Minnesota Higher Education Facilities Authority

Building the places

where education takes place

MHEFA Annual Report for the Fiscal Year 2010

FOR THE YEAR ENDED JUNE 30, 2010

Basic Financial Statements

Minnesota Higher Education Facilities Authority

Building the places where education takes place

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.

Minnesota Higher Education Facilities Authority

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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, 2010, 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 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 2010, the Authority completed five financings for five institutions. The total principal amount issued of $131,530,000 exceeds the previous year's total of $106,375,000. The total principal outstanding for Authority-issued debt stands at $923,181,812 as of the end of the fiscal year. The current statutory limit on outstanding debt is $1.3 billion.

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,
Mary F. Ives
Chair

Minnesota Higher Education Facilities Authority

Building the places where education takes place

MHEFA Board Members

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

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

Mary F. Ives, MHEFA Chair
Real Estate Business Owner
Resident of Grand Rapids, MN
Term Expires January 2012

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

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

Tammy McGee
Vice President of Finance & Administration
Augsburg College
Resident of Maple Grove, MN
Term Expires January 2013

Janet Withoff, MHEFA Secretary
Consultant-Planning & Grant-Writing
Resident of Orono, MN
Term Expires January 2014

Michael D. Ranum
Operations Manager
BWBR Architects, Inc.
Resident of Circle Pines, MN
Term Expires January 2014

David D. Rowland
Senior Vice President
The Travelers Companies
Resident of Eden Prairie, MN
Term Expires January 2013

Raymond VinZant, Jr.
MHEFA Vice Chair
Plumbing Expert and
Instructor at Anoka Technical College
Resident of Wyoming, MN
Term Ends January 2012

MHEFA Staff

Marianne T. Remedios
Executive Director

Elaine J. Yungerberg
Assistant Executive Director

Financial Advisors

Springsted Incorporated
St. Paul, Minnesota

Independent Auditors

Kern, DeWenter, Viere, Ltd.
Bloomington, Minnesota

Minnesota Higher Education Facilities Authority

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COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

AUSGBURG 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 five 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 were used to refinance the Series Three-G Bonds and to finance the construction of an apartment-style student residence hall of approximately 66,000 square feet, including underground parking.
- Series Six-C issued April 2005 in the amount of $6,780,000. The proceeds were used to refinance the outstanding portion of the Series Four-F1 Bonds and the Series Four-W Notes.
- Series Six-J1 issued July 2006 in the amount of $15,655,000. The proceeds were used for the construction 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 were used to construct an addition to the Si Melby Athletic facility, renovate the Augsburg House and Event Center and finance certain construction costs of the Gateway Project.

BETHEL UNIVERSITY is a liberal arts institution that traces its roots back to 1871. The University offers Bachelor's and advanced degrees in more than 100 academic programs in two colleges, a graduate school and seminary. Bethel's campus is in Arden Hills, Minnesota, but the College of Adult and Professional Studies and Graduate School also have programs in other locations in the Twin Cities area.

- Series Six-R issued August 2007 in the amount of $44,000,000. The proceeds of this issue were used to construct a new student center to be known as University Commons and to refinance Series Five-V and Four-S Bonds.

CARLETON COLLEGE, founded in 1866, is a residential, liberal arts college. It is located in Northfield, Minnesota on a 1,040-acre campus, which includes an 880-acre arboretum. Carleton offers undergraduate degrees in 37 majors and 15 concentrations in the arts, humanities, natural sciences, and social sciences.

- Series Three-L2 issued October 1992 in the amount of $10,300,000. The proceeds were used to finance a variety of campus construction, remodeling and equipment acquisition projects.
- Series Five-G issued June 2000 in the amount of $23,000,000. The proceeds were used for the construction 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. The proceeds were used for the construction and furnishing of a townhouse for student occupancy, for the acquisition of real estate near campus, and for refinancing the outstanding portion of Series Three-L1 Bonds and refinancing a portion of the outstanding Series Four-N Bonds.
- Series Six-T issued December 2008 in the amount of $19,665,000. The proceeds were used for the construction of student housing consisting of two adjacent four-story buildings with approximately 230 beds. In addition, proceeds were used for utility infrastructure improvements to provide backup electrical generation for the campus.
- Series Six-Y issued June 2009 in the amount of $10,000,000. The proceeds were used for the completion of the Series Six-T student housing project and other campus improvement projects.
- Series Seven-D issued June 2010 in the amount of $30,455,000. The proceeds were used for the construction of the Carleton Arts Union and an auxiliary art studio warehouse on the campus.

