**Minnesota Public Facilities Authority**  
**Statement of Net Assets**  
**June 30, 2005**

	Revenue Bond Funds					
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	Totals
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 88,119,463	\$ 15,497,313	\$ 34,523	\$ 1,498,169	\$ 41,371,073	\$ 146,520,541
Investments	7,228,323					7,228,323
Loans receivable	43,600,711	10,272,662	1,345,000	6,281,743	3,780,596	65,280,712
Federal grants receivable					135,755	135,755
Accrued interest receivable:						
Investments	3,206,642	87,740		35,541		3,329,923
Loans	10,430,202	2,187,825	109,647	302,947	214,107	13,244,728
Securities lending collateral					10,674,000	10,674,000
Total current assets	<u>152,585,341</u>	<u>28,045,540</u>	<u>1,489,170</u>	<u>8,118,400</u>	<u>56,175,531</u>	<u>246,413,982</u>
Noncurrent assets:						
Investments	168,234,290	11,052,647		1,896,741		181,183,678
Loans receivable	960,357,149	223,902,015	9,365,000	24,364,902	27,539,466	1,245,528,532
Deferred bond issuance costs	2,235,531	460,576	65,067	150,915		2,912,089
Total noncurrent assets	<u>1,130,826,970</u>	<u>235,415,238</u>	<u>9,430,067</u>	<u>26,412,558</u>	<u>27,539,466</u>	<u>1,429,624,299</u>
Total assets	<u>1,283,412,311</u>	<u>263,460,778</u>	<u>10,919,237</u>	<u>34,530,958</u>	<u>83,714,997</u>	<u>1,676,038,281</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable					241,141	241,141
Interest payable on bonds	12,268,115	1,759,766	122,992	312,500		14,463,373
Arbitrage rebate liability	1,428,598					1,428,598
Compensated absences payable					28,408	28,408
Bonds payable	34,745,000	4,310,000	1,095,000	3,970,000		44,120,000
Securities lending collateral					10,674,000	10,674,000
Total current liabilities	<u>48,441,713</u>	<u>6,069,766</u>	<u>1,217,992</u>	<u>4,282,500</u>	<u>10,943,549</u>	<u>70,955,520</u>
Noncurrent liabilities:						
Bonds payable	722,620,062	113,047,288	7,570,987	15,128,071		858,366,408
Arbitrage rebate liability	3,370,356	107,605	27,163			3,505,124
Compensated absences payable					208,702	208,702
Total liabilities	<u>774,432,131</u>	<u>119,224,659</u>	<u>8,816,142</u>	<u>19,410,571</u>	<u>11,152,251</u>	<u>933,035,754</u>
<b>NET ASSETS</b>						
Restricted by bond resolutions	508,980,180	144,236,119	2,103,095	15,120,387		670,439,781
Restricted by legislation					70,896,323	70,896,323
Unrestricted					1,666,423	1,666,423
Total net assets	<u>\$ 508,980,180</u>	<u>\$ 144,236,119</u>	<u>\$ 2,103,095</u>	<u>\$ 15,120,387</u>	<u>\$ 72,562,746</u>	<u>\$ 743,002,527</u>

see accompanying notes to the financial statements

**Minnesota Public Facilities Authority**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**for the Year Ended June 30, 2006**

	Revenue Bond Funds					
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	Totals
<b>Operating revenues:</b>						
Interest on loans	\$ 26,068,494	\$ 6,355,023	\$ 274,777	\$ 722,693	2,826,678	\$ 36,247,665
Investment earnings	15,513,855	3,134,959	6,791	333,581	419,613	19,408,799
Net increase (decrease) , fair value of investments	(7,007,421)	(609,420)				(7,616,841)
Federal grants-operating					3,255,893	3,255,893
State appropriations and fees					6,734,719	6,734,719
Securities lending income					857,000	857,000
<b>Total operating revenues</b>	<b>34,574,928</b>	<b>8,880,562</b>	<b>281,568</b>	<b>1,056,274</b>	<b>14,093,903</b>	<b>58,887,235</b>
<b>Operating expenses:</b>						
Interest on bonds	35,259,074	6,019,251	367,955	766,658		42,412,938
Salaries and employee benefits					1,730,468	1,730,468
Other general operating					706,851	706,851
Grants					19,930,619	19,930,619
Securities lending rebate and fees					846,000	846,000
Appropriation reductions					-	-
<b>Total operating expenses</b>	<b>35,259,074</b>	<b>6,019,251</b>	<b>367,955</b>	<b>766,658</b>	<b>23,213,938</b>	<b>65,626,876</b>
<b>Operating income (loss)</b>	<b>(684,146)</b>	<b>2,861,311</b>	<b>(86,387)</b>	<b>289,616</b>	<b>(9,120,035)</b>	<b>(6,739,641)</b>
<b>Capital Contributions:</b>						
Federal Grants	19,857,240	20,128,579			39,600	40,025,419
State Match	7,695,000	6,685,000				14,380,000
<b>Total capital contributions</b>	<b>27,552,240</b>	<b>26,813,579</b>	<b>-</b>	<b>-</b>	<b>39,600</b>	<b>54,405,419</b>
Transfers in (out)	(1,942,268)		(182,078)	(3,679,540)	5,803,886	-
<b>Change in net assets</b>	<b>24,925,826</b>	<b>29,674,890</b>	<b>(268,465)</b>	<b>(3,389,924)</b>	<b>(3,276,549)</b>	<b>47,665,778</b>
<b>Total net assets:</b>						
Beginning of year	508,980,180	144,236,119	2,103,095	15,120,387	72,562,746	743,002,527
<b>End of year</b>	<b>\$ 533,906,006</b>	<b>\$ 173,911,009</b>	<b>\$ 1,834,630</b>	<b>\$ 11,730,463</b>	<b>\$ 69,286,197</b>	<b>\$ 790,668,305</b>

see accompanying notes to the financial statements

**Minnesota Public Facilities Authority**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**for the Year Ended June 30, 2005**

	Revenue Bond Funds					
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	Totals
<b>Operating revenues:</b>						
Interest on loans	\$ 26,440,398	\$ 5,623,207	\$ 310,621	\$ 833,287	2,042,123	\$ 35,249,636
Investment earnings	10,007,105	1,144,108	9,915	188,949	622,752	11,972,829
Net increase (decrease) , fair value of investments	(769,731)	278,938				(490,793)
Federal grants-operating					2,819,915	2,819,915
State appropriations and fees					4,750	4,750
Securities lending income					538,000	538,000
Total operating revenues	<u>35,677,772</u>	<u>7,046,253</u>	<u>320,536</u>	<u>1,022,236</u>	<u>6,027,540</u>	<u>50,094,337</u>
<b>Operating expenses:</b>						
Interest on bonds	35,128,683	4,972,701	409,917	855,047		41,366,348
Salaries and employee benefits					1,735,184	1,735,184
Other general operating					875,424	875,424
Grants					8,970,024	8,970,024
Securities lending rebate and fees					526,000	526,000
Appropriation reductions					4,100,000	4,100,000
Total operating expenses	<u>35,128,683</u>	<u>4,972,701</u>	<u>409,917</u>	<u>855,047</u>	<u>16,206,632</u>	<u>57,572,980</u>
Operating income (loss)	<u>549,089</u>	<u>2,073,552</u>	<u>(89,381)</u>	<u>167,189</u>	<u>(10,179,092)</u>	<u>(7,478,643)</u>
<b>Capital Contributions:</b>						
Federal Grants	24,358,653	5,971,412			79,200	30,409,265
State Match						-
Total capital contributions	<u>24,358,653</u>	<u>5,971,412</u>	<u>-</u>	<u>-</u>	<u>79,200</u>	<u>30,409,265</u>
Transfers in (out)	56,717		(160,942)	(942,545)	1,046,770	-
Change in net assets	<u>24,964,459</u>	<u>8,044,964</u>	<u>(250,323)</u>	<u>(775,356)</u>	<u>(9,053,122)</u>	<u>22,930,622</u>
<b>Total net assets:</b>						
Beginning of year	484,015,721	136,191,155	2,353,418	15,895,743	81,615,868	720,071,905
End of year	<u>\$ 508,980,180</u>	<u>\$ 144,236,119</u>	<u>\$ 2,103,095</u>	<u>\$ 15,120,387</u>	<u>\$ 72,562,746</u>	<u>\$ 743,002,527</u>

see accompanying notes to the financial statements

**Minnesota Public Facilities Authority**  
**Statement of Cash Flows**  
**for the Year Ended June 30, 2006**

	Revenue Bond Funds					
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	Totals
<b>Operating activities:</b>						
Interest received on loans	\$ 25,812,182	\$ 6,178,688	\$ 288,547	\$ 774,611	\$ 2,479,304	\$ 35,533,332
Principal received on loans	46,492,458	10,299,775	1,345,000	6,546,385	3,775,366	68,458,984
Federal grants - operating					3,304,055	3,304,055
Grants, appropriations, and fees					6,734,719	6,734,719
Payments to employees					(1,736,929)	(1,736,929)
Payments to vendors					(764,511)	(764,511)
Payments to grantees					(10,257,448)	(10,257,448)
Payments to sub-recipients					(5,782,602)	(5,782,602)
Net cash provided (used) in operating activities	72,304,640	16,478,463	1,633,547	7,320,996	(2,248,046)	95,489,600
<b>Non capital financing activities:</b>						
Capital contributions:						
federal	19,857,240	20,109,443			39,600	40,006,283
state	7,695,000	6,685,000				14,380,000
Proceeds from sale of bonds	304,901,891	88,551,044				393,452,935
Funds deposited in refunding escrow	(235,980,258)	(38,147,044)				(274,127,302)
Payments for bond issuance costs	(761,404)	(180,885)				(942,289)
Interest paid on bonds	(36,522,662)	(5,994,002)	(368,975)	(937,500)		(43,823,139)
Principal paid on bonds	(35,755,000)	(4,310,000)	(1,095,000)	(3,970,000)		(45,130,000)
Payments to make loans	(64,732,706)	(26,892,626)		(109,822)	(9,977,325)	(101,712,479)
Cash transfers	(1,942,268)		(182,078)	(3,679,540)	5,803,886	-
Net cash provided (used) in non capital and related financing activities	(43,240,167)	39,820,930	(1,646,053)	(8,696,862)	(4,133,839)	(17,895,991)
<b>Investing activities:</b>						
Investment earnings	16,531,086	3,136,840	5,612	333,581	430,615	20,437,734
Arbitrage payments to the IRS	(431,599)					(431,599)
Purchases of investments						-
Proceeds from sale and maturities	6,692,173					6,692,173
Net cash provided in investing activities	22,791,660	3,136,840	5,612	333,581	430,615	26,698,308
Net increase (decrease) in cash and cash equivalents	51,856,133	59,436,233	(6,894)	(1,042,285)	(5,951,270)	104,291,917
Cash and cash equivalents:						
Beginning of year	88,119,463	15,497,313	34,523	1,498,169	41,371,073	146,520,541
End of year	\$ 139,975,596	\$ 74,933,546	\$ 27,629	\$ 455,884	\$ 35,419,803	\$ 250,812,458
<b>Reconciliation of operating income (loss) to net cash provided (used) in operating activities:</b>						
Operating income (loss)	\$ (684,146)	\$ 2,861,311	\$ (86,387)	\$ 289,616	\$ (9,120,035)	\$ (6,739,641)
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities:						
Principal received on loans	46,492,458	10,299,775	1,345,000	6,546,385	3,775,366	68,458,984
Interest paid on bonds	36,522,662	5,994,002	368,975	937,500		43,823,139
Investment interest	(16,531,086)	(3,136,840)	(5,612)	(333,581)	(430,615)	(20,437,734)
Arbitrage payments to the IRS	431,599					431,599
Net change, investment fair value	7,007,421	609,420				7,616,841
Net amortizations	(597,051)	(400,457)	13,581	(104,676)		(1,088,603)
Changes in accrued assets and liabilities:						
Interest and other receivables	(104,799)	(176,335)	13,770	51,919	(299,211)	(514,656)
Accounts payable and other liabilities	(232,418)	427,587	(15,780)	(66,167)	3,826,449	3,939,671
Net cash provided (used) in operating activities	\$ 72,304,640	\$ 16,478,463	\$ 1,633,547	\$ 7,320,996	\$ (2,248,046)	\$ 95,489,600

