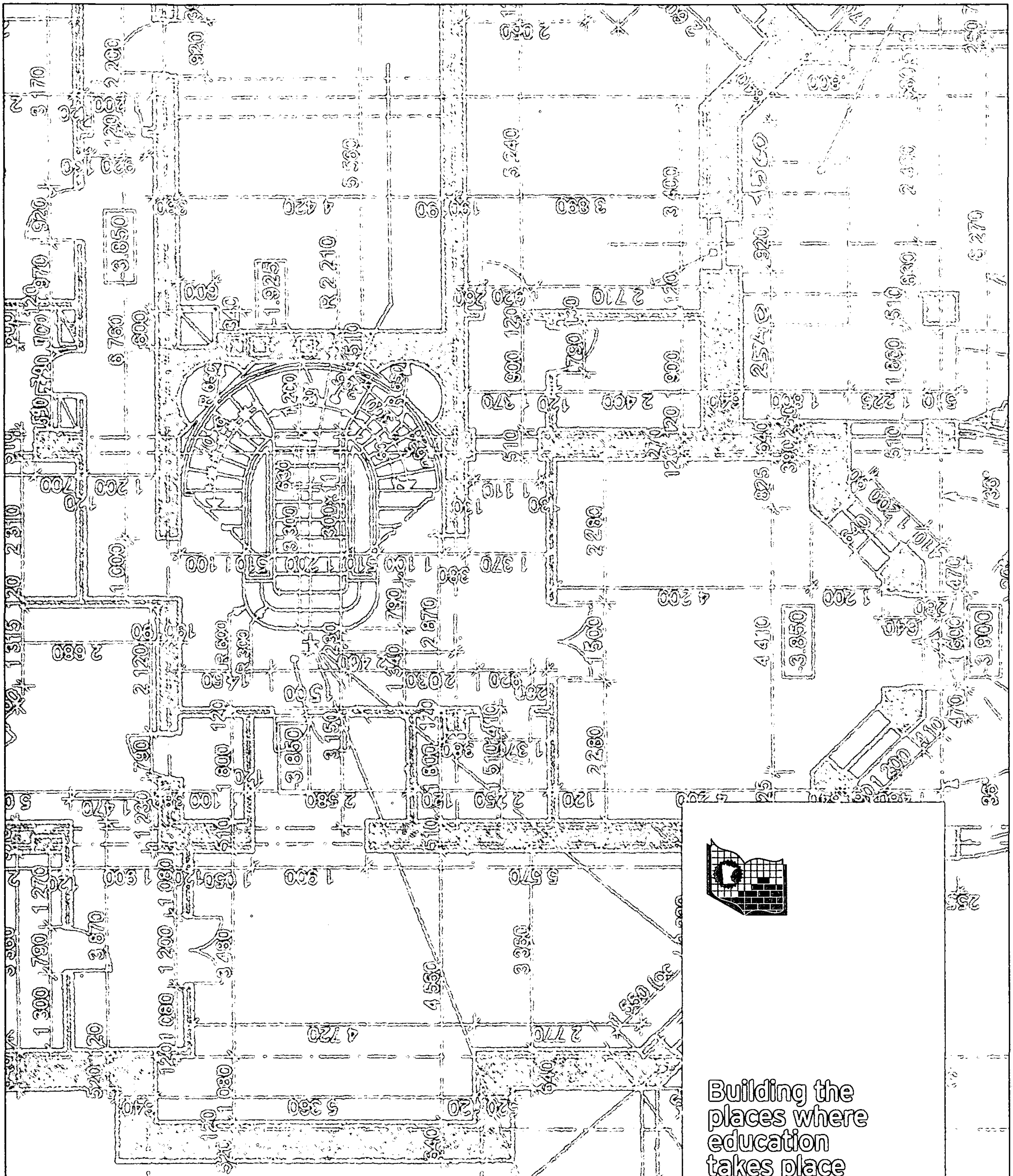


Building the places where education takes place

Minnesota Higher Education Facilities Authority

Annual Report for the Fiscal Year 2013

REPORT ON AUDIT OF FINANCIAL STATEMENTS

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

BASIC FINANCIAL STATEMENTS

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, 2013, 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 2013, the Authority completed six financings for six institutions. The total principal amount issued of $91,460,000 is more than the previous year's total of $39,975,000. The total principal outstanding for Authority-issued debt stands at $927,560,992 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,
Raymond VinZant
Chair