COLLEGE OF ST. BENEDICT is a Catholic liberal arts college for women founded by Benedictine monastic women in 1913. 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 of St. Benedict is located in central Minnesota minutes away from the St. Cloud metropolitan area.

- Series Five-W issued in July 2004 in the amount of $7,965,000. The proceeds were used to refinance the outstanding portion of the Series Three-W Bonds and to finance a 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 were used for the construction and furnishing of an approximately 51,000 square foot, two-story dining center located on the College campus.
- Series Six-V issued May 2008 in the amount of $19,430,000. The proceeds were used to refinance the outstanding portion of the Series Four-G and Four-T Bonds and for the acquisition of four condominium units for student or faculty use.

ST. CATHERINE UNIVERSITY is a Catholic liberal arts institution founded in 1905 by the Sisters of St. Joseph of Carondelet. The University offers its programs on two campuses, one in St. Paul and one in Minneapolis, Minnesota. The university 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 formats.

- 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 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, an upgrade of the Health and Wellness Center space in Butler Center and for the conversion of a steam plant. In addition, a portion was used to refinance the outstanding amount of the Series Three-M1 Bonds.
- Series Six-L issued August 2006 in the amount of $8,000,000. The proceeds 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 were used for the construction of a 140-bed student residence hall.

COLLEGE OF ST. SCHOLASTICA is a Catholic Benedictine institution, and the only independent private college in northeastern Minnesota. 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 approximately 180 forested acres overlooking Lake Superior in Duluth, Minnesota. In addition to the main campus, the College has extended sites in several areas such as Brainerd, Rochester, 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 portion of the 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 to make improvements to the Reif Athletic Center. The proceeds were also used to build a 96-unit apartment-style residence facility and to refinance the outstanding portion of the Three-N Bonds.
- Series Six-A issued December 2004 in the amount of $12,000,000. The proceeds were used to construct a two-building, 290-bed apartment-style residence facility.
- Series Six-S issued November 2007 in the amount of $8,170,000. The proceeds were used for improvements to the Wellness Center on the Duluth campus.

COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

CONCORDIA UNIVERSITY, ST. PAUL, founded in 1893, is a liberal arts university 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 were used for an energy retrofit project including lighting upgrades, variable frequency drives, 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 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 the refinancing of prior loans.
- Series Six-Q issued October 2007 in the amount of $18,155,000. The proceeds were used to construct a 300-bed residence hall.

GUSTAVUS ADOLPHUS COLLEGE is a residential, four-year, liberal arts college founded in 1862 by Swedish Lutheran immigrants. It is located on 340 acres in St. Peter, Minnesota, which is approximately an hour's drive south of the Twin Cities. The College offers a Bachelor of Arts degree in over 75 major areas of study in 24 academic departments.

- 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 issue was used to refinance the outstanding portion of Series Two-N, Series Two-V and Series Three-B Bond issues.
- Series Four-X issued November 1998 in the amount of $11,695,000. The proceeds 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 were used to construct 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.

HAMLINE UNIVERSITY was founded in 1854 and is affiliated with the United Methodist Church. The University consists 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 Program. The main campus is in St. Paul, but the University also offers graduate programs and courses in management, education and liberal studies at the University's Minneapolis Center.

- 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 University 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.
- Series Seven-E issued June 2010 in the amount of $14,890,000. The proceeds were used to refinance the outstanding portion of the Series Five-B Bonds and also to refinance the outstanding portion of a bank line of credit that had been used for various capital improvements for the University.

MACALESTER COLLEGE was founded in 1874 as a Presbyterian-related but nonsectarian college. It is a four-year, undergraduate liberal arts college located on approximately 50 acres in St. Paul, Minnesota. The College offers 36 academic majors in natural sciences, social sciences, humanities and fine arts.

- Series Three-Z issued September 1994 in the amount of $6,660,000. The proceeds were used for the expansion of the College's 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 and 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 were used to refinance the outstanding portions of the Series Four-C and Four-J Bonds.
- Series Six-F issued July 2005 in the amount of $3,000,000. The proceeds 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 to 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 were used to acquire, refurbish and equip 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 were used to refinance the outstanding portion of the Series Five-D Bonds.
- Series Six-Z issued November 2009 in the amount of $2,660,000. The proceeds were used for the construction of a surface parking lot and sculpture garden serving as a gateway to the main campus.