see accompanying notes to the financial statements

**Minnesota Public Facilities Authority**  
**Statement of Cash Flows**  
**for the Year Ended June 30, 2005**

	Revenue Bond Funds					
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	Totals
<b>Operating activities:</b>						
Interest received on loans	\$ 24,876,860	\$ 5,007,015	\$ 323,981	\$ 843,909	\$ 2,070,413	\$ 33,122,178
Principal received on loans	40,249,521	7,745,988	1,305,000	1,634,540	3,794,612	54,729,661
Federal grants - operating					2,783,434	2,783,434
Grants, appropriations, and fees					(4,095,250)	(4,095,250)
Payments to employees					(1,756,650)	(1,756,650)
Payments to vendors					(883,788)	(883,788)
Payments to grantees					(1,795,335)	(1,795,335)
Payments to sub-recipients					(7,446,882)	(7,446,882)
Net cash provided (used) in operating activities	65,126,381	12,753,003	1,628,981	2,478,449	(7,329,446)	74,657,368
<b>Non capital financing activities:</b>						
Capital contributions:						
federal	24,358,653	5,971,412			79,200	30,409,265
state	348,771,073					348,771,073
Proceeds from sale of bonds	(230,777,816)					(230,777,816)
Funds deposited in refunding escrow	(717,061)					(717,061)
Payments for bond issuance costs	(34,546,512)	(5,622,306)	(411,375)	(966,200)		(41,546,393)
Interest paid on bonds	(35,245,000)	(3,470,000)	(1,060,000)	(820,000)		(40,595,000)
Principal paid on bonds	(157,477,053)	(64,416,240)		(689,922)	(17,885,265)	(240,468,480)
Payments to make loans	56,717		(160,942)	(942,545)	1,046,770	-
Cash transfers						
Net cash used in non capital and related financing activities	(85,576,999)	(67,537,134)	(1,632,317)	(3,418,667)	(16,759,295)	(174,924,412)
<b>Investing activities:</b>						
Investment earnings	12,402,018	1,293,505	3,004	188,949	634,752	14,522,228
Arbitrage payments to the IRS						-
Purchases of investments	(2,443,256)					(2,443,256)
Proceeds from sale and maturities	19,994,010					19,994,010
Net cash provided in investing activities	29,952,772	1,293,505	3,004	188,949	634,752	32,072,982
Net increase (decrease) in cash and cash equivalents	9,502,154	(53,490,626)	(332)	(751,269)	(23,453,989)	(68,194,062)
Cash and cash equivalents:						
Beginning of year	78,617,309	68,987,939	34,855	2,249,438	64,825,062	214,714,603
End of year	\$ 88,119,463	\$ 15,497,313	\$ 34,523	\$ 1,498,169	\$ 41,371,073	\$ 146,520,541
<b>Reconciliation of operating income (loss) to net cash provided (used) in operating activities:</b>						
Operating income (loss)	\$ 549,089	\$ 2,073,552	\$ (89,381)	\$ 167,189	\$ (10,179,091)	\$ (7,478,642)
Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities:						
Principal received on loans	40,249,521	7,745,988	1,305,000	1,634,540	3,794,612	54,729,661
Interest paid on bonds	34,546,512	5,622,306	411,375	966,200		41,546,393
Investment interest	(12,402,018)	(1,293,505)	(3,004)	(188,949)	(634,752)	(14,522,228)
Arbitrage payments to the IRS						-
Net change, investment fair value	769,731	(278,938)				490,793
Net amortizations	(795,418)	(422,790)	12,676	(101,586)		(1,307,118)
Changes in accrued assets and liabilities:						
Interest and other receivables	(989,832)	(569,700)	13,360	10,623	(8,192)	(1,543,741)
Accounts payable and other liabilities	3,198,796	(123,910)	(21,045)	(9,568)	(302,023)	2,742,250
Net cash provided (used) in operating activities	\$ 65,126,381	\$ 12,753,003	\$ 1,628,981	\$ 2,478,449	\$ (7,329,446)	\$ 74,657,368

see accompanying notes to the financial statements

**Minnesota Public Facilities Authority  
Notes to the Financial Statements  
Years Ended June 30, 2006 and 2005**

**1. *Summary of Significant Accounting Policies***

The financial statements of the Minnesota Public Facilities Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The Authority has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Descriptions of the significant accounting policies follow:

*Reporting Entity* - The Minnesota Public Facilities Authority (the Authority) was created in 1987 by the State of Minnesota under Minnesota Statutes, Chapter 446A (the Act). Under the Act, the members of the Authority include the Commissioner of Employment and Economic Development, the Commissioner of Finance, the Commissioner of the Minnesota Pollution Control Agency (MPCA), the Commissioner of Agriculture, the Commissioner of Health, and the Commissioner of Transportation. The Commissioner of Employment and Economic Development serves as chair and chief executive officer of the Authority. These members serve as a result of their respective positions as commissioners, and their terms as members of the Authority coincide with their terms as commissioners. Pursuant to state law, commissioners may delegate and have delegated their duties as a member of the Authority in the event that the commissioner is unable to attend a meeting of the Authority.

The Minnesota Department of Employment and Economic Development (DEED) provides administrative staff and support services to the Authority. The MPCA and the Minnesota Department of Health also provide staff to administer, in cooperation with the Authority, certain programs of the Authority.

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, states that a primary government that appoints a voting majority of the organization's governing body, and either (1) is able to impose its will on the organization or (2) has the potential to receive specific financial burdens imposed on it by the organization, is financially accountable to that organization. Based on this criterion, the Authority is considered a discretely presented component unit of the State of Minnesota and is included in its basic financial statements.

The Authority is authorized to issue bonds. These bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority).

*Basis of Accounting* - The Authority is a special-purpose government engaged only in business-type activities. The Authority has determined that all of its funds shall be classified as enterprise funds and are therefore accounted for on the proprietary fund-type basis. All assets and liabilities (whether current or non current) associated with their activity are included on their statements of net assets. Proprietary fund measurement is focused upon determination of net income, financial position, and cash flows. The Authority's proprietary funds are used to account for operations (a) that are financed



and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

*Fund Accounting* – As a governmental entity the Authority organizes its accounts on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. All of the Authority's funds are classified as proprietary funds. The Authority reports the following major proprietary funds:

- *Clean Water Bond Fund (CWBF)* - The Authority receives federal capitalization grants under Title VI of the Federal Clean Water Act, and state matching grants. These funds are leveraged with proceeds from the Authority's revenue bonds to provide below-market-rate loans to municipalities and eligible political subdivisions to facilitate the construction of wastewater treatment facilities. Before the Authority can approve any particular loan, the MCPA must certify the applicant's project based on technical and environmental reviews.
- *Drinking Water Bond Fund (DWBF)* - The Authority receives federal capitalization grants under Section 1452 of the Safe Drinking Water Act and state matching grants. These funds are leveraged with proceeds from the Authority's revenue bonds to provide below-market-rate loans to municipalities to finance costs of drinking water system infrastructure. Before the Authority can approve any particular loan, the Minnesota Department of Health must certify the applicants' projects based on technical and environmental reviews.
- *Transportation Bond Funds (TBF)* - This program was initiated with a federal grant from the U.S. Department of Transportation to the Minnesota Department of Transportation (MnDOT) and state matching grants. The Authority administers the TBF, which provides loans to municipalities and eligible political subdivisions for construction of highways, bridges, and streets, and for purchasing transit capital. MnDOT must certify applicants' projects based on MnDOT's design standards.
- *Other Fund* - In addition to the pledged bond funds, the Authority manages various legislative appropriations for similar purposes. One of the programs included in the Other Fund is the Wastewater Infrastructure Funding Program (WIF). The Authority receives appropriations from the Minnesota Legislature to fund the program, and in conjunction with any particular loan from the CWBF or financing from the U.S. Department of Agriculture's Rural Development Office, WIF Supplemental Assistance grants are given to eligible municipalities with high-cost wastewater projects. The Other Fund also includes the accounts and activities related to management of the State Revolving Fund programs.

*Federal Grants and State Appropriations* - The Authority receives federal capitalization grants from the Environmental Protection Agency and, through MnDOT, the Authority has received federal highway money. This money is used primarily for funding of loans, as security on bonds, and a portion may be expended for administrative and other set-aside costs. The Authority also receives state appropriations as match to the federal grants, and for other Authority loan and grant programs.

These federal and state monies are recognized in the Authority's financial statements when the associated expenditure obligations have met the eligibility requirement. When used to capitalize the revolving loan funds, they are recorded as capital contributions; when used for administrative costs or grants, they are recorded as operating revenue. Grant revenues and capital contributions during fiscal year 2006 included \$43,281,312 of federal grants and \$21,111,719 of state appropriations. Fiscal year 2005 revenues and contributions included \$33,229,180 of federal grants and a reduction of \$4,100,000 of prior state appropriations.

*Cash Equivalents* - The Authority considers all investments with an original maturity when purchased of three months or less to be cash equivalents.

*Loans Receivable* - Loans receivable are carried at their unpaid principal balances, net of any allowances for loan losses. The allowances for loan losses are established based on management's evaluation of the loan portfolio. Generally, the Authority does not provide an allowance for loan losses as the loans are secured by the borrowers' general obligation and revenue pledges.

*Investments* - The Authority reports investments at fair value in the statement of net assets with changes in the fair value of investments reported in the statement of revenues, expenses, and changes in fund net assets. Fair value of investments was determined based on quoted market prices as of the reporting date. Guaranteed investment contracts are contracts purchased from life insurance companies who guarantee the principal and return, and allow money to be withdrawn if needed. The Authority's guaranteed investment contracts are considered nonparticipating and, as such, are reported at cost. The Authority believes it has the ability and intent to hold all investments to maturity to recover the full carrying value of its investment portfolio and does not expect to realize any gain or loss from the market value adjustments as shown in the various funds.

*Bond Discounts, Premiums, and Issuance Costs* - Bond discounts, premiums, and issuance costs are amortized using the effective interest method over the term of the bond series.

*Income Taxes* - The Authority is an agency of the State of Minnesota and is exempt from federal and state income taxes.

*Restrictions on Net Assets* - The use of assets held within each separate bond fund is restricted by the terms and conditions of that fund's bond resolutions. All assets of the Authority, including those not restricted by bond resolutions, are limited in their use by state and federal laws under which the funds were appropriated and / or grant conditions imposed by the federal funding agency. The net assets in the Authority's administrative accounts are reported as unrestricted because they are used for general operating activities.

*Defining Operating Revenues and Expenses and Operating Cash Flows* - The Authority issues revenue bonds to leverage the capital contributions it receives from federal capitalization grants and state matching grants. These funds are then used to make below-market-rate loans to municipalities and to create reserve accounts. Investment interest and loan repayments generate the cash flow required to make debt service payments on the bonds. Interest from loans and investment income are included as part of operating revenues and interest expense on bonds is included in operating expenses.

*Use of Estimates* - The presentation of financial statements in accordance 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Certain Risks and Uncertainties* - The Authority invests in various securities including U.S. government securities, corporate debt instruments, and guaranteed investment contracts. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

## 2. *Deposits, Investments, and Securities Lending Collateral Transactions*

*Deposits* – The Authority’s investment policy requires it to follow state statutes. Cash deposits of the Authority are invested in a state pool and the pooled balances are insured in accordance with Minnesota State Statutes. At June 30, 2006 and 2005, \$234,373,075 and \$127,103,611, respectively, of cash deposits were interest-bearing and \$16,439,383 and \$19,416,930, respectively, of cash deposits were non interest-bearing.

*Investments* - The Authority’s investment policy limits investments to those permitted by the bond resolutions and the Authority Act. They are composed primarily of commercial paper, guaranteed investment contracts, and notes and bills of the U.S. Government and its agencies. Information regarding the Authority’s investments is provided below to give an indication of the risk level assumed at year-end.

*Interest Rate Risk* - The Authority does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Custodial Credit Risk* – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Authority will not be able to recover the value of its investments that are in the possession of another party. The Authority requires for all securities purchased that the securities are at all times insured, registered in the Authority’s name or in the possession of the Authority.

*Credit Risk* - Excluding U.S. Government backed securities, the Authority's investments at June 30, 2006 and 2005 carried the following ratings by the three nationally recognized statistical rating organizations shown:

Investment type	Standard & Poors	Fitch Ratings	Moodys Investors Service
Federal Home Loan Bank	AAA	AAA	Aaa
Federal Farm Credit Banks	AAA	AAA	Aaa
Federal National Mortgage Association	AAA	AAA	Aaa
Federal Home Loan Mortgage Corporation	AAA	AAA	Aaa
Guaranteed Investment Contracts	not rated <sup>1</sup>		

<sup>1</sup> The Guaranteed Investment Contracts are not rated but are backed by U.S. Government securities.