MHEFA MEMBERS

Gary D. Benson
Director of Project Planning & Development
Kraus-Anderson Construction Company
Resident of New Brighton, Minnesota
Term Expires January 2015

Kathryn Balstad Brewer
MHEFA Vice Chair
Retired Banker and Educator
Resident of New Brighton, Minnesota
Term Expires January 2015

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

Timothy M. Geraghty, Ex-officio
Chief Financial Officer
MN Office of Higher Education

Mary F. Ives
Real Estate Business Owner
Resident of Grand Rapids, Minnesota
Term Expires January 2016

Mark Misukanis, MHEFA Secretary
Senior Consultant, New Pharos Consulting
Resident of Mendota Heights, Minnesota
Term Expires January 2017

Michael D. Ranum
Chief Financial Officer, BWBR Architects, Inc.
Resident of Circle Pines, Minnesota
Term Expires January 2014

David D. Rowland
Executive Vice President,
The Travelers Companies,Inc.
Resident of Edina, Minnesota
Term Expires January 2017

Raymond VinZant, Jr., MHEFA Chair
President, Ray VinZant Plumbing LLC
Resident of Wyoming, Minnesota
Term Ends January 2016

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

MHEFA STAFF

Marianne Remedios
Executive Director

Elaine Yungerberg
Assistant Executive Director

FINANCIAL ADVISORS

Springsted Incorporated
St. Paul, Minnesota

INDEPENDENT AUDITORS

Kern, DeWenter, Viere, Ltd.
Bloomington, Minnesota

COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

AUGSBURG COLLEGE, founded in 1869, is a private, liberal arts college located in Minneapolis, Minnesota, and is affiliated with the Evangelical Lutheran Church in America. The College offers more than 50 undergraduate degree programs and nine graduate degree programs, offered on both a traditional weekday schedule and a non-traditional weekend and evening schedule. In addition to its Minneapolis campus, the College has a branch campus in Rochester, Minnesota.

- ➢ 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.
- ➢ Series Seven-G issued October 2010 in the amount of $8,860,000. These revenue Bonds were issued to refinance the Series Four-Y Bonds.

BETHEL UNIVERSITY is a comprehensive liberal arts institution that traces its roots back to 1871. The University offers more than 100 undergraduate and advanced degree 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 finance the construction of the 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 including an 880-acre arboretum. Carleton offers undergraduate degrees in 37 majors and 15 concentrations in the arts, humanities, natural sciences and social sciences.

- ➢ 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 Series Three-L1 and the 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 to acquire, construct and equip utility infrastructure improvements to provide backup electrical generation for the campus.
- ➢ 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.

COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

COLLEGE OF SAINT 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 is located in central Minnesota minutes away from the St. Cloud metropolitan area.

- ➢ 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 Series Four-G and Four-T Bonds and for the acquisition of four condominium units for student or faculty use.
- ➢ Series Seven-M issued December 2011 in the amount of $9,135,000. These revenue bonds were issued for the construction of new student housing facilities consisting of four residence buildings and a separate common area building.
- ➢ Series Seven-T issued January 2013 in the amount of $5,235,000. These revenue bonds were issued to refinance the Series Five-W Bonds.

COLLEGE OF ST. SCHOLASTICA was founded in 1912 and is a Catholic Benedictine institution. The campus is set on 186 forested acres overlooking Lake Superior in Duluth, Minnesota. The College offers undergraduate, pre-professional programs, master's programs, and doctoral programs. In addition to the main campus, the College offers adult-learning programs in Brainerd, Rochester, St. Cloud and St. Paul, Minnesota.