ST. JOHN'S UNIVERSITY was founded in 1857 and is a Catholic, liberal arts college for men. The University offers academic and extracurricular programs in conjunction with the nearby College of St. Benedict. The character of both of these institutions continues to be shaped by the Benedictine communities that founded the colleges. St. John's is located in Collegeville, Minnesota, minutes away from the St. Cloud metropolitan area.

- Series Six-G issued August 2005 in the amount of $39,300,000. The proceeds were used to refinance the outstanding portions of the Series Four-L and Five-I Bonds.
- Series Six-U issued June 2008 in the amount of $11,375,000. The proceeds of this issue were used for the construction of a 58-bed student apartment building, an 8,000 square foot community center and for the renovation of the dining facilities and Seton Apartments.

SAINT MARY'S UNIVERSITY OF MINNESOTA is a private comprehensive university. 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 throughout Minnesota and Wisconsin and also offers programs in Jamaica and Nairobi, Kenya.

- 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 were used to refinance the outstanding portion of the Series Three-Q Bonds.
- Series Seven-C issued May 2010 in the amount of $4,085,000. The proceeds were used to refinance the outstanding portion of the Series Five-E Bonds.

COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

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 undergraduate degrees in 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 were used for the renovation of the St. Olaf Center, the renovation of the Administration Building, and the acquisition of residence hall furniture and athletic bleachers.
- Series Five-M1 issued April 2002 in the amount of $12,205,000. The proceeds were used for 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 Series Four-R Bonds.

UNIVERSITY OF ST. THOMAS was founded in 1885 and is a Catholic liberal arts comprehensive regional university. The University offers undergraduate degrees in over 95 majors and nearly 60 minors. It offers several master's degree programs, a number of doctoral degree programs including a juris doctorate degree. The main campus is located in St. Paul, Minnesota and the center for graduate studies and the law school of the University is located in downtown Minneapolis. 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 were used to refinance the outstanding balance of the Series Four-A2 Bonds. The remainder of the proceeds, along with proceeds from the Series Four-M Bonds, were used for the construction and furnishing of a 345-bed residence hall, a 345-stall parking ramp on the St. Paul campus, and a commons building connecting Brady and Dowling Hall, also 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 were used to finance the construction and furnishing of the University's Law School building on the Minneapolis campus and to refinance the outstanding balance of the Series Three-C Bonds.
- Series Five-T issued December 2003 in the amount of $23,575,000. The proceeds were used to refinance the outstanding balance of the Series Three-R1 and Three-R2 Bonds.

- Series Five-Y issued August 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 St. Paul campus.
- Series Five-Z issued August 2004 in the amount of $20,000,000. The proceeds were used to construct and furnish Schulz Hall on the Minneapolis campus.
- Series Six-H issued February 2006 in the amount of $12,300,000. The proceeds were used for 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 refinance the outstanding portion of Series Four-A, Series Four-M and Series Four-P Bonds.
- Series Six-W issued December 2008 in the amount of $18,305,000. The proceeds were used for a parking ramp for approximately 725 stalls on five levels, including one below ground.
- Series Six-X issued June 2009 in the amount of $58,405,000. The proceeds were used for the construction and furnishing of the Anderson Athletic and Recreation Complex on the St. Paul campus.
- Series Seven-A issued December 2009 in the amount of $79,440,000. The proceeds were issued for the construction of the Anderson Student Center, for improvements to the University's athletic facilities and for renovating the McCarthy Gymnasium on the St. Paul campus.

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 furnishing of eleven manufactured duplex housing units. These units house approximately 80 students on the campus of the College.

WILLIAM MITCHELL COLLEGE OF LAW is an independent law school which 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 evening 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 the student center and adjacent classroom space and to upgrade the facility infrastructure.

INDEPENDENT AUDITOR'S REPORT

October 11, 2010

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

We have audited the accompanying financial statements of the Minnesota Higher Education Facilities Authority, St. Paul, Minnesota, as of and for the year ended June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Authority's 2009 financial statements and, in our report dated October 8, 2009, we expressed an unqualified opinion on those 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 Minnesota Higher Education Facilities Authority, St. Paul, Minnesota, as of June 30, 2010, and the respective 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 Authority's financial statements for the year ended June 30, 2009, from which such partial information was derived.

