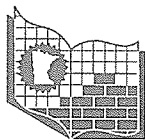


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Building the Places  
Where Education  
Takes Place

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

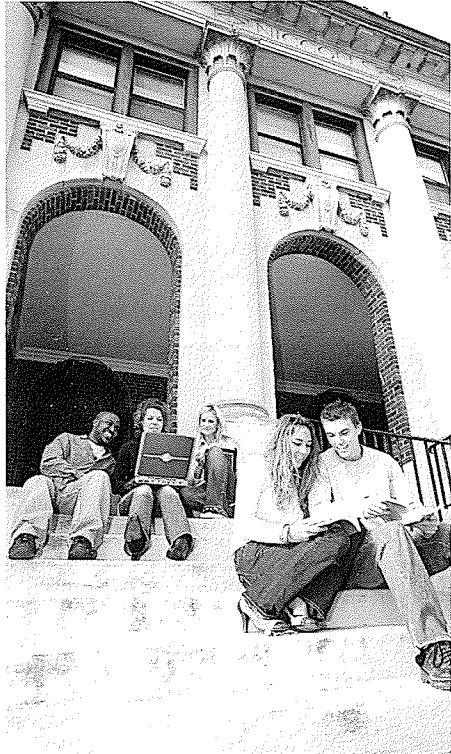


MINNESOTA  
HIGHER EDUCATION  
FACILITIES AUTHORITY  
Annual Report for  
the Fiscal Year 2007

REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

Colleges & Universities with Bond Issues Outstanding .....	4
Independent Auditors' Report .....	12
Management's Discussion and Analysis.....	13
Basic Financial Statements	
Statement of Net Assets .....	16
Statement of Revenues, Expenses and Changes in Net Assets.....	17
Statement of Cash Flows .....	18
Notes to the Financial Statements .....	19



MISSION OF THE AUTHORITY

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

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

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

## LETTER FROM THE CHAIR

Greetings:

We are pleased to present the Annual Report of the Minnesota Higher Education Facilities Authority for the year ended June 30, 2007, including the financial statements for the year, as audited by Kern, DeWenter, Viere, Ltd. This report includes information about the services provided by the Authority to nonprofit institutions of higher education in the State of Minnesota. The primary service is to provide financing for capital projects of those colleges and universities through tax-exempt debt issued by the Authority. A critical benefit associated with that service is the monetary savings that are realized by those institutions as a result of the lower interest rates available through the Authority's tax-exempt financing.

Throughout the Authority's history, this financing assistance has been provided without cost to the taxpayers of Minnesota. The credit of the State does not back the bonds, either directly or indirectly, and the operating expenses of the Authority are paid from fees associated with the various financings.

In fiscal year 2007, the Authority completed nine financings for eight institutions.

The total principal amount of \$137,260,000 compared to the previous year's total of \$93,460,000. Taking into account regularly

scheduled repayments and the refunding of certain prior Authority bonds usually in order to take advantage of lower interest rates, the total principal outstanding for Authority-issued debt stands at approximately \$719,852,000 as of the end of the fiscal year. During the 2007 session, the State Legislature granted the Authority an increase in the limit on outstanding debt from \$800 million to \$950 million.

During the fiscal year, Governor Pawlenty reappointed Kathryn Balstad Brewer and Gary D. Benson to serve another four-year term and appointed Janet Withoff to fill a vacancy to complete a term.

Annual bonding volume will continue to fluctuate with market conditions and institutional needs. Since 1971, the Authority has remained a constant source of financing to Minnesota's nonprofit colleges and universities. Through the combined efforts of the Authority members, staff and advisors, the Authority will continue to provide requested services in an efficient and cost-effective manner.

Respectfully Submitted,  
Michael D. Ranum  
Chair

## MHEFA BOARD MEMBERS

**Michael D. Ranum**, *MHEFA Chair*  
Operations Manager  
BWBR Architects, Inc.  
Resident of Circle Pines  
Term Expires January 2010

**Mary F. Ives**, *MHEFA Vice Chair*  
Real Estate Business Owner  
Resident of Grand Rapids  
Term Expires January 2008

**Raymond VinZant, Jr.**, *MHEFA Secretary*  
Staff Consultant for the  
Coleman for Senate Campaign  
Resident of St. Paul  
Term Expires January 2008

**Gary D. Benson**  
Project Director  
ICS Consulting, Inc.  
Resident of New Brighton  
Term Expires January 2011

**Kathryn Balstad Brewer**  
Retired Banker and Educator  
Resident of New Brighton  
Term Expires January 2011

**David B. Laird, Jr.**, *Ex-officio*  
Non-voting Member  
President, Minnesota Private College  
Council

**Mark Misukanis**, *Ex-officio*  
Director of Fiscal Policy & Research  
MN Office of Higher Education

**Carla Nelson**  
Business Development & Marketing Director  
Olmsted Financial Group  
Resident of Rochester  
Term Expires January 2009

**David D. Rowland**  
Senior Vice President  
The Travelers Companies, Inc.  
Resident of Eden Prairie  
Term Expires January 2009

**Janet Withoff**  
Consultant-Planning and Grant Writing  
Resident of Orono  
Term Expires January 2010

## MHEFA STAFF

**Marianne T. Remedios**, *Executive Director*

**Elaine J. Yungerberg**,  
*Assistant Executive Director*

**Jane M. Cain**, *Administrative Assistant*

**Financial Advisors**  
Springsted Incorporated, St. Paul

**Independent Auditors**  
Kern, DeWenter, Viere, Ltd., Minneapolis

**COLLEGES &  
UNIVERSITIES  
WITH BOND ISSUES  
OUTSTANDING:**

**AUGSBURG COLLEGE** is a private, four-year, liberal arts college located in Minneapolis, Minnesota at the center of the Twin Cities metropolitan area. The College was founded in 1869 in Marshall, Wisconsin and moved to Minneapolis in 1872. It is affiliated with the Evangelical Lutheran Church in America. The College offers undergraduate degrees in more than 50 major areas of study and offers several graduate degree programs.

- ⊕ Series A issued December 1972 in the amount of \$2,200,000. The proceeds were used for the construction of a student residence facility.
- ⊕ Series Four-Y issued January 1999 in the amount of \$15,840,000. The proceeds of this bond issue were used to refinance the outstanding portion of the Series Three-G bond issue and to finance the construction and equipping of a 145-bed, apartment-style student residence hall and underground parking.
- ⊕ Series Six-C issued April 2005 in the amount of \$6,780,000. The proceeds of this bond issue were used to refund the outstanding portion of the Series Four-F1 Bonds and Series Four-W notes.
- ⊕ Series Six-J1 issued July 2006 in the amount of \$15,655,000. The proceeds of this bond issue were used for construction and furnishing of the Gateway Project which includes student housing, commercial space, administrative office space, classroom space and underground parking.
- ⊕ Series Six-J2 issued July 2006 in the amount of \$5,000,000. The proceeds of this bond issue were used to construct an addition to the Si Melby Athletic facility, renovate the Augsburg House and Event Center and pay certain construction costs of the Gateway Project.

**BETHEL UNIVERSITY** is a Christian liberal arts institution offering majors, minors, and advanced degrees in nearly 100 programs. Bethel's campus is located in Arden Hills, Minnesota, but the College of Adult & Professional Studies and Graduate School also conduct courses in 10 other locations across the Twin Cities. Bethel College & Seminary, founded in 1871, changed its name to Bethel University in June 2004.