*Concentration of Credit Risk:* For the investments held by the Authority at June 30, 2006 and 2005, state law places no limits on the amount that may be invested in any one issuer. The Authority’s investment policy does not limit the amount invested in any one issuer. Excluding U.S. Government backed securities, more than 5% of the Authority's investments are in the following issuers:

Concentration of Credit risk:	June 30, 2006		June 30, 2005	
	% of		% of	
Issuer	Fair Value	Investments	Fair Value	Investments
Federal National Mortgage Association	\$ 35,834,941	21%	\$ 38,292,240	20%
Guaranteed Investment Contracts:AIGMFC	24,178,300	14%	24,178,300	13%
Guaranteed Investment Contracts:Societe Generale	18,606,088	11%	18,606,088	10%
Federal Home Loan Bank	16,155,077	9%	17,084,281	9%
Federal Farm Credit Banks	12,665,236	7%	13,591,626	7%
Federal Home Loan Mortgage Corporation	9,450,000	5%	10,234,400	5%

At June 30, 2006, the Authority had the following investments:

Investment type	Fair Value	Investment Maturities (in Years)				WAM <sup>1</sup>
		less than 1	1 to 5	6 to 10	more than 10	
U.S. Treasury Notes	\$ 52,794,156	\$ -	\$ 52,794,156	\$ -	\$ -	1.30
U.S. Treasury SLGS	1,896,741				1,896,741	10.66
U.S. Treasury Strips	2,522,448		2,522,448			0.62
Federal Home Loan Bank	16,155,077		10,038,155	6,116,922		3.90
Federal Farm Credit Bank	12,665,236			12,665,236		5.07
Federal National Mortgage Association	35,834,941		23,776,250	12,058,691		4.29
Federal Home Loan Mortgage Corporation	9,450,000			9,450,000		6.54
Guaranteed Investment Contracts	42,784,388		7,380,328	11,225,760	24,178,300	8.53
<b>totals</b>	<b>\$ 174,102,987</b>	<b>\$ -</b>	<b>\$ 96,511,337</b>	<b>\$ 51,516,609</b>	<b>\$ 26,075,041</b>	<b>4.59</b>

At June 30, 2005, the Authority had the following investments:

Investment type	Fair Value	Investment Maturities (in Years)				WAM <sup>1</sup>
		less than 1	1 to 5	6 to 10	more than 10	
U.S. Treasury Notes	\$ 62,069,829	\$ 7,228,323	\$ 54,841,506	\$ -	\$ -	2.10
U.S. Treasury SLGS	1,896,741				1,896,741	11.66
U.S. Treasury Strips	2,458,495		2,458,495			1.63
Federal Home Loan Bank	17,084,281		10,536,187	6,548,094		4.90
Federal Farm Credit Bank	13,591,626			13,591,626		6.07
Federal National Mortgage Association	38,292,240		25,343,240	12,949,000		5.24
Federal Home Loan Mortgage Corporation	10,234,400			10,234,400		7.54
Guaranteed Investment Contracts	42,784,388		7,380,328	11,225,760	24,178,300	9.53
<b>totals</b>	<b>\$ 188,412,000</b>	<b>\$ 7,228,323</b>	<b>\$ 100,559,756</b>	<b>\$ 54,548,880</b>	<b>\$ 26,075,041</b>	<b>5.35</b>

<sup>1</sup> WAM: weighted average maturity in years based on par amount.

*Securities Lending Collateral Transactions* – State statutes do not prohibit the State from participating in securities lending transactions. To enhance the return on investments, the State has, by way of a Custodial Trust Agreement, authorized Wells Fargo Bank, Minnesota, N.A. (Wells Fargo) to act as agent in lending the State's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal years, Wells Fargo lent, on behalf of the State, certain securities held by Wells Fargo as custodian and received cash (United States currency) and securities issued or guaranteed by the United States government, and irrevocable bank letters of credit as collateral. Wells Fargo did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than one hundred percent (100%) of the fair value of the loaned securities, plus accrued interest.

In the event a borrower fails to return a loaned security or fails to pay distributions thereon, Wells Fargo protects the State by purchasing replacement securities or returning the cash collateral. There were no such failures by any borrower to return loaned securities or to pay distributions thereon during the fiscal years. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or Wells Fargo.

During the fiscal years, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in the separately managed funds of the SBI. As of June 30, 2006, these funds had an average duration of 0.238 years to final and a weighted average maturity of 87 days to final. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2006, the State had no credit risk exposure to borrowers. The collateral held and the fair value of securities on loan for the State as of June 30, 2006 were \$341,891,721 and \$335,128,012 respectively.

[The remainder of this page intentionally left blank]

### 3. Loans Receivable

Loans receivable at June 30, 2006 and 2005 consisted of the following:

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2006	2005
<b>Clean Water Bond Fund:</b>						
Aitkin, City of-1st	10/15/97	02/20/18	2.240%	\$ 525,000	\$ 342,542	\$ 367,166
Aitkin, City of-2nd	07/15/03	08/20/23	1.000%	1,009,719	979,000	1,009,719
Albany, City of	04/21/03	02/20/22	3.490%	1,296,061	1,154,000	1,207,000
Albertville, City of	10/19/93	08/20/14	3.320%	1,454,514	734,563	808,265
Alvarado, City of	10/16/98	02/20/20	1.000%	677,980	488,522	520,880
Avon, City of	11/18/02	08/20/22	1.820%	8,016,196	6,715,188	6,368,223
Bagley, City of	07/01/98	08/20/19	1.000%	1,654,075	1,137,690	1,216,124
Battle Lake, City of	06/18/03	08/20/22	1.000%	1,698,073	1,632,000	1,698,073
Baxter, City of	07/24/91	02/20/12	3.530%	875,607	324,097	372,596
Beaver Creek, City of	09/23/94	08/20/15	3.600%	103,102	57,766	62,790
Belle Plaine, City of	01/27/03	08/20/22	1.990%	10,754,000	8,813,719	9,255,557
Benson, City of	07/26/04	08/20/24	1.980%	4,322,000	4,229,494	3,187,740
Bethel, City of	04/17/91	08/20/12	3.030%	396,153	153,247	174,293
Blue Earth, City of	03/30/00	08/20/20	1.290%	3,290,170	2,663,000	2,823,000
Browerville, City of-1st	03/06/90	08/20/11	2.420%	552,000	179,115	209,212
Browerville, City of-2nd	09/25/92	03/20/93	0.840%	250,000	-	-
Browerville, City of-3rd	11/19/04	08/20/24	1.000%	521,363	421,634	103,498
Buffalo Lake, City of	01/26/98	02/20/19	2.750%	615,750	435,199	462,891
Caledonia, City of	02/07/94	02/20/15	3.440%	606,675	322,284	352,362
Cambridge, City of-1st	10/16/92	02/20/14	3.090%	10,477,205	4,884,953	5,415,559
Cambridge, City of-2nd	08/17/95	08/20/16	3.450%	247,227	-	192,226
Cannon Falls, City of-1st	06/27/01	08/20/21	3.070%	4,529,000	4,046,000	4,240,000
Cannon Falls, City of-2nd	11/20/01	08/20/22	2.860%	8,021,909	7,201,909	7,526,909
Canosia Township-1st	09/10/99	08/20/20	1.290%	2,517,810	1,949,000	2,066,000
Canosia Township-2nd	06/11/01	08/20/20	1.290%	207,000	163,000	173,000
Canosia Township-3rd	03/11/02	08/20/20	1.290%	138,000	-	-
Carver, City of	02/16/00	08/20/19	2.860%	1,188,000	924,000	977,000
Cass County	06/23/97	02/20/19	1.130%	1,366,190	1,004,928	1,076,304
Cass Lake, City of	02/14/94	02/20/15	1.940%	276,364	136,871	150,665
Cedar Lake Area WSSDB-1st	07/26/01	08/20/21	1.570%	3,225,000	2,374,000	2,578,717
Cedar Lake Area WSSDB-2nd	07/11/02	08/20/21	1.570%	275,097	191,666	207,442
Chandler, City of	09/24/02	08/20/23	1.000%	1,348,589	1,236,490	1,298,490
Chisago Lakes JSTC	11/01/04	08/20/24	2.230%	13,506,690	12,200,268	8,063,564
Chisholm, City of	05/17/94	02/20/15	3.820%	2,150,644	1,169,358	1,276,378
Clara City, City of	08/19/97	08/20/18	2.740%	2,138,045	1,186,539	1,265,207
Clear Lake, City of	07/30/97	02/20/19	3.080%	223,506	160,181	170,069
Clearwater, City of	07/23/97	02/20/19	2.080%	1,654,550	1,151,070	1,227,446
Cokato, City of	10/26/94	02/20/16	3.320%	2,760,000	1,605,168	1,738,499
Cold Spring, City of	02/24/04	08/20/23	2.490%	8,038,000	6,194,266	7,409,863
Cologne, City of	01/03/97	02/20/18	3.320%	1,538,699	1,023,761	1,093,538
Cottonwood Township-1st	03/12/98	08/20/20	1.290%	391,546	301,707	319,707
Cottonwood Township-2nd	09/22/99	08/20/20	1.290%	140,296	111,000	117,892
Cottonwood, City of	05/03/04	08/20/24	2.230%	895,920	895,920	841,991
Courtland, City of	05/22/98	08/20/19	1.540%	889,935	630,070	671,755
Cross Lake Area WSSD	07/09/97	02/20/19	2.880%	2,035,802	1,451,138	1,541,994
Dassel, City of	07/30/02	08/20/22	1.380%	1,610,153	1,470,853	1,533,434
Dawson, City of	08/10/04	08/20/24	1.730%	1,789,050	1,788,670	1,586,360

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Clean Water Bond Fund (continued):</b>						
Dayton, City of	08/16/00	08/20/21	3.250%	986,395	542,000	568,000
Delano, City of-1st	05/24/95	08/20/16	4.620%	2,480,000	1,576,850	1,691,336
Delano, City of-2nd	10/16/98	02/20/20	2.980%	1,150,000	873,034	922,648
Delano, City of-3rd	07/22/03	08/20/22	2.090%	11,054,217	10,644,000	10,736,324
Detroit Lakes, City of-1st	09/10/93	08/20/14	2.820%	2,552,820	1,220,334	1,345,730
Detroit Lakes, City of-2nd	12/19/95	02/20/17	2.930%	3,754,889	2,329,008	2,506,079
Dilworth, City of	03/22/00	08/20/20	3.070%	1,849,510	1,518,000	1,596,510
Dover Eyota Saint Charles SD	05/30/02	08/20/21	3.293%	1,573,871	1,403,000	1,469,000
Duluth, City of-1st	07/24/02	08/20/18	1.000%	364,195	325,000	348,000
Duluth, City of-2nd	10/17/03	08/20/18	1.340%	1,179,115	1,119,000	1,091,847
Duluth/North Shore SD-1st	02/04/00	08/20/20	3.520%	225,000	188,000	197,000
Duluth/North Shore SD-2nd	11/30/00	08/20/21	3.830%	300,000	257,000	269,000
Duluth/North Shore SD-3rd	07/01/02	08/20/23	1.630%	7,952,500	7,297,000	7,652,000
Duluth/North Shore SD-4th	03/08/04	08/20/23	1.000%	1,328,050	1,328,050	463,678
Dundas, City of-1st	03/21/97	02/20/18	2.880%	927,469	618,471	661,065
Dundas, City of-2nd	03/21/97	08/20/99	1.980%	825,000	-	-
East Gull Lake, City of-1st	10/23/91	02/20/13	3.640%	2,226,861	964,679	1,084,011
East Gull Lake, City of-2nd	08/03/04	08/20/24	1.000%	6,416,500	6,094,505	4,930,008
Ely, City of	01/02/01	08/20/21	1.070%	4,699,982	2,209,000	2,335,000
Elysian, City of	07/31/97	08/20/18	2.130%	1,163,536	783,772	837,961
Evansville, City of	12/11/97	02/20/19	1.250%	673,073	456,029	488,145
Eveleth, City of-1st	06/12/92	02/20/13	4.730%	500,000	227,919	254,808
Eveleth, City of-2nd	09/14/04	08/20/24	1.340%	3,522,034	3,522,034	2,245,130
Eveleth, City of-3rd	11/10/05	08/20/24	1.340%	100,000	10,916	-
Fairfax, City of	08/18/95	08/20/16	2.950%	1,506,773	897,843	969,819
Fairmont, City of	05/25/04	08/20/24	1.730%	13,762,095	12,926,159	9,983,593
Farmington, City of	04/04/95	08/20/16	4.630%	764,377	483,423	518,486
Fayal Township-1st	09/22/99	08/20/20	2.110%	4,851,756	3,797,000	4,010,000
Fayal Township-2nd	06/22/01	08/20/21	1.570%	341,468	246,000	259,000
Fayal Township-3rd	10/04/01	08/20/20	2.110%	855,267	686,000	725,000
Fergus Falls, City of-1st	11/22/94	02/20/16	3.920%	3,100,000	-	-
Fergus Falls, City of-2nd	10/07/96	02/20/17	3.740%	450,000	287,773	308,580
Foley, City of	07/21/94	08/20/15	3.320%	1,080,000	601,317	654,357
Forest Prairie Township	04/12/01	08/20/21	1.800%	711,095	601,000	633,000
Garfield, City of-1st	05/09/97	02/20/18	3.080%	100,000	67,111	71,673
Garfield, City of-2nd	06/29/98	08/20/19	1.040%	450,489	308,916	330,126
Garrison, Kathio, West Mille Lacs	01/09/01	08/20/21	1.620%	500,000	414,000	436,000
Glyndon, City of	08/14/91	02/20/13	3.640%	671,323	270,424	303,838
Good Thunder, City of	10/15/99	08/20/19	1.290%	1,010,545	804,000	856,000
Goodhue County	04/29/97	02/20/18	1.580%	141,175	89,903	96,656
Grand Lake Township-1st	09/02/99	08/20/20	1.290%	1,131,190	874,000	927,000
Grand Lake Township-2nd	05/29/01	08/20/20	1.290%	93,000	75,000	79,000
Grand Lake Township-3rd	02/19/02	08/20/20	1.290%	62,000	-	-
Granite Falls, City of	12/20/95	08/20/06	3.180%	200,000	13,201	57,961
Grey Eagle, City of	02/03/97	02/20/18	1.220%	410,000	193,698	208,606
Hackensack, City of	11/21/97	02/20/18	1.250%	287,844	179,752	193,555
Hancock, City of	06/29/93	02/20/14	2.210%	367,116	166,299	185,118
Hanover, City of	08/18/99	08/20/20	2.290%	1,909,275	1,509,000	1,593,000
Harmony, City of-1st	02/25/93	02/20/14	3.340%	1,216,700	576,977	640,003
Harmony, City of-2nd	05/13/04	08/20/23	1.000%	625,465	600,000	608,241
Hector, City of	12/14/94	02/20/16	3.920%	1,914,260	1,137,313	1,228,739