- ➢ 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.
- ➢ Series Seven-H issued October 2010 in the amount of $21,820,000. These revenue bonds were issued for the expansion and renovation of a science building on the Duluth campus and to refinance the Series Five-J and the Series Six-A Bonds.
- ➢ Series Seven-J issued February 2011 in the amount of $10,170,000. These revenue bonds were issued as additional funding for the expansion and renovation of a science building on the Duluth campus.
- ➢ Series Seven-R issued October 2012 in the amount of $9,380,000. These revenue bonds were issued to refinance the Series Five-R Bonds.

CONCORDIA UNIVERSITY ST. PAUL was founded in 1893 and is a comprehensive liberal arts university that is affiliated with The Lutheran Church-Missouri Synod. The campus is located on nearly 50 acres in a residential area of St. Paul, a short distance from both downtown St. Paul and Minneapolis. Academic programs at the University are organized into three colleges and the degree programs are offered at the traditional undergraduate, adult undergraduate and graduate levels for each college.

- ➢ 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, liberal arts college founded in 1862 and is affiliated with the Evangelical Lutheran Church in America. 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 64 major areas of study in 24 academic departments.

- ➢ 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.
- ➢ Series Seven-B issued August 2010 in the amount of $41,680,000. These revenue bonds were issued for the construction of a new academic building for the social sciences, for improvements to define the west mall area on campus, and to refinance the Series Four-X Bonds.

HAMLINE UNIVERSITY was founded in 1854 and is affiliated with the United Methodist Church. The University consists of five schools: the College of Liberal Arts, the School of Business, the School of Education, the School of Law, and the Graduate School of Liberal Studies. The main campus is located in St. Paul, but the University also offers graduate programs 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 Series Four-I Bonds.
- Series Seven-E issued June 2010 in the amount of $14,890,000. The proceeds were used to refinance the Series Five-B Bonds and also to refinance a bank line of credit that had been used for various capital improvements for the University.
- Series Seven-K1 issued March 2011 in the amount of $8,810,000 and Series Seven-K2 issued March 2011 in the amount of $18,330,000. These revenue Bonds were issued to finance the construction of a new University Center and related parking facilities for the St. Paul campus.
- Series Seven-L issued February 2011 in the amount of $8,000,000. This revenue note was issued as additional financing for the construction of a new University Center and related parking facilities for the St. Paul campus

MACALESTER COLLEGE was founded in 1874 as a Presbyterian-affiliated but nonsectarian college. It is a four-year, undergraduate liberal arts college located on approximately 50 acres in a residential neighborhood of St. Paul, close to both downtown St. Paul and Minneapolis. The College offers 37 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, refurnish 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 Series Four-U1 and Four-U2 Bonds.
- Series Seven-I issued December 2010 in the amount of $16,000,000. These revenue bonds were issued for the renovation and expansion of the Janet Wallace Fine Arts Center.
- Series Seven-S issued December 2012 in the amount of $14,730,000. These revenue bonds were issued to finance phase two of the renovation and expansion of the Janet Wallace Fine Arts Center and the replacement of a boiler.

COLLEGES AND UNIVERSITIES WITH BOND ISSUES OUTSTANDING:

MINNEAPOLIS COLLEGE OF ART AND DESIGN was established in 1886 and is located just south of downtown Minneapolis. The College offers bachelor of fine arts, bachelor of science, and master of fine arts degrees. The College also offers continuing education courses, certificate programs in graphic design, studio art, and sustainable design, as well as online learning programs.

- Series Six-K issued July 2006 in the amount of $7,670,000. The proceeds were used to refinance 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.
- Series Seven-N issued April 2012 in the amount of $3,215,000. These revenue bonds were issued to refinance the Series Five-K Bonds.

SAINT JOHN'S UNIVERSITY was founded in 1857 and is a Catholic liberal arts university 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 institutions. The University is located on 2,700 acres 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 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 and an 8,000 square foot community center. A portion of the proceeds were also used for the renovation of the dining facilities and Seton Apartments.

SAINT MARY'S UNIVERSITY OF MINNESOTA is a private comprehensive university, founded in 1912 and is affiliated with the De La Salle Christian Brothers. The University has a main campus in Winona and a campus in Minneapolis. In addition, it has centers in Rochester, Apple Valley, Minnetonka and Oakdale, Minnesota, as well as in Jamaica and Nairobi, Kenya.