- ⊕ Series Four-S issued June 1998 in the amount of \$22,865,000. The proceeds of these adjustable demand revenue bonds were used for the following: construction of a new residence hall; addition to the Fine Arts Center, composed of classrooms, offices and the expansion of chemistry laboratories; remodeling of spaces in various campus buildings; upgrade of campus wiring network and electronics infrastructure; construction of a baseball field; and parking expansion and improvements.
- ⊕ Series Five-V issued May 2004 in the amount of \$8,500,000. The proceeds of this bond issue were used together with additional funds of the University to finance the construction of a 48-suite student housing facility on the campus.



**CARLETON COLLEGE**, founded in 1866, is a coeducational, residential, liberal arts college located in Northfield, Minnesota on a 1,040-acre campus, which includes an 880-acre arboretum. Carleton offers a Bachelor of Arts degree in over 30 major fields of study, as well as numerous special programs, area studies or concentrations.

⊕ Series Three-L2 issued October 1992 in the amount of \$10,300,000. The proceeds, along with college funds, were used to finance a variety of campus construction, remodeling and equipment acquisition projects.

⊕ Series Four-N issued June 1997 in the amount of \$24,440,000. The proceeds of this bond issue were used to construct and furnish a recreation center and a student dining hall, install a chiller and related piping, and install an administrative and bookstore computer system. Also, portions of the proceeds were used to finance the renovation of Mudd Hall, Goodhue Dining Hall, and Evans Hall.

⊕ Series Five-G issued June 2000 in the amount of \$23,000,000. The proceeds of this bond issue were used for the construction and furnishing of a 63,000 square foot academic and dining facility, for the construction of a 100-bed, apartment-style student residence, and for improvements of bridges, walkways, plantings and lighting on and near Lyman Lakes on the College campus.

⊕ Series Six-D issued April 2005 in the amount of \$31,460,000.00. The proceeds of this bond issue were used to construct and furnish a townhouse for student occupancy, to acquire real estate near Campus, to refinance the outstanding portion of Series Three-L1 Bonds and to refinance a portion of the outstanding Series Four-N Bonds.



**COLLEGE OF ST. BENEDICT** is a Catholic liberal arts college for women founded by Benedictine monastic women in 1887.

Academic and social programs are carried out in cooperation with nearby St. John's University for men allowing student access to the faculties and facilities of both campuses. The College offers more than 60 areas of study and 40 majors. It is located in central Minnesota minutes away from the St. Cloud metropolitan area.

⊕ Series Four-G issued July 1996 in the amount of \$3,000,000. The proceeds of this bond issue were used to finance the construction and furnishing of a 120-bed student residence.

⊕ Series Four-T issued July 1998 in the amount of \$25,430,000. The proceeds of this issue were used for several projects: renovation of Mary Hall Commons; construction of a centralized chiller plant; various renovations to existing campus buildings including the Loft Building; expansion of East Apartments; the addition of air conditioning to the first and second floors of Gertrude Hall; and other infrastructure improvements. In addition, some bond proceeds were used to refinance a portion of the Series Three-W Bonds.

⊕ Series Five-W issued in July 2004 in the amount of \$7,965,000.00. The proceeds of this issue were used to refinance the outstanding portion of the Series Three-W Bonds and to finance a wide variety of improvements to several residence halls and academic buildings.

⊕ Series Six-M issued in October 2006 in the amount of \$ 7,345,000. The proceeds of this issue were used for the construction and furnishing of an approximately 51,000 square foot, two-story dining center located on the College campus.

**COLLEGE OF ST. CATHERINE** is a Catholic liberal arts college founded in 1905 by the Sisters of St. Joseph of Carondelet. The College offers its programs on two campuses, one in St. Paul, Minnesota and one in Minneapolis, Minnesota. The College offers baccalaureate, associate and master's degrees in a variety of health-care specialties, liberal arts and professional programs and has both traditional day and weekend programs.

⊕ Series Five-N1 issued August 2002 in the amount of \$28,265,000 and Series Five-N2 issued August 2002 in the amount of 24,625,000. The proceeds of these bond issues were used for the construction of a Student Center and Learning Commons, renovation of St. Joseph hall and St. Catherine Library, renovation of Whitby Hall and Mendel Hall, an upgrade of the Food Consumer and Nutritional Sciences space in Fontbonne Hall, and upgrade of the Health and Wellness Center space in Butler Center, and for the conversion of a steam plant. In addition, a portion of the bonds was used to refinance the outstanding portion of the Series Three-M1 Bonds.

⊕ Series Six-L issued August 2006 in the amount of \$8,000,000. The proceeds of this issue were used for the construction of a 150-bed student residence hall.

⊕ Series Six-N issued April 2007 in the amount of \$6,500,000. The proceeds of this issue were used for the construction of a 140-bed student residence hall.

## COLLEGES & UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

**COLLEGE OF ST. SCHOLASTICA** is a four-year residential institution. The College was founded in 1912, and offers undergraduate and graduate degree programs in the liberal arts and sciences and professional career fields. The campus is set on a hill overlooking Lake Superior in Duluth, Minnesota. In addition to the main campus, the College has extended sites in Brainerd, St. Cloud, and St. Paul, Minnesota.

- ⊕ Series Five-J issued May 2001 in the amount of \$5,960,000. The proceeds of this issue were used to refinance the outstanding portions of Series Two-T and Series Three-E Bonds.
- ⊕ Series Five-R issued May 2003 in the amount of \$11,705,000. The proceeds were used for the construction of the Wellness Center and for renovations to the Reif Athletic Center. The proceeds were also used to build a 96-bed apartment-style residence facility and to refinance the outstanding portion of the Series Three-N Bonds.
- ⊕ Series Six-A issued December 2004 in the amount of \$12,000,000. The proceeds of this issue were used to construct and furnish a two-building, 290-bed apartment-style residence facility.



**CONCORDIA UNIVERSITY, ST. PAUL** is a liberal arts university. The University was founded in 1893 and is affiliated with The Lutheran Church - Missouri Synod. The University offers several programs leading to an Associate of Arts, Bachelor of Arts, or Master of Arts Degree, as well as certificate and degree completion programs. The campus is located in a residential neighborhood of St. Paul, a short distance from both downtown St. Paul and Minneapolis, Minnesota.

- ⊕ Series Five-A issued April 1999 in the amount of \$1,440,000. The proceeds of this tax-exempt, off-balance sheet lease were used for an energy retrofit project including lighting upgrades, a new chiller, variable air volume system and steam system upgrades.
- ⊕ Series Five-P1 issued March 2003 in the amount of \$4,250,000 and Five-P2 issued March 2003 in the amount of \$7,230,000. The proceeds of these variable rate bonds were used for capital improvements to existing campus facilities, for the construction of a 45,000 square foot library and information technology center, for the acquisition of 4.7 acres of adjacent property, and for refinancing prior loans.