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Clean Water Bond Fund (continued):</b>						
Henning, City of	09/15/92	02/20/14	(1)	606,500	248,310	278,770
Hewitt, City of-1st	09/05/90	02/20/11	0.000%	75,000	18,750	22,500
Hewitt, City of-2nd	12/04/91	08/20/12	0.000%	335,000	108,875	125,625
Hibbing, City of	12/16/02	08/20/22	1.740%	9,847,450	9,053,000	8,894,378
Hinckley, City of-1st	09/25/92	02/20/14	2.090%	1,850,839	362,614	403,846
Hinckley, City of-2nd	07/28/99	08/20/20	2.110%	2,435,641	1,903,000	2,010,000
Hoffman, City of	10/02/97	02/20/19	1.990%	263,440	182,835	195,045
Ida Township	03/28/01	08/20/21	1.980%	7,536,190	5,850,000	6,552,190
Isanti, City of	09/18/96	08/20/17	2.630%	4,682,145	2,640,358	2,834,677
Jasper, City of	08/25/95	08/20/16	2.440%	778,200	455,202	492,811
Jordan, City of	05/30/00	08/20/21	2.290%	6,850,120	5,822,000	6,121,000
Kandiyohi County-1st	09/22/99	08/20/20	2.250%	7,188,360	5,866,000	6,192,000
Kandiyohi County-2nd	11/30/00	08/20/21	2.250%	3,648,450	3,099,000	3,258,000
Kandiyohi County-3rd	10/10/01	08/20/21	2.140%	651,000	552,000	581,000
Kasson, City of	08/17/01	08/20/21	3.070%	7,632,919	6,686,000	7,005,919
Knife River Larson SSD	10/25/05	08/20/25	1.310%	882,212	875,367	-
Koochiching County	08/09/05	08/20/25	1.000%	4,816,795	-	-
Lake Benton, City of	11/21/91	08/20/12	2.660%	169,000	64,953	73,995
Lake City, City of-1st	08/25/93	08/20/14	3.740%	1,442,000	744,284	817,418
Lake City, City of-2nd	11/24/96	02/20/17	3.320%	1,500,000	944,836	1,014,951
Lake City, City of-3rd	08/18/99	08/20/20	2.860%	1,226,667	960,667	1,016,667
Lake City, City of-4th	09/30/02	08/20/23	2.990%	4,800,000	4,484,000	4,619,450
Lake Crystal, City of	10/30/03	08/20/23	2.340%	1,571,616	1,515,916	1,507,709
Lake Mary Township-1st	05/05/98	08/20/19	1.540%	2,120,212	1,242,345	1,346,069
Lake Mary Township-2nd	09/11/00	08/20/20	1.360%	377,951	231,000	245,000
Lake Park, City of	11/14/03	08/20/23	1.590%	424,520	393,520	412,520
Lake Shore, City of	04/22/91	02/20/12	3.420%	504,690	186,754	214,393
Lake Washington SD	06/23/04	08/20/24	1.480%	6,490,000	5,777,886	3,730,586
Lakefield, City of	05/03/96	08/20/17	2.630%	1,143,940	729,331	783,007
Laketown Township	08/12/98	08/20/19	1.790%	1,020,000	751,100	797,900
Landfall Village	01/26/94	02/20/15	1.940%	1,088,007	541,666	596,252
Lanesboro, City of	08/15/96	08/20/17	2.680%	492,733	314,517	337,597
Le Center, City of-1st	07/01/94	08/20/15	2.960%	2,315,710	1,268,785	1,382,939
Le Center, City of-2nd	08/10/04	08/20/24	1.980%	2,675,000	2,594,204	1,824,013
Leota Sanitary District	08/10/99	08/20/19	1.000%	256,598	192,000	205,000
Lewiston, City of	07/17/01	08/20/21	2.320%	1,630,000	1,438,000	1,512,000
Lismore, City of	08/07/95	02/20/16	2.070%	550,000	303,216	330,244
Litchfield, City of	12/27/01	08/20/22	2.680%	10,963,561	9,838,000	10,290,536
Little Falls, City of-1st	02/03/03	08/20/22	1.240%	4,248,645	3,892,000	3,962,357
Little Falls, City of-2nd	07/11/05	08/20/22	1.240%	2,050,000	1,833,696	-
Little Falls, City of-3rd	07/11/05	08/20/22	1.240%	747,913	-	-
Long Prairie, City of	06/24/02	08/20/23	2.170%	3,500,000	1,612,000	1,685,000
Lonsdale, City of	11/03/03	08/20/23	2.340%	6,906,000	6,421,712	6,088,053
Mabel, City of	08/13/03	08/20/23	1.090%	1,562,875	1,492,347	1,557,875
Madelia, City of	01/25/93	02/20/14	2.010%	2,415,000	1,082,924	1,206,523
Madison Lake, City of	11/01/95	08/20/17	0.000%	301,512	165,832	180,908
Mankato, City of-1st	05/21/98	08/20/19	3.070%	24,682,000	18,240,869	19,316,697
Mankato, City of-2nd	11/09/00	08/20/19	3.070%	678,000	535,000	565,000
Mayer, City of	01/14/00	08/20/20	2.570%	689,274	559,000	589,000
Metropolitan Council-01st	07/12/89	02/20/09	5.382%	40,000,000	8,400,000	11,200,000
Metropolitan Council-02nd	08/08/90	02/20/10	6.054%	65,000,000	-	-



Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Clean Water Bond Fund (continued):</b>						
Metropolitan Council-03rd	06/11/91	08/20/12	5.316%	37,300,000	-	-
Metropolitan Council-04th	06/11/91	08/20/12	6.420%	27,700,000	-	-
Metropolitan Council-05th	05/04/92	08/20/13	4.862%	40,000,000	-	-
Metropolitan Council-06th	07/20/93	02/20/14	4.710%	20,000,000	11,280,000	12,300,000
Metropolitan Council-07th	11/28/94	08/20/15	4.440%	40,000,000	-	-
Metropolitan Council-08th	09/30/96	08/20/16	3.824%	40,000,000	25,400,000	27,250,000
Metropolitan Council-09th	10/03/97	08/20/17	3.405%	40,000,000	27,825,000	28,675,000
Metropolitan Council-10th	12/31/98	08/20/19	3.140%	60,000,000	46,095,000	47,030,000
Metropolitan Council-11th	07/27/00	08/20/20	3.757%	60,000,000	53,325,000	54,375,000
Metropolitan Council-12th	11/14/01	08/20/21	3.543%	75,000,000	67,700,000	68,600,000
Metropolitan Council-13th	12/20/02	02/20/22	3.383%	100,000,000	95,000,000	98,000,000
Metropolitan Council-14th	11/26/03	08/20/23	3.090%	100,000,000	93,500,000	95,000,000
Metropolitan Council-15th	10/31/03	02/20/16	0.000%	-	3,046,754	3,383,064
Metropolitan Council-16th	10/20/04	02/20/25	2.536%	50,000,000	45,500,000	50,000,000
Metropolitan Council-17th	11/10/05	02/20/25	2.840%	40,000,000	36,935,504	-
Montgomery, City of	02/05/03	08/20/22	1.000%	8,507,628	7,687,683	8,100,905
Monticello, City of	03/13/97	08/20/18	4.080%	14,700,000	10,515,602	11,149,399
Montrose, City of-1st	08/04/89	08/20/09	3.470%	1,310,000	-	-
Montrose, City of-2nd	08/27/02	08/20/22	2.740%	4,209,000	3,929,000	4,109,000
Montrose, City of-3rd	02/21/03	08/20/22	2.740%	1,566,000	1,441,000	1,432,126
Moorhead, City of-1st	09/23/94	02/20/15	4.100%	2,478,112	1,352,541	1,474,551
Moorhead, City of-2nd	05/23/95	08/20/16	4.100%	1,601,443	995,856	1,070,399
Moorhead, City of-3rd	09/29/97	02/20/18	3.290%	426,290	286,927	306,146
Moorhead, City of-4th	05/06/02	08/20/22	3.130%	3,389,288	3,045,000	3,179,000
Moorhead, City of-5th	06/21/04	08/20/23	1.980%	6,604,974	6,291,962	5,309,538
Moose Lake, City of-1st	10/13/94	08/20/15	2.920%	2,250,000	1,231,056	1,342,000
Moose Lake, City of-2nd	02/25/97	08/20/15	2.845%	175,813	101,375	110,548
Morgan, City of-1st	09/23/93	08/20/14	2.570%	131,280	64,003	70,660
Morgan, City of-2nd	09/30/94	02/20/16	2.570%	640,309	360,623	391,876
Morris, City of	10/19/93	02/20/15	3.320%	2,146,672	1,139,144	1,246,177
Morristown, City of	11/19/98	02/20/20	1.810%	1,229,797	906,119	962,517
New Ulm, City of	06/15/95	08/20/16	4.850%	6,227,000	-	-
Nicollet, City of	08/03/95	02/20/17	3.200%	1,260,000	789,988	849,068
Nisswa, City of-1st	08/10/90	02/20/12	3.670%	2,634,561	990,988	1,136,308
Nisswa, City of-2nd	05/02/00	08/20/19	2.020%	288,760	222,000	236,000
North Branch, City of	08/05/03	08/20/23	2.340%	11,500,000	11,105,000	11,441,501
North Mankato, City of-1st	11/25/97	02/20/19	3.405%	1,032,679	747,181	792,084
North Mankato, City of-2nd	09/30/99	08/20/19	3.140%	442,988	345,000	364,000
Northfield, City of	05/02/00	08/20/21	3.040%	18,390,072	15,767,000	16,524,072
Olivia, City of	09/26/97	02/20/19	3.490%	1,122,092	811,815	860,474
Park Rapids, City of-1st	08/23/95	02/20/17	3.200%	11,203,311	7,024,048	7,549,368
Park Rapids, City of-2nd	12/31/97	02/20/17	3.200%	1,205,000	759,137	815,912
Pelican Rapids, City of	11/04/92	02/20/03	3.450%	86,315	-	-
Pemberton, City of	02/03/97	02/20/18	1.580%	372,136	237,109	254,921
Pillager, City of	11/21/91	02/20/13	2.530%	500,000	204,090	230,437
Pine Island, City of	07/14/92	08/20/13	3.480%	2,254,355	1,004,206	1,125,048
Pipestone, City of	09/04/97	08/20/07	1.990%	301,247	47,972	79,201
Plainview Elgin SSD	08/27/90	02/20/12	3.920%	1,401,104	538,372	616,561
Plato, City of-1st	04/20/99	08/20/19	1.290%	107,025	77,000	82,000
Plato, City of-2nd	03/27/00	08/20/21	1.860%	857,047	707,000	745,000
Pokegama Township	06/26/96	08/20/17	2.630%	2,416,802	1,429,544	1,654,111