U.S. generally accepted accounting principles require that the management's discussion and analysis, which follows this report letter, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota

This discussion and analysis of the financial performance of the Minnesota Higher Education Facilities Authority (the "Authority") is supplementary information required by the GASB. It introduces the basic financial statements and provides an analytical overview of the Authority's financial activities for the year ended June 30, 2010.

The Authority was created by the State 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 Minnesota Office of Higher Education is an ex officio member and the President of the Minnesota Private College Council, is a non-voting, ex officio member. The Authority has two full-time staff, and the third staff position is vacant at this time. In keeping with internal control procedures and policies, the staff segregates duties as much as possible to protect the financial integrity of all activities. These procedures and policies have been developed and documented to safeguard the Authority's assets.

The Authority is authorized to issue revenue bonds whose aggregate outstanding principal amount at any time cannot exceed a statutory limit of $ 1.3 billion. The Authority has had 177 issues (including refunded and retired issues) totaling approximately $ 1.8 billion, of which $ 923,181,812 is outstanding as of June 30, 2010. Bonds issued by the Authority are payable only from the loan repayments, rentals and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota. The operations of the Authority are financed from fees paid by the participating institutions and investment income. It has no taxing power. Bond issuance costs 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. Public community and technical colleges in the state are also eligible for assistance, but only in financing childcare 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 facilities for housing, academic and administrative purposes, parking, student centers and other buildings and equipment to be used for instruction, research or operations. The Authority is also authorized to issue revenue bonds for 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 Securities Exchange Commission (SEC) Rule 15c2-12 (most publicly offered 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.

An annual debt financing conference has been offered for many years by the Authority. This year it was held in April 2010 and provided a chance for Authority clients, members and finance professionals to share information on higher education capital financings. The conference engaged speakers that provided a review and forecast of the credit market, an overview of the Build America Bonds Program and a discussion on identifying the risks and trends in financial covenants. National rating agency representatives also discussed their general outlook for the higher education sector in Minnesota and highlighted various factors that affect an institution's credit profile.

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.

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

- **Statement of Net Assets**
  The Statement of Net Assets presents information reflecting the Authority's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The Statement 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**
  The Statement of Revenues, Expenses and Changes in Net Assets 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**
  The Statement of Cash Flows 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 changes in financial position of the Authority for the years ended June 30, 2010 and 2009.

ASSETS:	**2010**	**2009**
Current Assets	$ 2,044,847	$ 2,039,899
Noncurrent Assets	3,674	4,614
Total Assets	$ 2,048,521	$ 2,044,513
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current Liabilities	$ 31,682	40,350
Noncurrent Liabilities	26,380	24,867
Total Liabilities	58,062	65,217
Net Assets	1,990,459	1,979,296
Total Liabilities and Net Assets	$ 2,048,521	2,044,513

Operating Revenues	$ 297,616	314,855
Operating Expenses	355,095	391,058
Operating Loss	(57,479)	(76,203)
Nonoperating Revenues:		
Interest Income	53,680	67,297
Increase in Fair Value of Investments	14,962	54,511
Total Nonoperating Revenues	68,642	121,808
Change in Net Assets	11,163	45,605
NET ASSETS:		
Beginning of Year	1,979,296	1,933,691
End of Year	$ 1,990,459	1,979,296

MANAGEMENT'S DISCUSSION & ANALYSIS: FINANCIAL HIGHLIGHTS

The demand for capital among Minnesota private colleges and universities remains strong. The total principal amount issued in fiscal year 2010 was $ 131,530,000 compared to $ 106,375,000 in fiscal year 2009. Following is a listing of the bond issues for fiscal year 2010.

Minneapolis College of Art and Design

- Series Six-Z issued November 2009 in the amount of $ 2,660,000. These revenue bonds were issued for the construction of a surface parking lot and sculpture garden serving as a gateway to the main Minneapolis campus.

University of St. Thomas

- Series Seven-A issued December 2009 in the amount of $ 79,440,000. These revenue bonds were issued for the construction of the Anderson Student Center, for improvements to the University's athletic facilities and for renovating the McCarthy Gymnasium on the St. Paul Campus.

Saint Mary's University of Minnesota

- Series Seven-C issued May 2010 in the amount of $ 4,085,000. These revenue bonds were issued to refinance the Series Five-E bonds.

Carleton College

- Series Seven-D issued June 2010 in the amount of $ 30,455,000. These revenue bonds were issued for the construction of the Carleton Arts Union and an auxiliary art studio warehouse on the campus.