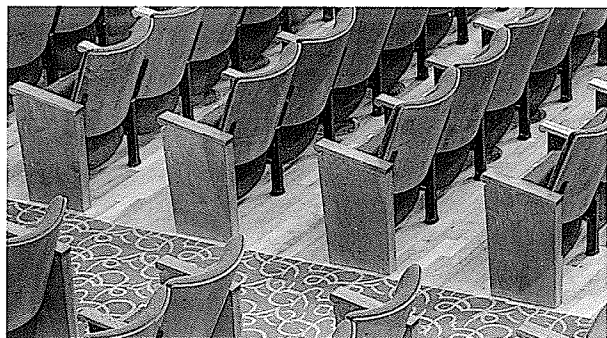
**GUSTAVUS ADOLPHUS COLLEGE** is a residential, four-year, liberal arts college founded in 1862 by Swedish Lutheran immigrants. It is located in St. Peter, Minnesota about one hour southwest of the Twin Cities. The College offers a Bachelor of Arts degree in over 60 major areas of study.

- ⊕ Series Four-H issued August 1996 in the amount of \$6,135,000. A portion of this bond issue was used to finance the acquisition and installation of an administrative computer system. A larger portion of the bond issue was used to refund the outstanding portions of Series Two-N, Series Two-V, and Series Three-B Bonds.
- ⊕ Series Four-V issued July 1998 in the amount of \$4,602,000. The proceeds of this off-balance sheet financing lease were used to fund an energy-related equipment retrofit to generate energy and operational savings, plus adding cooling capacity to certain campus buildings.
- ⊕ Series Four-X issued November 1998 in the amount of \$11,695,000. The proceeds of this issue, in addition to capital gifts received by the College, were used for the construction of a 95-bed apartment-style student housing facility, and for a major expansion of the existing dining service building to create a new Campus Center.
- ⊕ Series Five-X issued October 2004 in the amount of \$16,550,000. The proceeds of this issue were used to construct and furnish a 200-bed apartment-style residence facility, to renovate the College's Old Main building, and to install fire sprinkler systems in its existing residence halls.



**HAMLIN UNIVERSITY** was founded in 1854 and is affiliated with the United Methodist Church. The University is composed of an undergraduate College of Liberal Arts, the Hamline School of Law, Graduate School of Education, Graduate School of Public Administration and Management, and Graduate Liberal Studies. The main campus is in St. Paul, but the University offers graduate programs and courses in management, education, and liberal studies at the University's Minneapolis Center.

- ⊕ Series Five-B issued September 1999 in the amount of \$7,750,000. Proceeds of this issue were used to construct and furnish an apartment-style student residence facility containing 59 units. The project included underground and surface parking spaces.
- ⊕ Series Five-O issued July 2002 in the amount of \$1,000,000. The proceeds were used to expand and improve parking facilities and to improve efficiency of electrical, heating and air conditioning systems throughout the campus.
- ⊕ Series Six-E1 issued June 2005 in the amount of \$9,580,000. The proceeds were used to refinance a portion of the outstanding Series Four-I Bonds.
- ⊕ Series Six-E2 issued June 2005 in the amount of \$8,580,000. The proceeds were used to finance improvements to various buildings on the campus, refinance an outstanding commercial note, and acquire and renovate a building in St. Paul for use as an events center and President's residence.
- ⊕ Series Six-E3 issued August 2006 in the amount of 2,195,000. The proceeds were used to refinance the outstanding portion of the Series Four-I Bonds.



**MACALESTER COLLEGE** is a four-year, undergraduate liberal arts college located in St. Paul, Minnesota. The college was founded in 1874 as a Presbyterian-related but non-sectarian college. The College offers over 35 majors and over 30 minors in natural sciences, social sciences, humanities and fine arts.

- ⊕ Series Three-Z issued September 1994 in the amount of \$6,660,000. The proceeds of this bond issue were used for the expansion of the College athletic fields and other renovations on the campus.
- ⊕ Series Five-Q issued February 2003 in the amount of \$15,300,000. The proceeds were used to renovate and refurnish Doty Hall and make data wiring upgrades to Doty Hall, Wallace Hall and Turck Hall. These variable rate bonds were also used to install fire sprinkler systems in Doty, Wallace, Turck, Bigelow, Dupre, 30 Macalester and Kirk Halls.
- ⊕ Series Six-B issued December 2004 in the amount of \$14,995,000. The proceeds of this issue were used to refinance the outstanding portions of Series Four-C Bonds and the Series Four-J Bonds.
- ⊕ Series Six-F issued July 2005 in the amount of \$3,000,000. The proceeds of this issue were used to finance the acquisition and installation of a replacement administrative computing system, including hardware, software licenses, and costs of converting data, training, and testing.
- ⊕ Series Six-P issued March 2007 in the amount of \$39,490,000. The proceeds were used for the construction of a new athletic and recreation center and refinance the outstanding portion of the Series Four-U1 and Four U2 Bonds.

**MINNEAPOLIS COLLEGE OF ART AND DESIGN** was established in 1886 and is a private, four-year college located just south of downtown Minneapolis, Minnesota. The College offers degree programs in Design, Fine Arts, and Media Arts at both the undergraduate and graduate level.

- ⊕ Series Five-K issued August 2001 in the amount of \$4,355,000. The proceeds of the bond issue were used for the purpose of acquiring, renovating and equipping two apartment buildings for student housing. A smaller portion of the issue was used to demolish an existing residence, construct a parking lot and complete improvements to the Julia Morrison Memorial Building and the library.
- ⊕ Series Six-K issued July 2006 in the amount of \$7,670,000. The proceeds of this issue were used to advance refund the outstanding portion of Series Five-D Bonds.

## COLLEGES & UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

**NORTHWESTERN HEALTH SCIENCES UNIVERSITY** was founded in 1941 as Northwestern College of Chiropractic and offers degree programs in a variety of natural health care professions. The University is divided into the following programs: Northwestern College of Chiropractic, Minnesota College of Acupuncture and Oriental Medicine, School of Massage Therapy, and the Integrative Health and Wellness Certificate Program. The main campus is located in Bloomington, Minnesota, and the University maintains six clinics that are open to the public in the Twin Cities area.

- ⊕ Series Four-Z issued January 1999 in the amount of \$5,875,000. A portion of the bond proceeds were used to refund Series Two-X, with remaining proceeds being used to finance the following: construction and furnishing of the DeRusha Center for Clinical Education; remodeling classrooms, faculty offices, and meeting rooms; construction of a new maintenance shop and central storage area; improvement of lighting; fire protection; and central air handling systems on the College's main campus.

**ST. JOHN'S UNIVERSITY** is a Catholic, liberal arts college for men. The University offers academic and extracurricular programs in conjunction with nearby College of Saint Benedict. The character of both of these institutions continues to be shaped by the Benedictine communities that founded the colleges in the 19th century. St. John's is located in Collegeville, Minnesota, minutes away from the St. Cloud metropolitan area.

- ⊕ Series Six-G issued August 18, 2005 in the amount of \$39,300,000. The proceeds were used to advance refund the outstanding portions of the Series Four-L Bonds and the Series Five-I Bonds.

**SAINT MARY'S UNIVERSITY OF MINNESOTA** is a four-year residential liberal arts institution. It was founded in 1912 and is administered by the De La Salle Christian Brothers. The University's main campus is in Winona, Minnesota but offers undergraduate, graduate and certificate programs at various locations in Minnesota, Wisconsin and in Nairobi, Kenya.