- Series Five-U issued March 2004 in the amount of $10,980,000. The proceeds were used to refinance 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 Series Five-E Bonds.

ST. CATHERINE UNIVERSITY is a Catholic liberal arts institution founded in 1905 by the Sisters of St. Joseph of Carondelet. The University's main campus sits on 110 wooded acres in a residential neighborhood of St. Paul. The Minneapolis campus is located just east of downtown Minneapolis. 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-N2 issued August 2002 in the amount of $24,625,000. A portion of 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 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 Seven-Q issued September 2012 in the amount of $25,630,000. These revenue bonds were issued to refinance the Series Five-N1 Bonds and Series Six-N notes.

ST. OLAF COLLEGE is a residential, liberal arts institution located on a 300-acre campus in Northfield, Minnesota, 45 minutes south of the Twin Cities. It was founded in 1874 and is associated with the Evangelical Lutheran Church in America. The College offers a traditional four-year liberal arts education with academic majors offered in nearly 40 different disciplines and subject areas.

- Series Five-M2 issued July 2002 in the amount of $13,420,000. The proceeds were used to refinance 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 Series Four-R Bonds.
- Series Seven-F issued August 2010 in the amount of $32,440,000. These revenue bonds were issued to refinance the Series Five-H and Series Five-M1 Bonds and to refinance part of the outstanding portion of Series Five-M2 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 90 majors and 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 and the center for graduate studies and the law school of the University is located in downtown Minneapolis. The University's other campuses include the Gainey Center in Owatonna, Minnesota and the Bernardi Campus in Rome, Italy.

- Series Five-T issued December 2003 in the amount of $23,575,000. The proceeds were used to refinance 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 Six-I issued February 2006 in the amount of $38,860,000. The proceeds were used to refinance 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 used 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.
- Series Seven-O issued May 2012 in the amount of $15,325,000. These revenue bonds were issued for refinancing the Series Four-O Bonds and the Series Five-C Bonds.
- Series Seven-P issued May 2012 in the amount of $12,300,000. These revenue bonds were issued for refinancing the Series Six-H Bonds.
- Series Seven-U issued March 2013 in the amount of $25,685,000. These revenue bonds were issued for refinancing the Series Five-L and the Series Five-Z Bonds.

WILLIAM MITCHELL COLLEGE OF LAW is an independent law school which was created in 1956 through successive mergers of several Twin Cities law schools. In 1976, the College moved to its present campus on Summit Avenue in St. Paul. 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 Seven-V issued May 2013 in the amount of $10,800,000. These revenue bonds were issued for refinancing the Series Five-S Bonds.

INDEPENDENT AUDITOR'S REPORT

TO THE EXECUTIVE DIRECTOR AND MEMBERS OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

ST. PAUL, MINNESOTA

REPORT ON THE FINANCIAL STATEMENTS

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, 2013, and the related Notes to the Financial Statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the changes in its financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

IMPLEMENTATION OF GASB 63

As discussed in Note 10 to the financial statements, the Authority has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.*

**OTHER MATTERS:
REQUIRED SUPPLEMENTARY INFORMATION**

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

**REPORT ON SUMMARIZED
COMPARATIVE INFORMATION**

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statement for the year ended June 30, 2012, from which such partial information was derived.

We have previously audited the Authority's 2012 financial statements and our report, dated August 30, 2012, expressed an unmodified opinion on the financial statements of the Authority. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
September 9, 2013

MANAGEMENT'S DISCUSSION & 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 GASB. It introduces the basic financial statements and provides an analytical overview of the Authority's financial activities for the year ended June 30, 2013.

The Authority was created by the State Legislature in 1971 (Minnesota Statutes Sections 136A.25 through 136A.42) 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. A third staff position is authorized but remains vacant. In keeping with internal control procedures and policies, the staff segregates duties as much as possible to protect the financial integrity of all activities. Procedures and policies have been developed and documented to safeguard the Authority's assets.

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 196 issues (including refunded and retired issues) totaling over $ 2.06 billion of which $ 927,560,991 is outstanding as of June 30, 2013. 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 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 to finance student housing facilities.

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 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.