Hamline University

- Series Seven-E issued June 2010 in the amount of $ 14,890,000. These revenue bonds were issued to refinance the Series Five-B Bonds and to refinance the outstanding principal of a bank line of credit used to finance various capital improvements for the University.

FACTORS EXPECTED TO AFFECT FUTURE FINANCIAL POSITION AND OPERATION

The Authority is primarily dependent on administrative fee revenue with supplemental revenue provided by interest earnings from its accumulated operating reserve. The annual fees are based upon the outstanding principal amount of each series of bonds when billed. Starting in fiscal year 1997, the Authority's annual administrative fees have been reduced for all series. Utilizing the operating reserve to subsidize the operating expenses, the Authority was able to reduce its administrative fees charged to all borrowers in fiscal year 2010 by 75%. The fees for fiscal year 2011 will also 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
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June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

ASSETS:	2010	2009
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 238,678	$ 231,115
Investments	1,790,859	1,780,897
Accounts Receivable	–	5,638
Interest Receivable	13,868	21,754
Prepaid Expenses	1,442	495
Total Current Assets	2,044,847	2,039,899
NONCURRENT ASSETS:		
Equipment	65,664	66,853
Less Accumulated Depreciation	(61,990)	(62,239)
Total Noncurrent Assets (Net)	3,674	4,614
Total Assets	$2,048,521	2,044,513

LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$ 5,302	$ 15,484
Compensated Absences Payable	26,380	24,866
Total Current Liabilities	31,682	40,350
Noncurrent Liabilities:		
Compensated Absences Payable	26,380	24,867
Total Liabilities	58,062	65,217
NET ASSETS:		
Invested in Capital Assets	3,674	4,614
Unrestricted	1,986,785	1,974,682
Total Net Assets	1,990,459	1,979,296
Total Liabilities and Net Assets	$ 2,048,521	2,044,513

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

		2010	2009
OPERATING REVENUES:			
Annual Administrative Fees	$	289,469	312,523
Other Income		8,147	2,332
Total Operating Revenues		297,616	314,855
OPERATING EXPENSES:			
Payroll, Payroll Taxes and Employee Benefits		233,665	267,293
Legal, Audit and Consulting Expense		31,859	31,372
Rent		47,585	46,957
Depreciation		2,117	2,397
Other General and Administrative Expenses		39,869	43,039
Total Operating Expenses		355,095	391,058
Operating Loss		(57,479)	(76,203)
NONOPERATING REVENUES:			
Interest Income		53,680	67,297
Increase in Fair Value of Investments		14,962	54,511
Total Nonoperating Revenues		68,642	121,808
Change in Net Assets		11,163	45,605
NET ASSETS:			
Beginning of Year		1,979,296	1,933,691
End of Year	$	1,990,459	1,979,296

June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	2010	2009
CASH FLOWS - OPERATING ACTIVITIES:		
Cash Received from Annual Administrative and Other Fees	$ 303,254	$ 300,916
Cash Payments to Employees	(240,813)	(264,197)
Cash Payments to Suppliers for Goods and Services	(120,267)	(122,277)
Net Cash Flows - Operating Activities	(57,826)	(85,558)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Capital Assets	(1,177)	-
CASH FLOWS - INVESTING ACTIVITIES:		
Interest Received	61,566	68,119
Proceeds of Investment Sales	5,000	115,000
Net Cash Flows - Investing Activities	66,566	183,119
Net Change in Cash and Cash Equivalents	7,563	97,561
CASH AND CASH EQUIVALENTS:		
Beginning of Year	231,115	133,554
End of Year	$ 238,678	$ 231,115
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS - OPERATING ACTIVITIES:		
Operating Loss	$ (57,479)	$ (76,203)
Adjustments to Reconcile Operating Loss to Net Cash Flows - Operating Activities:		
Depreciation Expense	2,117	2,397
Accounts Receivable	5,368	(5,638)
Prepaid Items	(947)	323
Unearned Fees	–	(8,301)
Compensated Absences Payable	3,207	1,548
Total Adjustments	(347)	(9,355)
Net Cash Flows - Operating Activities	$ (57,826)	(85,558)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Net Increase in Fair Value of Investments	$ 14,962	54,511

A. REPORTING ENTITY

The Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority finances projects through the issuance of bonds; the principal and interest of which are paid by the lease/loan payments collected from the higher education institutions. In fiscal year 2010, the Authority was authorized to have a maximum of $ 1.3 billion of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Authority consist principally of annual administrative fees paid by the participating institutions. While the annual administrative fee rate for new bond issues has changed periodically, the fee rate remains constant for the life of the bonds, with the exception of fee reductions for operating reserve stabilization purposes. The annual fee structure is as follows: bonds issued from December 1971 to September 1975 are charged 0.125% of the original balance of the bonds, bonds issued from October 1975 to December 1989 are charged 0.2% of the original balance of the bonds and bonds issued from January 1990 to present are charged 0.125% 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, 2010, 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 United States, its agencies, its instrumentalities or organizations created by an act of Congress.