- ⊕ Series Five-E issued June 2000 in the amount of \$5,020,000. The proceeds were used in the construction and equipping of a 100-bed, apartment-style student residence facility on the University's Winona campus.
- ⊕ Series Five-F issued March 2000 in the amount of \$1,037,118. This equipment lease financing was completed for the acquisition and installation of a standby electric generation system for the Winona campus.
- ⊕ Series Five-U issued March 2004 in the amount of \$10,980,000. The proceeds of this bond issue were used to refund the outstanding portion of the Series Three-Q Bonds.

**ST. OLAF COLLEGE** is a four-year residential liberal arts institution located in Northfield, Minnesota. It was founded in 1874 and is associated with the Evangelical Lutheran Church in America. St. Olaf offers over 40 academic majors, nearly 30 intercollegiate sports, a world-renowned music program and a commitment to international study.

- ⊕ Series Five-H issued October 2000 in the amount of \$14,475,000. The proceeds of these variable rate demand bonds were used to finance several renovation projects on the College's campus, the main project being the renovation of the St. Olaf Center to house art and dance departments. Other projects included replacement of residence hall furniture and athletic bleachers, and renovation of the Administration Building.
- ⊕ Series Five-M1 issued April 2002 in the amount of \$12,205,000. The proceeds were used to finance the construction of the Tostrud Recreation Center and the renovation of Skoglund Athletic Center.
- ⊕ Series Five-M2 issued July 2002 in the amount of \$13,420,000. The proceeds were used to refinance the outstanding portion of the City of Northfield, Minnesota College Facility Revenue Bonds Series 1992.
- ⊕ Series Six-O issued March 2007 in the amount of \$45,405,000. The proceeds were used to construct a new science building and to refinance the outstanding portion of the Four-R Bonds.



**UNIVERSITY OF ST. THOMAS** was founded in 1885 and is a coeducational, liberal arts university. The University offers undergraduate degrees in over 95 majors and nearly 60 minors. It offers several master's degree programs, education specialist degree programs, a juris doctor, and a number of doctoral degree programs. The main campus is located in St. Paul, Minnesota and the center for graduate studies of the University is located in downtown Minneapolis, Minnesota. Other campuses include the Gainey Conference Center in Owatonna, Minnesota and the Bernardi Campus in Rome, Italy.

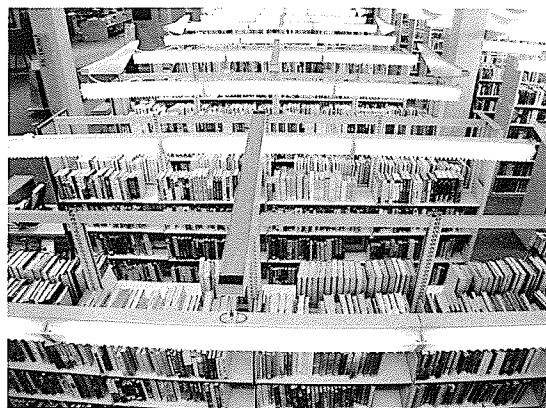
- ⊕ Series Four-O issued September 1997 in the amount of \$10,800,000. A portion of the proceeds of the Bonds were used to refinance the outstanding portion of the Series Four-A2 Bonds. The remainder of the proceeds, along with proceeds of the Four-M bond issue, and University funds were used to finance the construction and furnishing of a 345-bed residence hall, a 345-stall parking ramp, and a commons building connecting Brady and Dowling Hall, located on the St. Paul Campus.
- ⊕ Series Five-C issued October 1999 in the amount of \$10,000,000. Proceeds were used for the renovation of Albertus Magnus Hall on the St. Paul campus. This former science building was converted to an office and classroom facility for the liberal arts and humanities departments.
- ⊕ Series Five-L issued April 2002 in the amount of \$25,845,000. The proceeds, along with University funds, were used to finance the construction and furnishing of the building that will house the University's Law School on the Minneapolis campus. A portion of the proceeds also went to refund the outstanding portion of the Series Three-C Bonds.
- ⊕ Series Five-T issued December 2003 in the amount of \$23,575,000. The proceeds were used to refund the outstanding portion of the Series Three-R1 and Series Three-R2 Bonds.
- ⊕ Series Five-Y issued July 2004 in the amount of \$30,000,000. The proceeds were used to construct and furnish a 422-bed, apartment-style residence hall and a related parking facility on the University's St. Paul campus.
- ⊕ Series Five-Z issued August 2004 in the amount of \$20,000,000. The proceeds of this bond issue were used to construct and furnish Schulz Hall on the University's Minneapolis campus.
- ⊕ Series Six-H issued February 2006 in the amount of \$12,300,000. The proceeds, together with University funds, financed the construction of a three-story building for the undergraduate business program on the St. Paul campus.
- ⊕ Series Six-I issued February 2006 in the amount of \$38,860,000. The proceeds were used to refund the outstanding portions of Series Four-A1, Series Four-M and Series Four-P Bonds.

**VERMILION COMMUNITY COLLEGE** located in Ely, Minnesota, was established in 1922 as Ely Junior College and became a part of the Minnesota statewide system of public community colleges in 1964. The College offers one- and two-year degrees in several programs and emphasizes career training in natural resources and environmental areas.

- ⊕ Series Three-T issued July 1993 in the amount of \$950,000. The proceeds were used to finance the acquisition, installation and equipping of eleven manufactured duplex housing units, including related site improvements. These units will house approximately 80 students on the campus of the College.

**WILLIAM MITCHELL COLLEGE OF LAW** is an independent law school. William Mitchell was created in 1958 through successive mergers of several Twin Cities law schools. In 1976, the College moved to its present campus on Summit Avenue in St. Paul, Minnesota. It is accredited by the American Bar Association and is a member of the American Association of Law Schools. The College offers a flexible schedule of day and night classes and part- and full-time enrollment options.

- ⊕ Series Five-S issued October 2003 in the amount of \$15,800,000. The proceeds were used to construct, renovate and expand a student center and classroom space with enhanced technology and to expand and upgrade the facility infrastructure.



## INDEPENDENT AUDITORS' REPORT

October 2, 2007

To the Executive Director and Members of the  
Minnesota Higher Education Facilities Authority  
St. Paul, Minnesota:

We have audited the accompanying basic financial statements of the Minnesota Higher Education Facilities Authority, St. Paul, Minnesota, as of and for the year ended June 30, 2007 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 audit. The prior year partial comparative information has been derived from the Authority's 2006 financial statements and, in our report dated August 16, 2006, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2007 and the changes in its financial position and its cash flows, for the year then ended in conformity with U.S. generally accepted accounting principles.

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2006, from which such partial information was derived.

The Management's Discussion and Analysis, which follows this report letter, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which 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.

*Kern, DeWenter, Viere, Ltd.*

KERN, DEWENTER, VIERE, LTD.

Minneapolis, Minnesota

## MANAGEMENT'S DISCUSSION AND ANALYSIS: INTRODUCTION

This discussion and analysis of the financial performance of the Minnesota Higher Education Facilities Authority (the Authority) is supplementary information required by the Governmental Accounting Standards Board. It introduces the basic financial statements and provides an analytical overview of the Authority's financial activities for the year ended June 30, 2007.