An annual conference has been offered for many years by the Authority. During this fiscal year it was held in April, and provided a chance for Authority clients and finance professionals to share information on higher education capital financings.

The Authority continues to review its policies and procedures to 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.

MANAGEMENT'S DISCUSSION & ANALYSIS: OVERVIEW OF THE FINANCIAL STATEMENTS

The following summarizes the financial position and results of operations of the Authority for the years ended June 30, 2012 and 2013.

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 position. Net position represents the amount of total assets less total liabilities. The Statement of Net Position is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within one year of the statement date.

- **Statement of Revenues, Expenses and Changes in Net 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 position for an enterprise fund is similar to net profit or loss for any other business enterprise.

- **Statement of Cash Flows** The Statement of Cash Flows is presented on the direct method of reporting which reflects cash flows from operating 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.

	2013	2012
ASSETS:		
Current Assets	$ 2,080,645	$ 2,056,805
Noncurrent Assets	4,028	3,714
Total Assets	$ 2,084,673	$ 2,060,519
LIABILITIES:		
Current Liabilities	$ 50,332	$ 39,963
Long-Term Liabilities	28,640	28,897
Total Liabilities	$ 78,972	$ 68,860
NET POSITION		
Net Investment in Capital Assets	$ 4,028	$ 3,714
Unrestricted	2,001,673	1,987,945
Total Net Position	$ 2,005,701	$ 1,991,659

	2013	2012
Operating Revenues	362,580	317,723
Operating Expenses	(365,158)	(363,205)
Operating Loss	(2,578)	(45,482)
Nonoperating Revenues:		
Interest Income	45,542	49,437
Net Decrease in Fair Value of Investments	(28,922)	(558)
Total Nonoperating Revenue	16,620	48,879
Change in Net Position	14,042	3,397
NET POSITION:		
Beginning of Year	1,991,659	1,988,262
End of Year	$ 2,005,701	$ 1,991,659

MANAGEMENT'S DISCUSSION & ANALYSIS: FINANCIAL HIGHLIGHTS

The total principal amount issued in 2013 was $ 91,460,000 compared to $ 39,975,000 in 2012. Following is a listing of the bond issues for 2013.

St. Catherine University

- Series Seven-Q issued September 2012 in the amount of $ 25,630,000. These revenue bonds were issued for the current refunding of the Series Five-N1 Bonds and Series Six-N Notes.

College of St. Scholastica

- Series Seven-R issued October 2012 in the amount of $ 9,380,000. These revenue bonds were issued for the current refunding of the Series Five-R Bonds.

Macalester College

- Series Seven-S issued December 2012 in the amount of $ 14,730,000. These revenue bonds were issued to finance phase two of the renovation and expansion of the Janet Wallace Fine Arts Center and the replacement of a boiler.

College of St. Benedict

- Series Seven-T issued January 2013 in the amount of $ 5,235,000. These revenue bonds were issued for the current refunding of the Series Five-W Bonds.

University of St. Thomas

- Series Seven-U issued March 2013 in the amount of $ 25,685,000. These revenue bonds were issued for the current refunding of the Series Five-L and the Series Five-Z Bonds.

William Mitchell College of Law

- Series Seven-V issued May 2013 in the amount of $ 10,800,000. These revenue bonds were issued for the current refunding of the Series Five-S Bonds.

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 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 2013 by 70%. The fees for fiscal year 2014 will also be reduced by 70%. 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
Website: *www.mnhefa.org*

BASIC FINANCIAL STATEMENTS: STATEMENT OF NET POSITION

For the Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

ASSETS	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents	$ 156,035	$ 211,623
Investments	1,911,638	1,830,560
Interest Receivable	10,268	13,775
Prepaid Items	2,704	847
Total Current Assets	2,080,645	2,056,80
NONCURRENT ASSETS		
Equipment	68,985	67,944
Less Accumulated Depreciation	(64,957)	(64,230)
Total Noncurrent Assets	4,028	3,714
Total Assets	$ 2,084,673	$ 2,060,519
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 21,692	$ 11,067
Compensated Absences Payable	28,640	28,896
Total Current Liabilities	50,332	39,963
Noncurrent Liabilities:		
Compensated Absences Payable	28,640	28,897
Total Liabilities	78,972	68,860
Net Position		
Net Investment in Capital Assets	4,028	3,714
Unrestricted	2,001,673	1,987,945
Total Net Position	2,005,701	1,991,659
Total Liabilities and Net Position	$ 2,084,673	$ 2,060,519