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Clean Water Bond Fund (continued):</b>						
Princeton, City of	03/13/95	08/20/16	3.880%	4,254,663	2,627,535	2,826,868
Ramsey Washington MWD-1st	06/13/97	08/20/17	3.824%	540,835	359,983	384,494
Ramsey Washington MWD-2nd	09/24/98	08/20/18	3.340%	711,431	506,680	538,864
Red Wing, City of-1st	12/20/96	08/20/17	3.824%	750,000	496,691	530,710
Red Wing, City of-2nd	12/02/97	02/20/18	3.405%	700,000	474,754	506,326
Red Wing, City of-3rd	05/22/98	08/20/18	3.340%	2,500,000	1,678,894	1,792,337
Red Wing, City of-4th	10/11/02	08/20/22	3.740%	1,494,594	1,353,594	1,416,029
Red Wing, City of-5th	08/24/04	08/20/24	2.340%	5,283,360	5,283,360	4,899,659
Redwood Falls, City of	12/11/96	08/20/17	2.490%	133,900	84,917	91,225
Renville, City of	08/22/96	02/20/17	2.470%	794,818	484,072	521,944
Rice, City of	10/13/04	08/20/24	1.980%	1,244,620	969,966	461,224
Rockford, City of	08/14/97	02/20/19	3.990%	1,694,279	1,245,300	1,317,212
Rockville, City of-1st	12/19/95	08/20/17	0.000%	869,580	478,269	521,748
Rockville, City of-2nd	04/22/04	08/20/24	1.340%	9,235,403	8,934,218	7,028,230
Rogers, City of-1st	08/03/92	08/20/13	3.200%	1,023,299	459,852	513,320
Rogers, City of-2nd	12/23/94	02/20/16	4.170%	2,710,873	1,628,553	1,757,482
Rollingstone, City of	04/12/00	08/20/20	2.790%	532,035	441,000	464,000
Roseau, City of-1st	05/09/94	08/20/14	2.990%	237,000	114,536	126,479
Roseau, City of-2nd	11/01/95	02/20/17	2.950%	950,000	590,145	634,964
Rush City, City of	03/05/99	08/20/19	1.040%	4,097,542	2,957,000	3,152,000
Rushford Village, City of	05/30/96	02/20/17	3.180%	168,403	104,189	112,076
Rushford, City of	06/04/96	08/20/17	3.430%	1,101,488	722,435	772,915
Rushmore, City of	10/03/05	08/20/24	1.210%	449,724	316,174	-
Russell, City of	08/08/90	02/20/12	2.920%	155,450	56,360	64,845
Sacred Heart, City of	07/17/97	08/20/18	1.580%	1,441,093	952,970	1,021,421
Saint Augusta, City of	09/02/03	08/20/23	2.090%	4,589,547	4,061,185	4,254,185
Saint Clair, City of	09/28/98	08/20/19	1.480%	2,653,226	1,873,285	1,997,777
Saint Cloud, City of	07/23/97	08/20/18	3.630%	4,812,000	3,397,187	3,608,595
Saint Hilaire, City of	03/27/98	02/20/19	2.250%	15,641	9,782	10,425
Saint James, City of	07/12/89	08/20/11	4.590%	5,704,341	-	-
Saint Michael, City of-1st	08/07/95	08/20/16	4.200%	3,686,833	-	-
Saint Michael, City of-2nd	01/28/00	08/20/19	3.540%	586,927	462,000	487,000
Saint Michael, City of-3rd	09/19/00	08/20/21	4.660%	6,722,516	-	-
Saint Paul, City of-1st	08/23/93	08/20/14	2.570%	1,072,837	523,189	577,611
Saint Paul, City of-2nd	11/10/94	08/20/15	3.600%	600,000	338,095	367,471
Saint Paul, City of-3rd	12/20/95	08/20/16	3.200%	600,000	361,820	390,403
Saint Paul, City of-4th	06/21/96	02/20/17	2.880%	4,269,844	2,645,723	2,847,498
Saint Paul, City of-5th	01/17/97	02/20/18	3.820%	1,500,000	1,031,304	1,097,936
Saint Paul, City of-6th	01/13/98	02/20/19	3.250%	3,100,000	2,233,344	2,369,442
Saint Paul, City of-7th	02/18/99	08/20/19	2.790%	4,600,000	3,475,000	3,675,000
Saint Paul, City of-8th	09/12/00	08/20/20	3.870%	8,965,000	7,703,000	8,077,000
Saint Peter, City of-1st	12/29/00	08/20/21	2.040%	11,733,250	9,949,000	10,471,000
Saint Peter, City of-2nd	09/17/02	08/20/22	2.040%	7,260,850	4,864,000	5,101,000
Saint Peter, City of-3rd	12/15/03	08/20/22	3.480%	2,240,000	2,165,000	1,436,615
Sauk Centre, City of	10/30/95	08/20/16	3.200%	1,407,000	848,558	915,581
Shafer, City of-1st	03/17/95	08/20/16	2.240%	174,000	100,893	109,333
Shafer, City of-2nd	09/24/02	08/20/23	1.630%	1,167,000	1,074,000	1,125,000
Shingobee Township	01/24/00	08/20/20	1.000%	60,240	45,000	48,000
Shorewood Park SD	12/19/95	02/20/17	0.000%	625,000	343,750	375,000
Silver Bay, City of	09/23/94	02/20/16	2.820%	1,490,796	849,088	921,642
Silver Creek Township-1st	03/23/99	08/20/20	2.290%	1,700,000	1,343,000	1,417,000

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Clean Water Bond Fund (continued):</b>						
Silver Creek Township-2nd	06/11/01	08/20/20	2.290%	350,000	287,000	303,000
Skyline, City of	07/12/04	08/20/24	1.000%	1,179,511	1,179,511	1,056,311
Spring Lake Township-1st	06/11/01	08/20/21	1.290%	1,263,000	917,000	968,000
Spring Lake Township-2nd	11/22/04	08/20/24	1.000%	1,100,000	1,100,000	1,100,000
Stewart, City of	10/02/98	02/20/19	1.000%	150,000	100,865	108,096
Thief River Falls, City of	07/16/98	08/20/19	2.790%	925,525	678,051	718,905
Tofte Schroeder SSD	01/14/02	08/20/21	2.930%	230,481	112,271	155,000
Tracy, City of	06/30/00	08/20/20	2.110%	1,434,769	1,153,000	1,218,000
Trimont, City of	11/17/04	08/20/24	1.000%	1,715,000	1,689,610	941,584
Twin Lakes Township-1st	10/25/93	02/20/15	2.070%	1,165,729	581,608	639,825
Twin Lakes Township-2nd	08/17/01	08/20/21	1.640%	286,842	241,000	254,000
Two Harbors, City of	03/11/94	02/20/15	2.440%	2,200,000	1,121,728	1,232,006
Verndale, City of	07/10/97	02/20/18	1.130%	155,809	97,394	104,933
Wabasha, City of	07/22/03	08/20/22	1.590%	5,866,644	5,575,944	5,863,234
Walker, City of	04/03/95	08/20/16	2.600%	2,182,510	1,283,444	1,388,486
Walnut Grove, City of	04/15/93	02/20/14	(2)	767,041	317,524	356,107
Watertown, City of	05/11/93	08/20/14	3.490%	3,300,000	1,681,749	1,849,247
Waverly, City of	11/27/91	08/20/11	2.640%	623,933	203,614	237,581
Wells, City of	10/29/04	08/20/24	1.960%	1,560,000	1,542,562	940,327
West Concord, City of-1st	09/20/96	02/20/18	3.990%	281,777	194,664	207,107
West Concord, City of-2nd	06/10/04	08/20/24	1.000%	2,270,363	2,231,649	2,062,836
Western Lk Superior SD-1st	10/10/91	08/20/12	4.780%	5,078,000	2,570,247	2,900,210
Western Lk Superior SD-2nd	03/06/97	02/20/13	4.330%	4,400,000	2,404,675	2,693,044
Western Lk Superior SD-3rd	10/21/98	02/20/20	3.980%	4,517,000	3,512,402	3,696,753
Western Lk Superior SD-4th	09/02/99	08/20/14	3.560%	835,800	575,000	629,000
Western Lk Superior SD-5th	10/13/99	08/20/20	4.270%	21,053,000	17,800,000	18,636,000
Western Lk Superior SD-6th	10/06/00	08/20/21	4.870%	7,023,372	6,177,006	6,429,006
Western Lk Superior SD-7th	10/29/02	08/20/18	3.240%	3,149,184	2,839,000	3,013,000
Wheaton, City of	06/26/03	08/20/22	2.240%	2,505,000	2,157,333	2,267,333
Willmar, City of	06/28/96	08/20/17	3.130%	4,300,000	2,790,167	2,989,050
Windom, City of-1st	01/26/94	02/20/14	2.440%	352,380	159,385	177,534
Windom, City of-2nd	05/17/94	08/20/15	2.710%	3,886,970	2,106,644	2,298,654
Windom, City of-3rd	12/20/95	02/20/11	2.450%	298,884	111,973	132,778
Winnebago, City of	07/12/89	09/10/90	3.840%	640,000	-	-
Woodland, City of	06/12/97	08/20/18	2.580%	698,775	477,607	509,608
Zimmerman, City of-1st	11/30/89	02/20/11	4.970%	93,000	-	-
Zimmerman, City of-2nd	08/10/90	02/20/12	3.670%	1,281,340	-	-
Zimmerman, City of-3rd	04/09/99	08/20/20	2.040%	4,173,493	3,420,000	3,613,000
rounding adjustment				6	5	(2)
Clean Water Bond Fund				1,526,816,056	1,022,198,108	1,003,957,860

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Drinking Water Bond Fund:</b>						
Ada, City of-1st	06/25/04	08/20/23	1.090%	2,380,000	2,271,000	2,361,683
Ada, City of-2nd	12/06/05	08/20/23	1.090%	264,245	264,245	-
Adrian, City of	10/30/98	08/20/18	3.320%	259,660	194,000	206,000
Albany, City of	05/17/06	08/20/25	1.960%	4,890,184	416,112	-
Alexandria, City of	07/30/02	08/20/22	3.380%	1,050,117	945,000	986,417
Annandale, City of	01/13/04	08/20/23	2.819%	3,273,194	3,022,034	3,153,034
Argyle, City of	09/30/98	08/20/19	2.570%	229,655	175,000	185,000
Arlington, City of	02/21/03	08/20/17	2.990%	110,000	94,000	100,000
Askov, City of	09/30/98	08/20/19	1.000%	479,781	343,000	366,000
Avon, City of	10/08/03	08/20/23	2.840%	666,554	539,774	567,071
Babbitt, City of	08/29/01	08/20/21	2.820%	1,316,806	1,127,000	1,182,000
Bagley, City of	08/10/04	08/20/23	1.730%	1,074,120	1,026,120	1,005,339
Battle Lake, City of	06/18/03	08/20/22	1.490%	1,377,006	1,267,000	1,332,776
Baudette, City of	11/09/04	08/20/24	2.460%	337,729	243,968	226,891
Becker County	09/22/03	08/20/22	1.680%	135,430	124,000	130,000
Big Lake, City of	11/04/04	08/20/24	2.530%	9,787,000	8,231,627	3,700,313
Braham, City of	03/25/04	08/20/23	1.590%	1,487,800	1,400,370	1,459,857
Breitung Township-1st	11/01/01	08/20/21	2.070%	94,177	78,000	82,000
Breitung Township-2nd	12/16/02	08/20/22	2.490%	117,500	104,000	109,000
Broton, City of	12/05/00	08/20/20	3.410%	373,401	301,000	316,036
Browerville, City of	10/21/98	08/20/18	2.040%	213,876	154,000	164,000
Brownton, City of	11/03/99	08/20/19	2.980%	188,100	148,000	156,000
Buffalo Lake, City of	08/18/99	08/20/19	2.540%	754,776	577,000	611,000
Butterfield, City of	02/11/02	08/20/21	2.070%	246,972	207,000	218,000
Cambridge, City of	09/17/01	08/20/21	4.050%	2,080,000	1,813,000	1,893,000
Canby, City of	11/10/98	08/20/18	1.790%	2,020,499	1,448,000	1,546,000
Cannon Falls, City of	06/27/01	08/20/21	4.070%	5,331,000	4,647,000	4,851,000
Carver, City of	12/15/03	08/20/23	2.819%	2,711,000	2,305,384	2,359,758
Cass Lake, City of	05/20/03	08/20/22	1.990%	626,693	585,000	585,027
Chokio, City of	01/26/06	08/20/25	1.310%	750,000	634,453	-
Clara City, City of	11/13/01	08/20/21	2.320%	2,472,224	2,084,000	2,191,000
Clearwater, City of-1st	11/23/02	08/20/22	2.130%	686,486	586,834	615,834
Clearwater, City of-2nd	07/22/03	08/20/22	2.680%	189,645	168,312	176,312
Cloquet, City of	10/08/02	08/20/22	3.380%	1,913,773	1,710,768	1,783,768
Cokato, City of-1st	06/14/00	08/20/15	3.910%	613,137	493,000	533,000
Cokato, City of-2nd	01/13/04	08/20/23	3.180%	4,478,105	4,113,488	4,200,396
Cold Spring, City of	12/18/98	08/20/08	3.540%	489,000	180,000	236,000
Coleraine, City of	12/12/02	08/20/22	2.380%	1,572,375	1,400,000	1,456,744
Comfrey, City of	10/16/98	08/20/18	2.040%	149,107	107,000	114,000
Cosmos, City of	06/15/05	08/20/24	1.720%	990,550	825,393	-
Cromwell, City of	04/12/99	08/20/19	1.000%	62,361	46,484	46,484
Dalton, City of	04/14/03	08/20/22	2.680%	134,711	107,108	113,108
Dassel, City of	07/02/99	08/20/19	2.040%	1,768,142	1,360,000	1,443,000
Dawson, City of	09/20/02	08/20/22	3.320%	914,497	822,000	858,000
Dayton, City of	08/16/00	08/20/20	3.750%	2,269,906	1,878,000	1,970,000
Deer River, City of	10/29/02	08/20/22	1.630%	303,062	266,000	278,931
Dover, City of	12/11/00	08/20/20	3.410%	464,776	379,000	398,000
Duluth, City of-1st	07/31/03	08/20/18	2.819%	970,000	876,000	931,000
Duluth, City of-2nd	07/02/04	08/20/18	2.530%	2,485,231	1,795,020	1,560,747
Eden Valley, City of-1st	08/21/00	08/20/20	3.160%	1,881,057	1,532,644	1,611,251
Eden Valley, City of-2nd	06/27/01	08/20/21	2.320%	644,890	547,356	575,356