The Minnesota Higher Education Facilities Authority was created by the legislature in 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes) to assist Minnesota institutions of higher education in capital financing needs. The Authority consists of eight members appointed by the Governor. A representative of the Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

The Authority is authorized to issue revenue bonds whose aggregate outstanding principal amount at any time cannot exceed a statutory limit. The Legislature amended the limit from the \$800 million to \$950 million effective July 1, 2007. The Authority has had 163 issues (including refunded and retired issues) totaling \$1,413,678,307 of which \$719,852,623 is outstanding as of June 30, 2007. Bonds issued by the Authority are payable only from the loan repayments, rentals and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota. The operations of the Authority are financed solely from fees paid by the participating institutions. It has no taxing power. Bond issuance costs, including the fees of legal counsel, the financial advisor, and the trustee, are paid by the participating institution.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds

on behalf of a public community college for housing purposes.

The Authority may issue bonds for a broad range of projects, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, the conducting of research, or the operation of an institution of higher education. The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority and other debt.

Beginning with fiscal year 1996, the Authority has acted as dissemination agent on behalf of those institutions that are subject to the annual reporting requirement of SEC rule 15c2-12 (most public issues after June 30, 1995). Almost all of the colleges and universities borrowing through the Authority are now subject to the reporting. The service is offered as a convenience to the institutions at no additional charge.

The annual debt financing conference was held in April 2007. The conference was again coordinated with a similar conference for business officers sponsored by the Minnesota Private College Council. The annual conference provides a chance for Authority clients, members and finance professionals to share information on higher education capital financings. This year, the conference included a discussion of who is investing in tax-exempt bonds and how products are changing for those investors in the municipal marketplace. It also provided a forum for representatives from a national rating agency to give their views on national trends in education and comment on Minnesota's higher education trends.

The Authority continues to review its policies and procedures in an ongoing attempt to most effectively provide financing assistance to Minnesota's nonprofit colleges and universities. It is through the concerted efforts of the borrowers, the Authority's advisors, staff and members, as well as public finance professionals, that tax exempt financing continues to be a vital tool for higher education. The Authority will work with all these groups to continue providing affordable financing to the private colleges and universities and, ultimately to their students.

**MANAGEMENT'S DISCUSSION AND ANALYSIS: OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2007 and 2006.

ASSETS:	2007	2006
Current Assets	\$ 2,037,258	\$ 2,076,569
Noncurrent Assets	\$ 6,784	5,986
Total Assets .....	<u>\$ 2,044,042</u>	<u>\$ 2,082,555</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Current Liabilities	\$ 38,823	\$ 61,938
Noncurrent Liabilities	23,020	-
Net Assets	1,982,199	2,020,617
Total Liabilities and Net Assets .....	<u>\$ 2,044,042</u>	<u>\$ 2,082,555</u>
Operating Revenues	\$ 225,544	\$ 170,439
Operating Expenses	381,991	359,996
Operating Loss .....	(156,447)	(189,557)
Nonoperating Revenues:		
Interest Income	92,876	96,481
Increase (Decrease) in Fair Value of Investments	25,153	(56,306)
Total Nonoperating Revenues .....	118,029	40,175
Change in Net Assets .....	(38,418)	(149,382)
<b>NET ASSETS:</b>		
Beginning of Year .....	2,020,617	2,169,999
End of Year .....	<u>\$ 1,982,199</u>	<u>\$ 2,020,617</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS: FINANCIAL HIGHLIGHTS

The demand for capital among Minnesota private colleges and universities remains strong.

The total principal amount issued in fiscal year 2007 was \$137,260,000 compared to \$93,460,000 in fiscal year 2006. Following is a listing of the bond issues for fiscal year 2007.

### AUGSBURG COLLEGE

- ⊕ Series Six-J1 issued July 2006 in the amount of \$15,655,000. The bonds, and a portion of Series Six-J2, will be used to finance the Gateway Project, a multi-use building for student housing, offices, classroom and retail.
- ⊕ Series Six-J2 issued July 2006 in the amount of \$5,000,000. The bonds will be used to finance the expansion of Si Melby Hall and renovation of the Augsburg House and Event Center, and provide additional financing for the Gateway Project.

### MINNEAPOLIS COLLEGE OF ART & DESIGN

- ⊕ Series Six-K issued July 2006 in the amount of \$7,670,000. The proceeds of this bond issue were used to advance refund the outstanding principal of Series Five-D bonds.

### HAMLIN UNIVERSITY

- ⊕ Series Six-E3 issued August 2006 in the amount of \$2,195,000. The proceeds of this bond issue were used to current refund the outstanding principal of Series Four-I bonds.

### COLLEGE OF ST. CATHERINE

- ⊕ Series Six-L issued August 2006 in the amount of \$8,000,000. The proceeds of this bond issue were used to finance the construction of a student residence hall for approximately 150 beds.

### COLLEGE OF ST. BENEDICT

- ⊕ Series Six-M issued October 2006 in the amount of \$7,345,000. The proceeds of this bond issue were used to finance the construction of a two-story, student dining center located on the College campus in St. Joseph, Minnesota.

### COLLEGE OF ST. CATHERINE

- ⊕ Series Six-N issued April 2007 in the amount of \$6,500,000. The proceeds of this bond issue were used to finance the construction of a student residence hall for approximately 140 beds.

### ST. OLAF COLLEGE

- ⊕ Series Six-O issued March 2007 in the amount of \$45,405,000. The proceeds of this bond issue were used to finance the construction of a new science complex and advance refund the outstanding amount of Series Four-R bonds.

### MACALESTER COLLEGE

- ⊕ Series Six-P issued March 2007 in the amount of \$39,490,000. The proceeds of this bond issue were used to finance the construction of a new athletic and recreation center and a current refunding of the outstanding amount of the Series Four-U1 and Four-U2 bonds.

## FACTORS EXPECTED TO AFFECT FUTURE FINANCIAL POSITION AND OPERATION

The Authority is primarily dependent on administrative fee revenue with supplemental revenue provided by earnings from its accumulated operating reserve. The fees are based upon the actual outstanding principal amount of each series of bonds when billed.

Starting in fiscal year 1997, the Authority's annual administrative fees have been reduced across the board. Utilizing the operating reserve to subsidize the operating expenses, the Authority was able to reduce its annual administrative fees to all borrowers in fiscal year 2007 by 75%. The fees for fiscal year 2008 will be reduced by 75%. Although future reductions are not guaranteed, the Authority is committed to providing financing services at affordable fees to colleges and universities in Minnesota.