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	2013	2012
OPERATING REVENUES		
Annual Administrative Fees	$ 356,580	$ 312,223
Other Income	6,000	5,500
Total Operating Revenues	362,580	317,723
OPERATING EXPENSES		
Payroll, Payroll Taxes and Employee Benefits	233,816	225,078
Legal, Audit and Consulting Expense	42,812	43,593
Rent	46,648	48,219
Depreciation	1,488	1,811
Other General and Administrative Expenses	40,394	44,504
Total Operating Expenses	365,158	363,205
Operating Loss	(2,578)	(45,482)
NONOPERATING REVENUES		
Interest Income	45,542	49,437
Increase in Fair Value of Investments	(28,922)	(558)
Total Nonoperating Revenues	16,620	48,879
Change in Net Assets	14,042	3,397
NET POSITION		
Beginning of Year	1,991,659	1,988,262
End of Year	$2,005,701	$ 1,991,659

 The Notes to the Financial Statements are an integral part of this statement

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013
(With Partial Comparative Information for the Year Ended June 30, 2012)

	2013	2012
CASH FLOWS - OPERATING ACTIVITIES		
Cash Received from Annual Administrative and Other Fees	$ 362,580	$ 317,723
Cash Payments to Employees	(229,870)	(220,977)
Cash Payments to Suppliers for Goods and Services	(125,545)	(136,202)
Net Cash Flows - Operating Activities	7,165	(39,456)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(1,802)	(2,930)
CASH FLOWS - INVESTING ACTIVITIES		
Interest Received	49,049	49,614
Net Investment Purchases	(110,000)	(25,000)
Net Cash Flows - Investing Activities	(60,951)	24,614
Net Change in Cash and Cash Equivalents	(55,588)	(17,772)
CASH AND CASH EQUIVALENTS		
Beginning of the Year	211,623	229,395
End of the Year	$ 156,035	$ 211,623
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS - OPERATING ACTIVITIES		
Operating Loss	$ (2,578)	$ (45,482)
Adjustments to Reconcile Operating Loss to Net Cash Flows - Operating Activities:		
Depreciation Expense	1,488	1,811
Prepaid Items	(1,857)	513
Accounts Payable	10,625	(351)
Compensated Absences Payable	(513)	4,053
Total Adjustments	9,743	6,026
Net Cash Flows - Operating Activities	$ 7,165	$ (39,456)
NONCASH INVESTING ACTIVITIES		
Net Decrease in Fair Value of Investments	$ (28,922)	$ (558)

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority finances projects through the issuance of bonds, the principal and interest of which are paid by the lease/loan payments collected from the higher education institutions. In fiscal year 2013, the Authority was authorized to have a maximum of $ 1.3 billion of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Authority consist principally of annual administrative fees paid by the participating institutions. While the annual administrative fee rate for new bond issues has changed periodically, the fee rate remains constant for the life of the bonds, with the exception of fee reductions for operating reserve stabilization purposes. The fees for bonds outstanding at June 30, 2013 are 0.125% of the outstanding balance of the bonds. In an effort to stabilize its unrestricted net position balance, the Authority periodically evaluates the administrative fees charged to participating institutions. For the year ended June 30, 2013, the Authority required participating institutions to pay 30% of the contractual administrative fees.

C. ASSETS, LIABILITIES AND NET POSITION

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, 2013, 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 POSITION

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

E. USE OF ESTIMATES

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

Deposits are maintained at depository banks authorized by the Authority.

Custodial Credit Risk - Deposits: As of June 30, 2013, the Authority's bank balance of $ 17,807 was not exposed to custodial credit risk because it was insured through FDIC insurance.