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

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

Cash and Investments continued on next page

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's investments should be made with consideration for cash flow requirements, taking into account budgeted expenditures.

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

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. In April 2010, the Authority had a negotiable certificate of deposit for $95,000 with a financial institution that defaulted. The monies for the certificate were fully recovered from the FDIC during 2010 and the Authority did not incur any loss as a result of the bank default.

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 3, 5 or 10 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.

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, 2010, the Authority 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 plan under which they are employed. Employees working under the managerial plan shall be paid a sum equal to the regular rate of pay at the time of separation multiplied by 35% of the accumulated but unused sick leave.

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 reporting period. Actual results could differ from those estimates.

BASIC FINANCIAL STATEMENTS: NOTE 2 – DEPOSITS AND INVESTMENTS

A. DEPOSITS

Deposits are maintained at a depository bank that has been authorized by the Authority.

Custodial Credit Risk – Deposits: As of June 30, 2010, the Authority's bank balance of $ 18,323 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2010, the Authority's carrying value of deposits was as follows:

Deposits........................ $ 7,425

B. INVESTMENTS

As of June 30, 2010, the Authority had the following investments:

INVESTMENT	MATURITIES	FAIR VALUE	S&P RATING
Discover Bank Certificate of Deposit	08/13/10	$ 95,308	N/A
Bryn Mawr TR CO Bryn Mawr, PA, Certificate of Deposit	02/14/11	96,375	N/A
Meridian Bank NA Wickenburg, AZ Certificate of Deposit	02/22/11	95,799	N/A
CFBank, Certificate of Deposit	05/23/11	100,169	N/A
Coastal Bank Brunswick, GA Certificate of Deposit	08/04/11	100,558	N/A
American Express FSB SLC, UT, Certificate of Deposit	01/23/12	96,996	N/A
Columbus Bank & Trust CO, GA, Certificate of Deposit	09/04/12	95,084	N/A
Farmers Savings Bank Colesburg, IA, Certificate of Deposit	01/22/13	97,799	N/A
Federal Home Loan Note	03/08/13	319,314	AAA
Fannie Mae Note	08/20/13	108,281	AAA
Barclays Bank, DE Certificate of Deposit	02/18/14	96,081	N/A
Sturdy Savings Bank Stone HBR, NJ, Certificate of Deposit	03/03/14	95,806	N/A
Platinum Bank Florida, Certificate of Deposit	08/12/14	96,399	N/A
Town Bank Hartland, WI, Certificate of Deposit	03/05/15	96,732	N/A
Citibank N.A. Las Vegas Certificate of Deposit	05/12/15	96,206	N/A
Capital One National Association Mclean, VA, Certificate of Deposit	06/25/15	103,952	N/A
Wells Fargo Money Market	N/A	221,253	AAA
Total Investments		$2,012,112	

Concentration of Credit Risk: As of June 30, 2010, the Authority's investment balances in Federal Home Loan Note, Fannie Mae Note and Capital One National Association Mclean, VA certificate of deposit each exceeded 5% of the total investments.

Custodial Credit Risk - Investments: During April 2010, a negotiable certificate of deposit invested through a broker at a financial institution defaulted. The Authority fully recovered the monies from FDIC.