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Drinking Water Bond Fund (continued):</b>						
Edgerton, City of	07/11/02	08/20/22	3.380%	395,035	352,000	367,000
Ely, City of	12/13/00	08/20/20	3.410%	1,177,302	963,000	1,012,000
Elysian, City of	09/18/03	08/20/23	1.990%	478,520	443,000	462,745
Fairfax, City of	08/06/99	08/20/19	2.040%	1,265,806	971,000	1,030,000
Fertile, City of	01/27/03	08/20/22	1.130%	1,087,739	942,000	992,739
Finlayson, City of	11/28/00	08/20/20	1.910%	211,828	168,000	178,000
Fisher, City of	09/07/04	08/20/24	1.000%	2,077,920	1,980,946	2,077,920
Fosston, City of	07/11/05	08/20/24	1.470%	1,480,224	1,391,224	-
Frost, City of	01/09/06	08/20/25	1.310%	385,256	50,833	-
Fulda, City of	07/30/98	08/20/18	2.320%	503,117	351,000	374,000
Gilbert, City of	04/30/03	08/20/23	2.880%	157,764	147,000	153,000
Glenwood, City of-1st	05/30/00	08/20/19	1.980%	1,081,126	861,000	914,000
Glenwood, City of-2nd	11/09/04	08/20/24	2.210%	675,000	653,000	416,357
Glyndon, City of	10/29/02	08/20/22	2.380%	867,071	761,071	797,071
Grand Marais, City of-1st	04/27/99	08/20/19	2.560%	484,112	378,000	400,000
Grand Marais, City of-2nd	08/11/04	02/20/24	2.530%	916,653	766,576	804,576
Grand Rapids, City of	01/03/00	08/20/19	3.040%	1,079,657	844,000	892,000
Hamburg, City of-1st	07/22/03	08/20/22	2.490%	225,640	208,000	218,000
Hamburg, City of-2nd	07/27/04	08/20/24	2.340%	950,709	910,668	899,300
Harris, City of	10/26/99	08/20/19	3.290%	142,000	112,000	118,000
Hawley, City of	06/27/01	08/20/21	3.320%	660,000	563,000	589,000
Henning, City of	12/06/05	08/20/25	1.000%	562,800	538,182	-
Hibbing, City of-PUC	07/19/01	08/02/20	3.050%	1,434,777	1,212,000	1,275,000
Hinckley, City of-1st	11/17/00	08/20/20	4.160%	542,777	448,000	469,000
Hinckley, City of-2nd	10/05/01	08/20/21	2.820%	1,367,480	1,160,000	1,217,000
Hitterdal, City of	03/13/06	08/20/25	1.810%	157,957	157,957	-
Hoffman, City of	08/14/04	08/20/24	1.480%	880,248	791,838	697,642
Howard Lake, City of	10/13/99	08/20/19	3.060%	287,662	227,000	240,000
Hutchinson, City of	08/01/05	08/20/24	2.530%	5,697,247	3,120,336	-
Ironton, City of	07/27/04	08/20/23	1.090%	405,300	387,300	313,663
Jordan, City of-1st	11/05/98	08/20/18	3.540%	307,917	231,000	245,000
Jordan, City of-2nd	06/30/03	08/20/23	2.819%	1,068,000	980,939	992,308
Kandiyohi County-1st	08/18/99	08/20/19	3.540%	4,446,000	3,529,000	3,721,000
Kandiyohi County-2nd	12/29/99	08/20/19	3.540%	2,262,450	1,787,450	1,884,450
Kandiyohi County-3rd	11/30/00	08/20/20	3.540%	1,012,260	834,000	876,000
Kandiyohi County-4th	10/10/01	08/20/21	3.540%	233,000	199,000	208,000
Keewatin, City of	08/28/02	08/20/22	2.880%	500,000	451,000	471,000
Kenyon, City of	12/16/02	08/20/22	3.240%	224,000	116,000	125,000
Kiester, City of	10/15/01	08/20/21	3.070%	228,636	192,000	201,000
Lake Park, City of	09/08/03	08/20/23	2.090%	397,006	365,000	382,006
Lakefield, City of	09/26/02	08/20/22	2.880%	2,272,080	2,021,000	2,112,510
Lamberton, City of	08/06/99	08/20/19	1.860%	262,182	200,000	212,000
Lewiston, City of-1st	12/20/99	08/20/19	3.790%	312,934	244,000	257,000
Lewiston, City of-2nd	05/29/01	08/20/20	3.820%	270,000	232,000	243,000
Lismore, City of	08/17/01	08/20/21	2.570%	174,060	149,000	156,000
Litchfield, City of	05/24/99	08/20/19	3.540%	4,092,166	3,253,000	3,430,000
Littlefork, City of	07/28/99	08/20/19	1.810%	181,277	138,000	147,000
Long Prairie, City of	04/06/01	08/20/20	3.910%	1,098,586	932,000	977,000
Loretto, City of	05/09/06	08/20/25	2.310%	775,000	137,869	-
Lyle, City of	06/27/00	08/20/20	3.000%	311,040	253,000	266,000
Lynd, City of	11/19/98	08/20/09	2.040%	27,325	12,000	15,000

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Drinking Water Bond Fund (continued):</b>						
Mankato, City of	12/12/05	08/20/25	2.310%	2,309,300	-	-
Marble, City of	10/08/01	08/20/21	2.570%	128,210	107,000	112,000
Mayer, City of	12/21/00	08/20/20	3.910%	347,000	287,000	301,000
Melrose, City of-1st	01/26/99	08/20/18	3.540%	599,219	451,000	478,000
Melrose, City of-2nd	04/13/99	08/20/19	3.480%	2,500,000	1,990,700	2,099,700
Minneapolis, City of-1st	12/16/02	08/20/22	2.819%	27,400,000	26,000,000	26,500,000
Minneapolis, City of-2nd	02/26/04	08/20/23	2.800%	25,000,000	24,750,000	25,000,000
Minneapolis, City of-3rd	03/21/05	08/20/19	2.530%	12,500,000	10,495,079	3,518,468
Montevideo, City of	03/27/00	08/20/20	4.250%	1,658,080	1,370,000	1,435,000
Montgomery, City of-1st	09/18/03	08/20/23	3.180%	642,162	602,000	626,000
Montgomery, City of-2nd	05/24/04	08/20/23	2.840%	358,044	345,044	343,132
Morgan, City of	06/21/99	08/20/19	2.480%	481,289	376,000	397,000
Morris, City of	10/26/99	08/20/19	2.540%	1,251,423	969,000	1,026,000
Mountain Lake, City of	09/16/03	08/20/23	1.430%	3,000,000	2,737,751	2,817,706
Nashwauk, City of	06/08/99	08/20/19	1.980%	966,092	748,000	794,000
New Market, City of	07/02/99	08/20/19	3.040%	76,000	-	-
New Prague, City of	10/15/02	08/20/22	3.630%	2,885,942	2,574,000	2,682,942
New Richland, City of	07/15/03	08/20/22	2.740%	1,327,522	1,220,522	1,271,410
Nielsville, City of	12/06/04	08/20/24	1.210%	42,078	30,485	19,857
Northome, City of	03/04/04	08/20/23	1.730%	241,826	231,000	235,573
Onamia, City of	10/19/00	08/20/20	3.000%	420,000	341,000	359,000
Osakis, City of	01/14/03	08/20/22	2.920%	666,377	589,000	616,000
Ottertail, City of	01/14/03	08/20/22	1.170%	1,488,000	1,272,177	1,363,000
Park Rapids, City of	06/15/06	08/20/25	2.570%	956,750	-	-
Perham, City of	11/19/99	08/20/19	2.790%	606,790	472,000	499,000
Pine River, City of	09/20/02	08/20/22	1.630%	167,260	147,000	154,000
Plainview, City of	06/15/06	08/20/21	2.630%	937,164	-	-
Princeton, City of-PUC-1st	09/08/99	08/20/19	3.290%	670,000	529,000	558,000
Princeton, City of-PUC-2nd	06/10/04	08/20/23	2.530%	847,422	832,000	847,422
Red Wing, City of	04/12/04	08/20/23	2.819%	15,417,000	14,551,898	13,464,734
Renville, City of	08/23/04	08/20/24	1.980%	266,453	255,453	266,453
Rock County Rural Water District	09/30/99	08/20/19	1.790%	1,460,000	1,111,000	1,180,000
Rothsay, City of	11/04/03	08/20/23	1.990%	404,000	351,740	333,293
Royalton, City of	09/27/99	08/20/19	1.000%	458,452	332,000	354,000
Rush City, City of	03/05/99	08/20/18	1.540%	3,889,693	2,780,000	2,972,000
Rushford, City of	09/10/99	08/20/19	3.040%	765,000	596,000	630,000
Sabin, City of	07/19/05	08/20/24	2.720%	949,886	871,267	-
Saint Augusta, City of	07/14/03	08/20/22	2.819%	2,099,423	1,750,168	1,841,168
Saint Cloud, City of-1st	03/01/04	08/20/23	2.590%	1,381,672	1,327,672	1,381,672
Saint Cloud, City of-2nd	01/05/05	08/20/24	2.530%	2,527,278	2,466,350	902,281
Saint James, City of	01/08/02	08/20/21	3.570%	2,230,000	1,925,000	2,013,000
Saint Paul, City of	11/05/98	12/01/18	3.480%	16,500,000	11,225,000	12,410,000
Sandstone, City of	07/28/99	08/20/19	2.110%	401,331	309,000	328,000
Sauk Centre, City of	11/05/98	08/20/18	3.540%	2,121,231	1,596,000	1,691,000
Savage, City of	08/06/99	08/20/19	3.620%	8,984,395	7,128,395	7,514,395
Sebeka, City of	10/15/02	08/20/22	1.130%	262,242	231,942	243,942
Silver Bay, City of	11/19/98	08/20/18	2.560%	642,000	471,000	501,000
Spring Lake Park, City of	07/08/03	08/20/23	2.819%	4,259,142	3,524,521	3,625,848
Staples, City of	03/24/03	08/20/22	1.490%	1,400,000	1,273,000	1,338,000
Stewart, City of	08/08/05	08/20/24	2.220%	719,342	719,342	-
Sturgeon Lake, City of-1st	03/10/05	08/20/24	1.220%	2,476,541	2,476,541	1,320,756

Program	Date of	Final	Interest	Loan	Outstanding Principal at June 30,	
Borrower	Loan	Maturity	Rate	Commitment	2006	2005
<b>Drinking Water Bond Fund (continued):</b>						
Sturgeon Lake, City of-2nd	03/02/06	08/20/24	1.220%	250,000	124,961	-
Thomson, City of	09/08/03	08/20/23	2.680%	105,104	87,275	211,058
Tower, City of	01/20/00	08/20/19	1.860%	892,659	675,000	717,000
Tracy, City of	06/30/00	08/20/20	4.160%	141,355	104,000	109,000
Trosky, City of	11/03/99	08/20/19	3.290%	131,670	102,000	108,000
Two Harbors, City of	06/30/99	08/20/19	3.040%	835,000	658,000	695,000
Underwood, City of	11/13/01	08/20/21	2.570%	660,878	544,000	571,000
Utica, City of	09/19/01	08/20/21	2.070%	173,000	146,000	154,000
Verndale, City of	12/18/98	08/20/18	1.310%	75,572	52,000	56,000
Virginia, City of	11/08/99	08/20/19	3.040%	6,127,973	4,811,000	5,084,000
Wadena, City of	07/30/02	08/20/22	2.670%	2,617,891	2,344,000	2,452,000
Walker, City of	08/18/99	08/20/19	1.810%	1,877,758	1,428,000	1,517,000
Wanamingo, City of	08/29/01	08/20/21	1.810%	1,660,000	1,399,900	1,475,000
Watertown, City of	12/27/01	08/20/21	3.570%	2,456,978	2,123,000	2,221,978
West Concord, City of-1st	10/09/03	08/20/23	2.819%	234,105	218,665	227,665
Windom, City of-1st	03/12/99	08/20/18	2.570%	3,151,838	2,313,000	2,462,000
Windom, City of-2nd	06/28/99	08/20/19	2.290%	1,319,714	1,020,000	1,081,000
Winnebago, City of	09/19/00	08/20/20	2.160%	1,910,364	1,527,000	1,613,000
Winsted, City of	03/06/06	08/20/25	2.560%	611,322	-	-
Wykoff, City of	05/10/04	08/20/23	2.340%	278,806	268,000	278,806
rounding adjustment				2	(2)	(2)
Drinking Water Bond Fund				303,775,976	250,767,529	234,174,677

[The remainder of this page intentionally left blank]