## REQUESTS FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact:

Minnesota Higher Education  
Facilities Authority

Attention: Executive Director  
380 Jackson Street, Suite 450  
Saint Paul, Minnesota 55101

Phone: 651-296-4690

Fax: 651-297-5751

Email: mhefa@isd.net

**STATEMENT OF NET ASSETS**

June 30, 2007

(With Partial Comparative Information as of June 30, 2006)

ASSETS:	2007	2006
Current Assets:		
Cash and Cash Equivalents	\$ 160,034	\$ 230,030
Investments	1,848,383	1,823,530
Accounts Receivable	5,350	-
Interest Receivable	22,302	22,429
Prepaid Expenses	1,189	580
Total Current Assets .....	2,037,258	2,076,569
Noncurrent Assets:		
Equipment	70,052	68,176
Less Accumulated Depreciation	(63,268)	(62,190)
Total Noncurrent Assets (Net) .....	6,784	5,986
Total Assets .....	\$ 2,044,042	\$ 2,082,555
LIABILITIES AND NET ASSETS:	2007	2006
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 15,804	\$ 15,279
Unearned Revenue	-	5,207
Compensated Absences Payable	23,019	41,452
Total Current Liabilities .....	38,823	61,938
Noncurrent Liabilities:		
Compensated Absences Payable	23,020	-
Total Liabilities .....	61,843	61,938
Net Assets:		
Invested in Capital Assets	6,784	5,986
Unrestricted	1,975,415	2,014,631
Total Net Assets .....	1,982,199	2,020,617
Total Liabilities and Net Assets .....	\$ 2,044,042	\$ 2,082,555



# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2007

(With Partial Comparative Information For the Year Ended June 30, 2006)

	2007	2006
OPERATING REVENUES:		
Annual Administrative Fees	\$ 218,244	\$ 166,439
Other Income	<u>7,300</u>	<u>4,000</u>
Total Operating Revenues .....	225,544	170,439
OPERATING EXPENSES:		
Payroll, Payroll Taxes and Employee Benefits	248,659	242,813
Legal, Audit and Consulting Expense	31,090	30,032
Rent	48,580	47,420
Depreciation	1,532	2,063
Other General and Administrative Expenses	<u>52,130</u>	<u>37,668</u>
Total Operating Expenses .....	<u>381,991</u>	<u>359,996</u>
Operating Loss .....	(156,447)	(189,557)
NONOPERATING REVENUES:		
Interest Income	92,876	96,481
Increase (Decrease) in Fair Value of Investments	<u>25,153</u>	<u>(56,306)</u>
Total Nonoperating Revenues .....	<u>118,029</u>	<u>40,175</u>
Change in Net Assets .....	(38,418)	(149,382)
NET ASSETS:		
Beginning of Year .....	<u>2,020,617</u>	<u>2,169,999</u>
End of Year .....	<u>\$ 1,982,199</u>	<u>\$ 2,020,617</u>

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2007

(With Partial Comparative Information for the Year Ended June 30, 2006)

	2007	2006
Cash Flows - Operating Activities:		
Cash Received from Annual Administrative and Other Fees	\$ 214,987	\$ 169,738
Cash Payments to Employees	(243,712)	(238,987)
Cash Payments to Suppliers for Goods and Services	(132,244)	(117,485)
Net Cash Flows - Operating Activities	(160,969)	(186,734)
Cash Flows - Capital And Related Financing Activities:		
Purchase of Capital Assets	(2,330)	(411)
Cash Flows - Investing Activities:		
Interest Received	93,003	101,514
Proceeds of Investment Sales	300	49,501
Net Cash Flows - Investing Activities	93,303	151,015
Net Change in Cash and Cash Equivalents	(69,996)	(36,130)
Cash and Cash Equivalents, January 1	230,030	266,160
Cash and Cash Equivalents, December 31	\$ 160,034	\$ 230,030
Reconciliation Of Operating Loss To Net Cash Flows -		
Operating Activities:		
Operating Loss	\$ (156,447)	\$ (189,557)
Adjustments to Reconcile Operating Loss to Net Cash Flows -		
Operating Activities:		
Depreciation Expense	1,532	2,063
Accounts Receivable	(5,350)	377
Prepaid Items	(609)	307
Accounts Payable	525	(1,482)
Unearned Fees	(5,207)	(1,078)
Compensated Absences Payable	4,587	2,636
Total Adjustments	(4,522)	2,823
Net Cash Flows - Operating Activities	\$ (160,969)	\$ (186,734)
Noncash Investing, Capital And Financing Activities:		
Net Increase (Decrease) in Fair Value of Investments	\$ 25,153	\$ (56,306)

## BASIC FINANCIAL STATEMENTS: NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

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The Minnesota Higher Education Facilities Authority (the "Authority") is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority finances projects through the issuance of bonds; the principal and interest of which are paid by the lease/loan payments collected from the higher

education institutions. In fiscal year 2007, the Authority was authorized to have a maximum of \$ 800 million of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

### B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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The Authority utilizes the accrual basis of accounting and is reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The operating revenues of the Authority consist principally of annual administrative fees paid by the participating institutions. While the annual administrative fee rate for new bond issues has changed periodically, the fee rate remains constant for the life of the bonds, with the exception of fee reductions for operating reserve stabilization purposes. The annual fee structure is as

follows: bonds issued from December 1971 to September 1975 are charged .125% of the original balance of the bonds; bonds issued from October 1975 to December 1989 are charged .2% of the original balance of the bonds; bonds issued from January 1990 to the present are charged .125% of the outstanding balance of the bonds. In an effort to stabilize its unrestricted net asset balance, the Authority periodically evaluates the administrative fees charged to participating institutions. For the year ended June 30, 2007, the Authority required participating institutions to pay 25% of the contractual administrative fees.

## C. ASSETS, LIABILITIES AND NET ASSETS

### 1 – CASH AND INVESTMENTS

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

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

Minnesota Statutes require that all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged, must equal 110% of the deposits not covered by FDIC insurance or corporate surety bonds.

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

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

**Interest Rate Risk:** Managing exposure to fair value arising from increasing interest rates. The Authority's investment policy states the Authority should be made with consideration for cash flow requirements, taking into account budgeted expenditures.

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

**Concentration of Credit Risk:** This limits the amount the Authority may invest in any one issuer. The Authority's policy states, the Authority should consider the credit quality in the selection of individual securities of any single issuer in excess of 5% of the Authority's total investments.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy does not address custodial credit risk for investments other than to follow the overall framework provided by Minnesota Statutes.

## 2 – PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as an expense at the time of consumption.

## 3 – CAPITAL ASSETS

Capital assets, which include office furniture and equipment, are stated at historical cost and depreciated on the straight-line method over the estimated useful lives of the assets, generally three, five or ten years. The Authority's threshold for capitalization of assets is \$500.

## 4 – CONDUIT DEBT

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

These obligations are itemized in Note 6. Assets held by trustees related to these obligations totaled \$ 74,037,742 as of June 30, 2007.

## 5 – COMPENSATED ABSENCES

The Authority compensates all employees upon termination of employment for unused vacation up to a maximum of 275 hours. At June 30, 2007, the Authority has recorded a liability for all unused vacation.

Authority employees accrue sick leave at the rate of 4 hours for each 10-day pay period of full time service. Employees are compensated for unused sick leave upon termination of employment only if they meet the requirements of the employment agreement or plan under which they are employed. Sick leave is disbursed at termination at the rate of 40% for the first 900 hours and at 12.5% for any accrued time in excess of 900 hours.

## D. NET ASSETS

Net assets represent the difference between assets and liabilities in the basic financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

## E. USE OF ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reported period. Actual results could differ from those estimates.

## F. CHANGE IN ACCOUNTING PRINCIPLE

The Authority changed the cash and investment footnote (Note 2.B.) presentation from weighted average maturity to specific identification. There is no financial impact as a result of this change.

**BASIC FINANCIAL STATEMENTS: NOTE 2 - DEPOSITS AND INVESTMENTS****A. DEPOSITS**

In accordance with applicable Minnesota Statutes, the Authority maintains deposits at depository banks authorized by the Authority's Board.