Deposits and investments are presented in the June 30, 2010 basic financial statements as follows:

Cash and Cash Equivalents	$ 238,678
Investments	1,790,859
Total Deposits and Investments	$ 2,029,537

BASIC FINANCIAL STATEMENTS: NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

BEGINNING			ENDING	
	BALANCE	INCREASES	DECREASES	BALANCE
Capital Assets, being Depreciated:				
Office Furniture and Equipment	$ 66,853	$ 1,177	$ (2,366)	$ 65,664
Less Accumulated Depreciation	(62,239)	(2,117)	2,366	(61,990)
Capital Assets, Net	$ 4,614	$ (940)	$ -	$ 3,674

BASIC FINANCIAL STATEMENTS: NOTE 4 – LEASES

The Authority has a lease commitment for office space through November 2012, with monthly base rent from $ 3,912 to $ 4,121. Total costs were $ 47,585 for the year ended June 30, 2010. The future minimum lease payments for this lease are as follows:

YEAR ENDING	JUNE 30
2011	$ 48,562
2012	49,190
2013	20,605
Total	$ 118,357

BASIC FINANCIAL STATEMENTS: NOTE 5 – CHANGES IN COMPENSATED ABSENCES PAYABLE

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 49,733	$ 22,291	$ (19,264)	$ 52,760	$ 26,380

BASIC FINANCIAL STATEMENTS: NOTE 6 – CONDUIT DEBT

At June 30, 2010, there were 64 bond issues and leases outstanding with an aggregate principal balance outstanding of $ 923,181,812 as follows:

COLLEGE/UNIVERSITY	FINAL MATURITY	INDEBTEDNESS ISSUED	INDEBTEDNESS OUTSTANDING
Series A, Augsburg College Revenue Bonds, December 1972	2012	$ 2,200,000	$ 465,000
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	225,000
Series Three-Z, Macalester College Variable Rate Demand Revenue Bonds, September 1994	2024	6,660,000	6,660,000
Series Four-H, Gustavus Adolphus College Revenue Bonds, August 1996	2010	6,135,000	765,000
Series Four-O, University of St. Thomas Variable Rate Demand Revenue Bonds, September 1997	2021	10,800,000	9,035,000
Series Four-X, Gustavus Adolphus College, Revenue Bonds, November 1998	2024	11,695,000	8,675,000
Series Four-Y, Augsburg College Mortgage Revenue Bonds, January 1999	2027	15,840,000	9,760,000
Series Five-A, Concordia University, St. Paul Lease and Purchase Agreement, April 1999	2014	1,440,000	504,948
Series Five-C, University of St. Thomas Variable Rate Demand Revenue Bonds, October 1999	2025	10,000,000	8,360,000
Series Five-F, Saint Mary's University of Minnesota Master Financing Agreement March 2000	2012	1,037,118	353,675
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
Series Five-J, College of St. Scholastica Revenue Bonds May 2001	2014	5,960,000	2,155,000
Series Five-K, Minneapolis College of Art and Design Revenue Bonds, August 2001	2021	4,355,000	3,395,000
Series Five-L, University of St. Thomas Variable Rate Demand Revenue Bonds, April 2002	2027	25,845,000	$18,980,000
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	24,720,000
Series Five-N2, College of St. Catherine Variable Rate Demand Revenue Bonds, August 2002	2032	24,625,000	24,625,000
Series Five-P1, Concordia University, St. Paul Variable Rate Demand Revenue Bonds, March 2003	2027	4,250,000	2,255,000
Series Five-P2, Concordia University, St. Paul Variable Rate Demand Taxable Revenue Bonds, March 2003	2021	7,230,000	4,695,000
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	10,515,000

COLLEGE/UNIVERSITY	FINAL MATURITY	INDEBTEDNESS ISSUED	INDEBTEDNESS OUTSTANDING
Series Five-S, William Mitchell College of Law Variable Rate Demand Revenue Bonds, October 2003	2033	15,800,000	11,565,000
Series Five-T, University of St. Thomas Revenue Bonds December 2003	2014	23,575,000	9,030,000
Series Five-U, Saint Mary's University of Minnesota Revenue Bonds, March 2004	2023	10,980,000	8,545,000
Series Five-W, College of St. Benedict Revenue Bonds, July 2004	2024	7,965,000	6,315,000
Series Five-X, Gustavus Adolphus College Variable Rate Demand Revenue Bonds, October 2004	2034	16,550,000	13,450,000
Series Five-Y, University of St. Thomas Revenue Bonds August 2004	2034	30,000,000	27,485,000
Series Five-Z, University of St. Thomas Revenue Bonds, August 2004	2029	20,000,000	15,600,000
Series Six-A, College of St. Scholastica Variable Rate Demand Revenue Bonds, December 2004	2034	12,000,000	11,370,000
Series Six-B, Macalester College Revenue Bonds, December 2004	2017	14,995,000	9,460,000
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	28,465,000
Series Six-E1, Hamline University Variable Rate Demand Revenue Bonds, June 2005	2016	9,580,000	6,300,000
Series Six-E2, Hamline University Variable Rate Demand Revenue Bonds, June 2005	2025	8,580,000	7,635,000
Series Six-E3, Hamline University Variable Rate Demand Revenue Bonds, August 2006	2016	2,195,000	1,610,000
Series Six-F, Macalester College Revenue Notes, July 2005	2014	3,000,000	1,635,940
Series Six-G, St. John's University Revenue Bonds, August 2005	2026	39,300,000	31,705,000
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	31,840,000
Series Six-J1, Augsburg College Revenue Bonds, July 2006	2036	15,655,000	14,925,000
Series Six-J2, Augsburg College Variable Rate Demand Revenue Bonds, July 2006	2021	5,000,000	4,400,000
Series Six-K, Minneapolis College of Art and Design Revenue Bonds, July 2006	2026	7,670,000	6,610,000
Series Six-L, College of St. Catherine Revenue Notes, August 2006	2031	8,000,000	7,561,749
Series Six-M, College of St. Benedict Revenue Notes, October 2006	2016	7,345,000	5,589,876
Series Six-N, College of St. Catherine Revenue Bonds, April 2007	2027	6,500,000	6,055,624
Series Six-O, St. Olaf College Revenue Bonds, March 2007	2032	45,405,000	43,145,000