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2006	2005
<b>Transportation Revolving Loan Fund Direct Loans:</b>						
Mn Dept of Transportation-1st	04/18/00	12/01/10	3.490%	15,000,000	7,414,869	9,039,404
Mn Dept of Transportation-2nd	01/02/02	12/01/16	2.550%	24,200,000	18,595,117	14,570,499
Mn Dept of Transportation-3rd	07/14/05	12/01/06	1.160%	3,900,000	3,900,000	-
Pennington County	08/29/01	08/20/21	3.140%	1,731,285	1,446,000	1,515,000
Pine County-1st	05/29/01	08/20/16	3.000%	1,434,459	939,459	1,069,459
Pine County-2nd	03/15/02	08/20/05	1.810%	17,145	-	-
Woodbury, City of-2nd	06/28/01	08/20/15	2.690%	4,589,700	4,069,700	4,209,700
Transportation Revolving Loan Fund Direct Loans				50,872,589	36,365,145	30,404,062
<b>Transportation Bond Fund Series 1999A:</b>						
Metropolitan Council	03/12/99	02/15/20	2.710%	21,025,000	9,365,000	10,710,000
<b>Transportation Bond Fund Series 2001:</b>						
Benton County	10/23/01	08/20/11	2.150%	469,000	293,000	338,000
Mazeppa, City of	10/26/99	08/20/14	2.480%	535,000	355,000	390,000
Newport, City of	11/28/01	08/20/15	1.390%	1,625,600	940,424	957,602
Ramsey County-1st	05/04/01	08/20/30	3.590%	6,872,000	6,407,000	6,567,000
Ramsey County-2nd	05/04/01	08/20/30	3.590%	-	-	-
Richfield, City of	09/17/01	02/20/07	2.000%	6,700,000	1,999,669	6,680,000
Robbinsdale, City of	10/23/01	08/20/12	2.290%	927,843	713,000	805,843
Rochester, City of	11/14/01	08/20/21	2.830%	2,500,000	2,188,000	2,295,000
Waite Park, City of	06/27/01	08/20/21	3.190%	2,100,000	1,778,000	1,862,000
Woodbury, City of-1st	06/28/01	08/20/17	2.700%	13,049,400	9,535,989	10,751,200
Transportation Bond Fund Series 2001				34,778,843	24,210,082	30,646,645
<b>Special Appropriation Direct Loans:</b>						
Stewart, City of	04/22/02	08/20/21	1.000%	1,000,000	866,000	916,000
<b>Wastewater Infrastructure (Wif) Loans:</b>						
Rushmore, City of	10/03/05	02/20/36	0.000%	290,876	290,876	-
MPFA Totals				<u>\$1,938,559,340</u>	<u>\$1,344,062,740</u>	<u>\$1,310,809,244</u>

- (1) Henning: \$500,000 of the original principal amount amortized at -0-% with the balance amortized at 2.23%  
(2) Walnut Grove: \$500,000 of the original principal amount amortized at -0-% with the balance amortized at 1.74%

Borrower concentration in the open pool bond funds:

*Borrower concentration, Clean Water Bond Fund:* only one borrower's loan balance exceeds ten percent of the Clean Water loan portfolio. At June 30, 2006 and 2005, the Metropolitan Council made up 50.3% and 49.4%, respectively, of the outstanding Clean Water loan balances.

*Borrower concentration, Drinking Water Bond Fund:* only one borrower's loan balance exceeds ten percent of the Drinking Water loan portfolio. At June 30, 2006 and 2005, the City of Minneapolis made up 24.4% and 23.5%, respectively, of the outstanding Drinking Water loan balances.



*Schedule of Future Loan Repayments* - At June 30, 2006, scheduled loan repayments on outstanding loans are payable as follows:

Fiscal Yr(s)	Clean Water		Drinking Water		Transportation Series 1999A	
	Interest	Principal	Interest	Principal	Interest	Principal
2007	\$ 28,402,137	\$ 49,465,588	\$ 6,794,620	\$ 11,157,220	\$ 252,098	\$ 1,380,000
2008	27,071,898	54,086,560	6,882,466	11,777,338	214,632	1,420,000
2009	26,614,869	52,386,163	6,551,706	12,224,000	176,082	1,460,000
2010	25,014,746	50,321,493	6,204,526	13,091,000	136,516	1,485,000
2011	23,434,045	58,085,557	5,841,312	13,444,000	97,696	320,000
2012 - 2016	89,496,037	325,091,441	23,101,400	77,000,000	353,723	1,730,000
2017 - 2021	38,923,078	337,941,966	11,508,381	88,625,545	106,164	1,570,000
2022 - 2026	4,087,645	109,608,177	1,722,140	42,221,361		
2027 - 2031						
2032 - 2036						
	\$ 263,044,455	\$ 1,036,986,945	\$ 68,606,551	\$ 269,540,464	\$ 1,336,911	\$ 9,365,000

Less: Undisbursed loan commitments:

14,788,838

18,772,934

Outstanding principal:

\$ 1,022,198,107

\$ 250,767,530

\$ 9,365,000

Fiscal Yr(s)	Transportation Series 2001		Non-Pledged Loans		MPFA Totals	
Ending	Interest	Principal	Interest	Principal	Interest	Principal
2007	\$ 674,030	\$ 3,687,658	\$ 1,030,163	\$ 7,719,347	\$ 37,153,048	\$ 73,409,813
2008	587,758	1,767,000	875,034	3,931,709	35,631,787	72,982,607
2009	539,423	1,839,000	751,626	4,059,521	34,633,707	71,968,684
2010	489,051	1,915,000	624,097	4,196,690	32,468,935	71,009,183
2011	436,604	1,989,000	492,351	3,197,949	30,302,008	77,036,506
2012 - 2016	1,535,352	6,769,000	1,366,613	11,346,212	115,853,126	421,936,653
2017 - 2021	860,739	3,143,000	121,650	2,608,717	51,520,012	433,889,228
2022 - 2026	455,035	1,781,000	2,064	210,750	6,266,884	153,821,288
2027 - 2031	161,514	1,752,000		132,500	161,514	1,884,500
2032 - 2036				118,626		118,626
	\$ 5,739,506	\$ 24,642,658	\$ 5,263,598	\$ 37,522,021	\$ 343,991,021	\$ 1,378,057,088

Less: Undisbursed loan commitments:

432,576

33,994,348

Outstanding principal:

\$ 24,210,082

\$ 37,522,021

\$ 1,344,062,740

Projected repayments include undisbursed amounts, and are net of projected fees. Repayments will differ from projected for loans that are not yet fully disbursed.

The above projections include only fully executed loans (listed above). The Authority anticipates funding a significant amount of new loans from existing resources; these loans will add to future repayment streams but are not included above.

All loans of the Authority are secured by the borrowers' general obligation and revenue pledges, except the DWBF loan to Saint Paul which is backed solely by a revenue pledge.

#### 4. Bonds Payable

Bonds payable at June 30, 2006 and 2005 consist of:

Series	Interest Rates	Date Issued	Final Maturity <sup>1</sup>	Original Principal	Outstanding Principal, June 30:	
					2006	2005
<b>Clean Water</b>						
<i>Six series of bonds prior to 1996A:</i>				\$ 325,527,117	\$ -	\$ -
1996A	4.00 - 5.00	03/06/96	03/01/13	118,830,000	-	87,340,000
1996B	4.00 - 6.75	09/26/96	03/01/18	61,970,000	-	2,555,000
1997A/B	4.75 - 6.00	10/15/97	03/01/18	138,635,000	31,145,000	37,885,000
1998A	4.125 - 5.00	03/05/98	03/01/19	100,000,000	71,990,000	73,485,000
1998B	3.30 - 5.125	12/30/98	03/01/19	78,000,000	9,000,000	35,500,000
2000A	5.00 - 5.50	07/27/00	03/01/19	110,000,000	12,500,000	56,500,000
2001A	3.00 - 5.00	11/15/01	03/01/20	70,000,000	9,000,000	52,000,000
2002A	3.00 - 5.25	12/19/02	03/01/21	100,000,000	31,750,000	82,250,000
2004BC	3.00 - 5.25	10/21/04	03/01/24	218,000,000	218,000,000	218,000,000
2004D	3.25 - 5.00	12/02/04	03/01/16	101,000,000	101,000,000	101,000,000
2005B	3.00 - 5.00	10/20/05	03/01/21	148,375,000	147,365,000	
2005C	5.00	12/07/05	03/01/25	134,000,000	134,000,000	
Clean Water bonds				1,704,337,117	765,750,000	746,515,000
Plus: Remaining unamortized net premium (discount)					48,339,109	31,207,978
Less: Unamortized portion of the amount deferred in refunding <sup>2</sup>					(26,309,739)	(20,357,916)
Net bonds payable reflected on the statement of net assets					787,779,370	757,365,062
<b>Drinking Water</b>						
1999B	4.60 - 5.125	07/14/99	03/01/19	21,500,000	2,965,000	17,355,000
2002B	2.00 - 5.25	12/19/02	03/01/21	50,000,000	20,000,000	45,000,000
2004A	2.00 - 5.00	03/04/04	03/01/24	53,000,000	52,000,000	52,900,000
2005A	2.00 - 5.00	10/20/05	03/01/25	83,365,000	83,365,000	
Drinking Water bonds				207,865,000	158,330,000	115,255,000
Plus: Remaining unamortized net premium (discount)					5,728,392	2,102,288
Less: Unamortized portion of the amount deferred in refunding <sup>2</sup>					(1,480,928)	
Net bonds payable reflected on the statement of net assets					162,577,464	117,357,288
<b>Transportation Series 1999A</b>						
1999A	4.00 - 4.75	03/18/99	03/01/20	17,080,000	7,605,000	8,700,000
Plus: Remaining unamortized net premium (discount)					(31,436)	(34,013)
Net bonds payable reflected on the statement of net assets					7,573,564	8,665,987
<b>Transportation Series 2001</b>						
2001	3.50 - 5.00	12/13/01	03/01/21	20,450,000	14,780,000	18,750,000
Plus: Remaining unamortized net premium (discount)					217,857	348,071
Net bonds payable reflected on the statement of net assets					14,997,857	19,098,071
<b>MPFA Totals</b>						
Original and outstanding principal				1,949,732,117	946,465,000	889,220,000
Plus: Remaining unamortized net premium (discount)					54,253,922	33,624,324
Less: Unamortized portion of the amount deferred in refunding <sup>2</sup>					(27,790,667)	(20,357,916)
Net bonds payable reflected on the statement of net assets					\$ 972,928,255	\$ 902,486,408

<sup>1</sup> Final maturity reflects the latest maturity currently outstanding.

<sup>2</sup> This amount is reflected on the statement of net assets as a reduction of bonds payable.

**Bond Proceeds** – The net bond proceeds have been used to fund loans to Minnesota municipalities for projects relating to wastewater treatment facilities, drinking water systems, and transportation. A portion of the 1996A Series was used to refund portions of the 1989A, 1990A, 1991A, and 1991B Series bonds. A portion of the 1997AB Series was used to refund portions of the 1990A and 1992A Series bonds. A portion of the 1998A Series was used to refund portions of the 1989A, 1991A, 1991B, and 1995A Series bonds. A portion of the 2004BC Series was used to refund portions of the 1995A, 1996B, and 1997AB Series bonds. A portion of the 2004D Series was used to refund portions of the 1998B, 2000A, 2001A, and 2002A Series bonds. A portion of the 2005A Series was used to refund portions of the 1999B and 2002B Series bonds. The 2005B Series proceeds were used to refund portions of the 1998B, 2000A, 2001A, and 2002A Series bonds. A portion of the 2005C Series was used to current refund portions of the 1996A Series bonds.

**Security** - The bonds are secured by bond program assets and revenues as defined in the applicable basic bond resolutions and series bond resolutions.

**Bonding Authority** - The Authority's outstanding debt limit is \$1,500,000,000. The Authority bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority). The principal amount of bonds outstanding at June 30, 2006 was \$946,465,000.

**Advanced and Current Refunding of Debt** - The Authority has, on eight occasions to date, issued bonds the partial proceeds of which were used to defease or call certain prior debt issuances. In each case, the Authority established an irrevocable escrow fund pursuant to an escrow agreement between the Authority, the Minnesota State Board of Investment, and an escrow agent. The escrow funds are pledged solely to the repayment of principal, premium, and interest on the refunded bonds. Under the agreements, the refunded bonds will be called for redemption at each series' applicable optional redemption dates. As these bonds have, in effect, been redeemed under the defeasance, they are no longer outstanding under the Authority's applicable bond resolutions and therefore, they are not entitled to the pledge of the applicable resolution. Accordingly, these bonds and the related escrow funds are not reflected in these basic financial statements as of June 30, 2006.

For the Series 2005C refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$1,659,097. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2005C refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2013 using the effective interest method. The advance refunding will reduce debt service payments over the next 7.5 years by \$2,312,284 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$2,360,261.

For the Series 2005B refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$7,717,395. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2005B refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2021 using the effective interest method. The advance refunding will reduce debt service payments over the next 15.5 years by \$11,851,474 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$8,000,308.

For the Series 2005A refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$1,537,317. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2005A refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2021 using the effective interest method. The advance refunding will reduce debt service payments over the next 15.5 years by \$1,882,983 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$1,378,219.

For the Series 2004D refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$6,640,066. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2004D refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2016 using the effective interest method. The advance refunding will reduce debt service payments over the next 11 years by \$4,665,392 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$3,978,333.

For the Series 2004BC refunding, the difference between the net carrying amount of the refunded bonds and the amount placed in escrow was \$7,368,998. This amount has been deferred and is being amortized over the shorter of the remaining life of the refunded bonds or the life of the Series 2004BC refunding bonds. The amount deferred on refunding is reflected in the financial statements as a reduction of bonds payable and is being charged to operations through the year 2016 using the effective interest method. The advance refunding will reduce debt service payments over the next 13 years by \$6,643,747 and obtains an economic gain (the difference between the present value of the old and new debt service payments) of \$7,389,038.

The following table lists all bonds defeased and not yet redeemed.