Custodial Credit Risk – Deposits: As of June 30, 2007 the Authority's bank balance of \$ 20,488 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2007, the Authority's carrying value of the cash equivalents was as follows:

Deposits	\$	17,691
Brokered Money Market		<u>142,343</u>
Total Cash Equivalents .....	\$	<u><u>160,034</u></u>

**B. INVESTMENTS**

As of June 30, 2007, the Authority had the following investments:

Investment	Maturities	Fair Value	S&P Rating
Federal Home Loan Note	08/08/07	\$ 99,920	AAA
Federal Home Loan Note	05/27/08	221,423	AAA
Federal Home Loan Note	09/15/08	99,790	AAA
Federal Home Loan Note	01/23/09	292,290	AAA
Federal Home Loan Note	10/19/09	197,940	AAA
Federal Home Loan Mortgage Corporation	03/15/10	193,880	AAA
Farm Credit Note	10/05/10	147,900	AAA
Federal Home Loan Note	01/27/11	199,620	AAA
Federal Home Loan Note	02/01/11	198,640	AAA
Federal Home Loan Note	11/14/12	196,980	AAA
Total Investments .....		\$ <u><u>1,848,383</u></u>	

Concentration of Credit Risk: As of June 30, 2007, the Authority's investment balances in Federal Home Loan Notes, Federal Home Loan Mortgage Corporation and Farm Credit Notes each exceeded 5% of the total investments.

Deposits and investments are presented in the June 30, 2007 basic financial statements as follows:

Cash and Cash Equivalents (Note 2.A.)	\$	160,034
Investments (Note 2.B.)		<u>1,848,383</u>
Total Cash and Cash Equivalents and Investments .....	\$	<u><u>2,008,417</u></u>



**BASIC FINANCIAL STATEMENTS: NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, being Depreciated:				
Office Furniture and Equipment	\$ 68,176	\$ 2,330	\$ (454)	\$ 70,052
Less Accumulated Depreciation	(62,190)	(1,532)	454	(63,268)
Capital Assets, Net .....	<u>\$ 5,986</u>	<u>\$ 798</u>	<u>\$ -</u>	<u>\$ 6,784</u>

**BASIC FINANCIAL STATEMENTS: NOTE 4 - LEASES**

The Authority has a lease commitment for office space through November 2007, with monthly base rent from \$ 3,771 to \$ 4,092. Total costs were \$ 48,580 for the year ended June 30, 2007. The future minimum lease payments for this lease are as follows:

Year Ended June 30

2008 ..... \$ 18,855

**BASIC FINANCIAL STATEMENTS: NOTE 5 - CHANGES IN COMPENSATED ABSENCES PAYABLE**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 41,452</u>	<u>\$ 24,891</u>	<u>\$ (20,304)</u>	<u>\$ 46,039</u>	<u>\$ 23,019</u>

**BASIC FINANCIAL STATEMENTS: NOTE 6 - CONDUIT DEBT**

At June 30, 2007, there were 60 bond issues and leases outstanding with an aggregate principal balance outstanding of \$ 719,852,623 as follows:

College/University	Final Maturity		Indebtedness Issued	Outstanding
Series A, Augsburg College, Revenue Bonds, December 1972 .....	2012	\$	2,200,000	\$ 840,000
Series Three-L2, Carleton College, Variable Rate Demand Revenue Bonds, October 1992 .....	2012		10,300,000	10,300,000
Series Three-T, Vermilion Community College, Revenue Bonds, July 1993 .....	2013		950,000	415,000
Series Three-Z, Macalester College, Variable Rate Demand Revenue Bonds, September 1994 .....	2024		6,660,000	6,660,000
Series Four-G, College of St. Benedict, Revenue Bonds, July 1996 .....	2016		3,000,000	1,730,000
Series Four-H, Gustavus Adolphus College, Revenue Bonds, August 1996 .....	2010		6,135,000	1,420,000
Series Four-N, Carleton College, Revenue Bonds, June 1997 .....	2018		24,440,000	1,055,000
Series Four-O, University of St. Thomas, Variable Rate Demand Revenue Bonds, September 1997 .....	2021		10,800,000	10,800,000
Series Four-S, Bethel College, Adjustable Demand Revenue Bonds, June 1998 .....	2028		22,865,000	19,245,000
Series Four-T, College of St. Benedict, Revenue Bonds, July 1998 .....	2020		25,430,000	18,910,000
Series Four-V, Gustavus Adolphus College, Lease and Purchase Agreement, July 1998 .....	2009		4,602,000	1,106,648
Series Four-X, Gustavus Adolphus College, Revenue Bonds, November 1998 .....	2024		11,695,000	9,730,000
Series Four-Y, Augsburg College, Mortgage Revenue Bonds, January 1999 .....	2027		15,840,000	11,750,000
Series Four-Z, Northwestern College of Chiropractic, Mortgage Revenue Bonds, January 1999 .....	2013		5,875,000	3,275,000
Series Five-A, Concordia University, Lease and Purchase Agreement, April 1999 .....	2014		1,440,000	821,082
Series Five-B, Hamline University, Revenue Bonds, September 1999 .....	2029		7,750,000	6,990,000
Series Five-C, University of St. Thomas, Variable Rate Demand Revenue Bonds, October 1999 .....	2025		10,000,000	10,000,000
Series Five-E, Saint Mary's University, Revenue Bonds, June 2000 .....	2026		5,020,000	4,400,000
Series Five-F, Saint Mary's University, Master Financing Agreement, March 2000 .....	2012		1,037,118	622,479
Series Five-G, Carleton College, Variable Rate Demand Revenue Bonds, June 2000 .....	2029		23,000,000	23,000,000
Series Five-H, St. Olaf College, Variable Rate Demand Revenue Bonds, October 2000 .....	2030		14,475,000	14,475,000

College/University	Final Maturity	Indebtedness	
		Issued	Outstanding
Series Five-J, College of St. Scholastica, Revenue Bonds, May 2001 .....	2014	\$ 5,960,000	3,615,000
Series Five-K, Minneapolis College of Art & Design, Revenue Bonds, August 2001 .....	2021	4,355,000	4,035,000
Series Five-L, University of St. Thomas, Variable Rate Demand Revenue Bonds, April 2002 .....	2027	25,845,000	21,750,000
Series Five-M1, St. Olaf College, Variable Rate Demand Revenue Bonds, April 2002 .....	2032	12,205,000	12,205,000
Series Five-M2, St. Olaf College, Variable Rate Demand Revenue Bonds, July 2002 .....	2020	13,420,000	13,420,000
Series Five-N1, College of St. Catherine, Revenue Bonds, August 2002 .....	2032	28,265,000	26,345,000
Series Five-N2, College of St. Catherine, Variable Rate Demand Revenue Bonds, August 2002 .....	2032	24,625,000	24,625,000
Series Five-O, Hamline University, Revenue Notes, July 2002 .....	2009	1,000,000	319,849
Series Five-P1, Concordia University, Variable Rate Demand Revenue Bonds, March 2003 .....	2027	4,250,000	2,255,000
Series Five-P2, Concordia University, Variable Rate Demand Taxable Revenue Bonds, March 2003 .....	2021	7,230,000	6,070,000
Series Five-Q, Macalester College, Variable Rate Demand Revenue Bonds, February 2003 .....	2033	15,300,000	15,300,000
Series Five-R, College of St. Scholastica, Revenue Bonds, May 2003 .....	2032	11,705,000	11,085,000
Series Five-S, William Mitchell College of Law, Variable Rate Demand Revenue Bonds, October 2003 .....	2033	15,800,000	12,355,000
Series Five-T, University of St. Thomas, Revenue Bonds, December 2003 .....	2014	23,575,000	15,995,000
Series Five-U, Saint Mary's University, Revenue Bonds, March 2004 .....	2019	10,980,000	9,680,000
Series Five-V, Bethel College, Adjustable Demand Revenue Bonds, May 2004 .....	2034	8,500,000	8,320,000
Series Five-W, College of St. Benedict, Revenue Bonds, July 2004 .....	2024	7,965,000	7,235,000
Series Five-X, Gustavus Adolphus College, Variable Rate Demand Revenue Bonds, October 2004 .....	2034	16,550,000	15,100,000
Series Five-Y, University of St. Thomas, Revenue Bonds, August 2004 .....	2034	30,000,000	29,140,000
Series Five-Z, University of St. Thomas, Revenue Bonds, August 2004 .....	2029	20,000,000	18,000,000
Series Six-A, College of St. Scholastica, Variable Rate Demand Revenue Bonds, December 2004 .....	2034	12,000,000	12,000,000