COLLEGE/UNIVERSITY	FINAL MATURITY	INDEBTEDNESS ISSUED	INDEBTEDNESS OUTSTANDING
Series Six-P, Macalester College Revenue Bonds, March 2007	2032	39,490,000	36,475,000
Series Six-Q, Concordia University, St. Paul Revenue Bonds, October 2007	2037	18,155,000	16,435,000
Series Six-R, Bethel University Revenue Bonds, August 2007	2037	44,000,000	44,000,000
Series Six-S, College of St. Scholastica Revenue Bonds, November 2007	2027	8,170,000	7,640,000
Series Six-T, Carleton College Revenue Bonds, December 2008	2028	19,665,000	19,375,000
Series Six-U, St. John's University Revenue Bonds, June 2008	2033	11,375,000	11,115,000
Series Six-V, College of St. Benedict Revenue Bonds, May 2008	2023	19,430,000	16,055,000
Series Six-W, University of St. Thomas Revenue Bonds, December 2008	2030	18,305,000	17,930,000
Series Six-X, University of St. Thomas Revenue Bonds, June 2009	2039	58,405,000	58,405,000
Series Six-Y, Carleton College Revenue Notes, June 2009	2019	10,000,000	10,000,000
Series Six-Z, Minneapolis College of Art and Design Revenue Notes November 2009	2024	2,660,000	2,660,000
Series Seven-A, University of St. Thomas Revenue Bonds December 2009	2039	79,440,000	79,440,000
Series Seven-C, Saint Mary's University of Minnesota Revenue Bonds, May 2010	2026	4,085,000	4,085,000
Series Seven-D, Carleton College Revenue Bonds, June 2010	2040	30,455,000	30,455,000
Series Seven-E, Hamline University Revenue Bonds, June 2010	2029	14,890,000	14,890,000
Total		$ 1,045,712,118	$ 923,181,812

A summary of changes in conduit debt outstanding for the year ended June 30, 2010 is presented below.

Conduit Debt - July 1, 2009	$ 827,622, 935
Additions:	
Revenue Bonds Issued	131,530,000
Reductions:	
Principal Retirements	(25,451,123)
Refunding of Principal	(10,520,000)
Conduit Debt - June 30, 2010	$ 923,181,812

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, 2010, 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, #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 4.75% and 6%, respectively, for both employer and employee. Actual contributions were 100% of required contributions. Required contributions for the Authority were:

Fiscal Year	Amount
2010	$ 10,243
2009	11,264
2008	10,988

BASIC FINANCIAL STATEMENTS: NOTE 9 – SUBSEQUENT EVENTS

- Series Seven-B Revenue Bonds in the amount of $ 41,680,000 were issued for the benefit of Gustavus Adolphus College on August 4, 2010. Gustavus Adolphus College will use the proceeds to refinance the Series Four-X Bonds and to finance the construction of a new social science building and renovation to the mall area.
- Series Seven-F Revenue Bonds in the amount of $ 32,440,000 were issued for the benefit of St. Olaf College on August 31, 2010. St. Olaf College will use the proceeds to refinance the Series Five-H, Series Five-M1 and a portion of the Series Five-M2 Bonds.

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