Defeased bonds unredeemed as of June 30, 2006 (sorted by cusip #):

CUSIP #	Series	Maturity	Call Date	Refunding Date	Par Refunded Unredeemed
604111AL8	1999B	03/01/10	03/01/09	10/20/05	\$ 1,080,000
604111AM6	1999B	03/01/11	03/01/09	10/20/05	1,130,000
604111AN4	1999B	03/01/12	03/01/09	10/20/05	1,180,000
604111AP9	1999B	03/01/13	03/01/09	10/20/05	1,240,000
604111AQ7	1999B	03/01/14	03/01/09	10/20/05	1,300,000
604111AR5	1999B	03/01/15	03/01/09	10/20/05	1,365,000
604111AS3	1999B	03/01/16	03/01/09	10/20/05	1,435,000
604111AT1	1999B	03/01/19	03/01/09	10/20/05	4,750,000
604111BF0	2002B	03/01/15	03/01/12	10/20/05	3,000,000
604111BG8	2002B	03/01/16	03/01/12	10/20/05	3,000,000
604111BH6	2002B	03/01/17	03/01/12	10/20/05	3,000,000
604111BJ2	2002B	03/01/18	03/01/12	10/20/05	3,500,000
604111BK9	2002B	03/01/19	03/01/12	10/20/05	3,500,000
604111BL7	2002B	03/01/20	03/01/12	10/20/05	4,000,000
604111BM5	2002B	03/01/21	03/01/12	10/20/05	2,500,000
604114JK5	1998B	03/01/10	03/01/09	12/02/04	4,500,000
604114JL3	1998B	03/01/11	03/01/09	12/02/04	6,000,000

Defeased bonds unredeemed as of June 30, 2006 (continued):

CUSIP #	Series	Maturity	Call Date	Refunding Date	Par Refunded Unredeemed
604114JM1	1998B	03/01/12	03/01/09	12/02/04	\$ 3,400,000
604114JN9	1998B	03/01/13	03/01/09	12/02/04	5,000,000
604114JP4	1998B	03/01/14	03/01/09	12/02/04	6,000,000
604114JQ2	1998B	03/01/15	03/01/09	12/02/04	7,000,000
604114JR0	1998B	03/01/16	03/01/09	10/20/05	6,000,000
604114JS8	1998B	03/01/17	03/01/09	10/20/05	6,000,000
604114JT6	1998B	03/01/18	03/01/09	10/20/05	6,000,000
604114JU3	1998B	03/01/19	03/01/09	10/20/05	6,000,000
604114KL1	2000A	03/01/10	03/01/09	12/02/04	4,500,000
604114KM9	2000A	03/01/11	03/01/09	12/02/04	5,000,000
604114KN7	2000A	03/01/12	03/01/09	12/02/04	7,500,000
604114KP2	2000A	03/01/13	03/01/09	12/02/04	8,000,000
604114KQ0	2000A	03/01/14	03/01/09	12/02/04	9,000,000
604114KR8	2000A	03/01/15	03/01/09	12/02/04	10,000,000
604114KS6	2000A	03/01/16	03/01/09	10/20/05	10,000,000
604114KT4	2000A	03/01/17	03/01/09	10/20/05	10,000,000
604114KU1	2000A	03/01/18	03/01/09	10/20/05	10,000,000
604114KV9	2000A	03/01/19	03/01/09	10/20/05	10,000,000
604114LX4	2001A	03/01/11	03/01/10	10/20/05	2,000,000
604114LY2	2001A	03/01/12	03/01/10	10/20/05	4,000,000
604114LZ9	2001A	03/01/13	03/01/10	12/02/04	4,000,000
604114MA3	2001A	03/01/14	03/01/10	12/02/04	5,000,000
604114MB1	2001A	03/01/15	03/01/10	12/02/04	3,000,000
604114MC9	2001A	03/01/16	03/01/10	10/20/05	6,000,000
604114MD7	2001A	03/01/17	03/01/10	10/20/05	7,000,000
604114ME5	2001A	03/01/18	03/01/10	10/20/05	7,000,000
604114MF2	2001A	03/01/19	03/01/10	10/20/05	8,000,000
604114MG0	2001A	03/01/20	03/01/10	10/20/05	8,000,000
604114MW5	2002A	03/01/15	03/01/12	12/02/04	6,750,000
604114MX3	2002A	03/01/16	03/01/12	12/02/04	7,250,000
604114MY1	2002A	03/01/17	03/01/12	10/20/05	9,500,000
604114MZ8	2002A	03/01/18	03/01/12	10/20/05	9,750,000
604114NA2	2002A	03/01/19	03/01/12	10/20/05	9,750,000
604114NB0	2002A	03/01/20	03/01/12	10/20/05	9,750,000
604114NC8	2002A	03/01/21	03/01/12	10/20/05	9,750,000
604114PP7	1997AB	03/01/08	03/01/07	10/21/04	5,390,000
604114PQ5	1997AB	03/01/09	03/01/07	10/21/04	5,470,000
604114PR3	1997AB	03/01/10	03/01/07	10/21/04	5,845,000
604114PS1	1997AB	03/01/11	03/01/07	10/21/04	6,295,000
604114PT9	1997AB	03/01/12	03/01/07	10/21/04	6,815,000
604114PU6	1997AB	03/01/13	03/01/07	10/21/04	6,470,000
604114PV4	1997AB	03/01/14	03/01/07	10/21/04	4,915,000
604114PW2	1997AB	03/01/15	03/01/07	10/21/04	4,245,000
604114PX0	1997AB	03/01/16	03/01/07	10/21/04	4,035,000
604114PY8	1997AB	03/01/17	03/01/07	10/21/04	7,930,000
					<u>\$ 349,790,000</u>

*Schedule of Maturities* -At June 30, 2006 debt service on outstanding bonds is payable as follows:

Fiscal Yr(s) Ending	Clean Water		Drinking Water		Transportation Series 1999A	
	Interest	Principal	Interest	Principal	Interest	Principal
2007	\$ 37,973,885	\$ 33,020,000	\$ 7,179,695	\$ 5,205,000	\$ 325,175	\$ 1,120,000
2008	36,308,210	38,065,000	6,964,625	5,920,000	280,375	1,155,000
2009	34,437,200	40,890,000	6,719,045	6,190,000	234,175	1,185,000
2010	32,401,700	39,980,000	6,458,445	6,785,000	185,590	1,205,000
2011	30,599,800	47,030,000	6,182,508	7,080,000	134,980	260,000
2012-2016	116,371,500	264,555,000	25,685,088	42,785,000	498,958	1,405,000
2017-2021	52,593,375	221,710,000	14,259,044	54,365,000	153,663	1,275,000
2022-2026	7,725,000	80,500,000	2,796,060	30,000,000		
Totals, PFA	\$ 348,410,670	\$ 765,750,000	\$ 76,244,510	\$ 158,330,000	\$ 1,812,916	\$ 7,605,000
plus: premium (discount)		48,339,109		5,728,392		(31,436)
less: refunding deferrals		(26,309,739)		(1,480,928)		
Net bonds payable		<u>\$ 787,779,370</u>		<u>\$ 162,577,464</u>		<u>\$ 7,573,564</u>

Fiscal Yr(s) Ending	Transportation Series 2001		MPFA Totals	
	Interest	Principal	Interest	Principal
2007	\$ 739,000	\$ 2,345,000	\$ 46,217,755	\$ 41,690,000
2008	621,750	1,110,000	44,174,960	46,250,000
2009	566,250	1,175,000	41,956,670	49,440,000
2010	507,500	1,285,000	39,553,235	49,255,000
2011	443,250	1,350,000	37,360,538	55,720,000
2012-2016	1,333,500	4,820,000	143,889,045	313,565,000
2017-2021	391,250	2,695,000	67,397,331	280,045,000
2022-2026			10,521,060	110,500,000
Totals, PFA	\$ 4,602,500	\$ 14,780,000	\$ 431,070,594	\$ 946,465,000
plus: premium (discount)		217,857		54,253,922
less: refunding deferrals				(27,790,667)
Net bonds payable		<u>\$ 14,997,857</u>		<u>\$ 972,928,255</u>

*Table of changes during the fiscal year* : The following table summarizes the change in reported bonds payable during the year ended June 30, 2006:

Bond Fund	Beginning	New	Redemptions	Defeased	Ending
	Balance (par)	Issues (par)			Balance (par)
CWBF	\$ 746,515,000	\$ 282,375,000	\$ (35,755,000)	\$ (227,385,000)	\$ 765,750,000
DWBF	115,255,000	83,365,000	(4,310,000)	(35,980,000)	158,330,000
TR-1999A	8,700,000		(1,095,000)		7,605,000
TR-2001	18,750,000		(3,970,000)		14,780,000
Totals	\$ 889,220,000	\$ 365,740,000	\$ (45,130,000)	\$ (263,365,000)	\$ 946,465,000
Plus: remaining unamortized premium					54,253,922
Less: unamortized portion of the amount deferred in refunding					(27,790,667)
					<u>\$ 972,928,255</u>

*Table of changes during the fiscal year :* The following table summarizes the change in reported bonds payable during the year ended June 30, 2005:

<u>Bond Fund</u>	<u>Beginning Balance (par)</u>	<u>New Issues (par)</u>	<u>Redemptions</u>	<u>Defeased</u>	<u>Ending Balance (par)</u>
CWBF	\$ 679,460,000	\$ 319,000,000	\$ (35,245,000)	\$ (216,700,000)	\$ 746,515,000
DWBF	118,725,000		(3,470,000)		115,255,000
TR-1999A	9,760,000		(1,060,000)		8,700,000
TR-2001	19,570,000		(820,000)		18,750,000
<b>Totals</b>	<b>\$ 827,515,000</b>	<b>\$ 319,000,000</b>	<b>\$ (40,595,000)</b>	<b>\$ (216,700,000)</b>	<b>\$ 889,220,000</b>
Plus: remaining unamortized premium					33,624,324
Less: unamortized portion of the amount deferred in refunding					(20,357,916)
					<u><b>\$ 902,486,408</b></u>

#### 5. *Arbitrage Rebate Liability*

The bonds issued by the Authority are subject to a variety of Internal Revenue Service (IRS) regulations that limit the amount of income that may be earned with investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. The Authority's arbitrage rebate liability at June 30, 2006 and 2005 was \$5,368,543 and \$4,933,722, respectively.

#### 6. *Related-Party Transactions*

**Administrative Services** - The DEED, Department of Health, and MPCA provide administrative staff and services to the Authority. During fiscal 2006 and 2005, the Authority paid approximately \$2.4 million and \$2.6 million, respectively, for these services.

**Transfers** - The Authority has, from CWBF net assets, made sub grant awards for non point-source pollution control programs administered by the Minnesota Department of Agriculture and the Minnesota Pollution Control Agency. As the Authority makes these awards a transfer out of the CWBF to the Other Fund is recognized. Such transfers during fiscal 2006 and 2005 were \$2 million and \$-0-, respectively. In fiscal year 2006 and 2005, approximately \$3.9 million and \$1.0 million, respectively, were transferred from the TBF Funds to the Other Fund, from excess bond year pledged revenues over bond year debt service in the TBF Funds.

#### *State Appropriations:*

- During 2005, the state, through the Minnesota Department of Finance, changed its method of recognizing appropriations made to the Authority when the respective eligibility criteria have been met by the Authority. Therefore, the appropriations from the 2005 legislation and thereafter will be recognized in the financial statements only as the related expenditure obligations have met the eligibility requirements.

- The Capital Improvements bill of 2006 (Chapter 258, Section 22) appropriated \$80.292 million to the Authority, for state match to the federal clean water and drinking water capitalization grants, for the WIF program, and other purposes primarily related to wastewater treatment, including the new programs created in the Clean Water Legacy Act of 2006 (Chapter 251) for phosphorus reduction grants and small community wastewater treatment. In addition to these appropriations, the Small Community Wastewater Treatment program was appropriated \$100,000 for technical assistance to communities, from the Supplemental Budget Bill (Chapter 282).
- The Capital Improvements bill of 2005 (Chapter 20, Article 1, Section 23) appropriated \$56.721 million to the Authority, for state match to the federal clean water and drinking water capitalization grants, for the WIF program, and other purposes primarily related to wastewater treatment. Section 39 of this bill established the Total Maximum Daily Load grant program.
- The Omnibus Public Safety bill of 2005 (Chapter 136, Article 7, Section 15) created the Methamphetamine Laboratory Cleanup Revolving Loan Fund. The state government appropriations bill (2005 special session 1, Chapter 1, Article 3, Sections 2, Subdivision 2) appropriated \$500,000 for this program.
- Per Minnesota Laws of 2003, special session chapter 19 article 2 section 66, \$4.1 million of prior appropriations was cancelled from the Transportation Revolving Loan Fund portion of the Other Fund and returned to the State general fund during fiscal year 2004 and the same amount during fiscal year 2005.

#### 7. *Commitments*

At June 30, 2006 the Authority had committed approximately \$123 million for the origination or disbursement of future loans under the Clean Water Bond Fund, Drinking Water Bond Fund, and Transportation Revolving Loan Fund program. In the Other Fund, approximately \$5.9 million for disbursement of non point-source pollution control awards and \$11.3 million for other programs was committed.