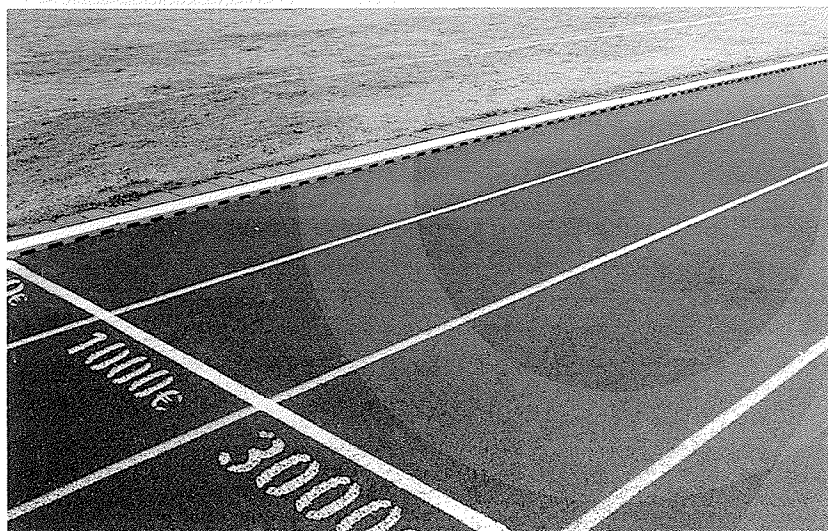
**BASIC FINANCIAL STATEMENTS: NOTE 6 - CONDUIT DEBT** (continued from previous page)

College/University	Final Maturity	Indebtedness	
		Issued	Outstanding
Series Six-B, Macalester College, Revenue Bonds, December 2004 .....	2017	\$ 14,995,000	12,985,000
Series Six-C, Augsburg College, Revenue Bonds, April 2005 .....	2023	6,780,000	6,780,000
Series Six-D, Carleton College, Revenue Bonds, April 2005 .....	2035	31,460,000	31,175,000
Series Six-E1, Hamline University, Variable Rate Revenue Bonds, June 2005 .....	2016	9,580,000	8,540,000
Series Six-E2, Hamline University, Variable Rate Demand Revenue Bonds, June 2005 .....	2025	8,580,000	8,580,000
Series Six-E3, Hamline University, Variable Rate Demand Revenue Bonds, August 2006 .....	2016	2,195,000	2,195,000
Series Six-F, Macalester College, Revenue Notes, July 2005 .....	2014	3,000,000	2,572,565
Series Six-G, St. John's University, Revenue Bonds, August 2005 .....	2026	39,300,000	36,130,000
Series Six-H, University of St. Thomas, Variable Rate Demand Revenue Bonds, February 2006 .....	2032	12,300,000	12,300,000
Series Six-I, University of St. Thomas, Revenue Bonds, February 2006 .....	2023	38,860,000	37,420,000
Series Six-J1, Augsburg College, Revenue Bonds, July 2006 .....	2036	15,655,000	15,655,000
Series Six-J2, Augsburg College, Variable Rate Demand Revenue Bonds, July 2006 .....	2021	5,000,000	5,000,000
Series Six-K, Minneapolis College of Art & Design, Revenue Bonds, July 2006 .....	2026	7,670,000	7,385,000
Series Six-L, College of St. Catherine, Revenue Notes, August 2006 .....	2031	8,000,000	8,000,000
Series Six-M, College of St. Benedict, Revenue Notes, October 2006 .....	2016	7,345,000	7,345,000
Series Six-N, College of St. Catherine, Revenue Notes, April 2007 .....	2027	6,500,000	6,500,000
Series Six-O, St. Olaf College, Revenue Bonds, March 2007 .....	2032	45,405,000	45,405,000
Series Six-P, Macalester College, Revenue Bonds, March 2007 .....	2032	39,490,000	39,490,000
		<u>\$ 815,159,118</u>	<u>\$ 719,852,623</u>

College/University	Final Maturity	Indebtedness	
		Issued	Outstanding

A summary of changes in conduit debt outstanding for the year ended June 30, 2007 is presented below:

Conduit Debt, July 1, 2006	\$	643,983,891
Additions:		
Revenue Bonds Issued		137,260,000
Reductions:		
Principal Retirements		(21,991,268)
Refunding of Principal		(39,405,000)
Conduit Debt, June 30, 2007	\$	<u>719,847,623</u>



**BASIC FINANCIAL STATEMENTS: NOTE 7 – RISK MANAGEMENT**

The Authority is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the Authority purchases commercial insurance through the State of Minnesota Department of Administration Risk Management Division.

During the year ended June 30, 2007, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Authority's commercial coverage in any of the past three years.

**BASIC FINANCIAL STATEMENTS:  
NOTE 8 – STATE EMPLOYEES RETIREMENT FUND AND  
STATE UNCLASSIFIED EMPLOYEES RETIREMENT PROGRAM**

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

The statutory authority for State Employees Retirement Fund (SERF) is Minnesota Statutes Chapter 352. The SERF is a cost-sharing, multiple-employer defined benefit plan. All classified employees are covered by this plan. The annuity formula is the greater of a step rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates are 1.2% and 1.7%.

The statutory authority for State Unclassified Employees Retirement Program (SUERP) is Minnesota Statutes Chapter 352D. Only certain unclassified employees are covered by this defined contribution program. The cash value may not be withdrawn prior to termination of the covered employee.

The funding requirements for both SERF and SUERP are 4% to 6% for both employer and employee. Actual contributions were 100% of required contributions. Required contributions for the Authority were:

Fiscal Year	Amount
2007	\$ 9,976
2006	9,798
2005	9,907

**BASIC FINANCIAL STATEMENTS: NOTE 9 – SUBSEQUENT EVENT**

Series Six-R revenue bonds in the amount of \$ 44,000,000 were issued for the benefit of Bethel University on August 1, 2007. Bethel University will use the proceeds to refinance the Series Four-S and Five-V Bonds and to finance the acquisition, construction, furnishing and equipping of a University Commons.