As of June 30, 2013, the Authority's carrying value of deposits was as follows:

Deposits........................... $ 16,488

B. INVESTMENTS

As of June 30, 2013, the Authority had the following investments:

INVESTMENT	MATURITIES	FAIR VALUE	S&P RATING
Fannie Mae Note	08/20/13	$ 100,532	AA+
Barclays Bank, DE Certificate of Deposit	02/18/14	96,149	N/A
Sturdy Savings Bank Stone HBR, NJ Certificate of Deposit	03/03/14	96,230	N/A
Platinum Bank, FL Certificate of Deposit	08/12/14	97,179	N/A
BMW Bank North America Certificate of Deposit	08/13/14	101,499	N/A
Town Bank Hartland, WI Certificate of Deposit	03/05/15	98,178	N/A
Citibank N.A. Las Vegas Certificate of Deposit	05/12/15	98,467	N/A
Capital One N.A. McLean, VA Certificate of Deposit	06/25/15	102,721	N/A
Toyota Financial Savings, NV Certificate of Deposit	02/23/16	102,394	N/A
State Bank of India, IL Certificate of Deposit	08/12/16	102,135	N/A
Discover Bank Certificate of Deposit	09/19/16	100,319	N/A
Goldman Sachs Bank, NY Certificate of Deposit	01/25/17	121,768	N/A
GE Capital Financial Certificate of Deposit	02/21/17	104,173	N/A
GE Money Bank Certificate of Deposit	06/24/17	102,886	N/A
American Express Centurion Certificate of Deposit	01/31/18	98,768	N/A
Citibank, UT Certificate of Deposit	03/27/18	98,072	N/A
Discover Bank Certificate of Deposit	03/27/18	98,079	N/A
JP Morgan Chase Bank Certificate of Deposit	12/05/18	97,513	N/A
Beal Bank SSB Certificate of Deposit	06/05/19	94,576	N/A
Wells Fargo Money Market	N/A	139,547	AAAm
Total Investments		$ 2,051,185	

Concentration of Credit Risk: As of June 30, 2013, the Authority's investment balances in Capital One N.A. McLean, VA certificate of deposit, Goldman Sachs Bank, NY certificate of deposit, GE Capital Financial certificate of deposit, GE Money Bank certificate of deposit and Discover Bank certificates of deposit each exceeded 5% of the total investments.

Custodial Credit Risk - Investments: Investments of the Authority are not registered in the Authority's name. The securities are held in bank safekeeping in third party depositories under the bank's name and ownership. Pursuant to federal banking laws and regulations, the bank's customer accounts are segregated from and not considered part of the bank's assets. Thus, the account ownership of assets in bank safekeeping accounts remain vested in the customers and are protected from claims of creditors of the bank..

Deposits and investments are presented in the June 30, 2013 basic financial statements as follows:

Cash and Cash Equivalents	$ 156,035
Investments	1,911,638
Total Deposits and Investments	$ 2,067,673

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital Assets, being Depreciated:				
Office Furniture and Equipment	$ 67,944	$ 1,802	$ (761)	$ 68,985
Less Accumulated Depreciation	(64,230)	(1,488)	761	(64,957)
Capital Assets, Net	$ 3,714	$ 314	$ -	$ 4,028

NOTE 4 - LEASES

The Authority has a lease commitment for office space through November 2017, with monthly base rent from $ 3,759 to $ 4,021. Total costs were $ 46,648 for the year ended June 30, 2013. The future minimum lease payments for this lease are as follows:

YEAR ENDING JUNE 30	
2014	$ 45,110
2015	45,371
2016	48,252
2017	48,252
2018	20,105
Total	$ 207,090

NOTE 5 - CHANGES IN COMPENSATED ABSENCES PAYABLE

Long-term liability activity for the year ended June 30, 2013 was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Compensated Absences	$ 57,793	$ 28,756	$ (29,269)	$ 57,280	$ 28,640

At June 30, 2013, there were 60 bond issues and leases outstanding with an aggregate principal balance outstanding of $ 927,560,991 as follows:

NOTE 6 - CONDUIT DEBT

COLLEGE/UNIVERSITY	FINAL MATURITY	INDEBTEDNESS ISSUED	INDEBTEDNESS OUTSTANDING
Series Three-Z, Macalester College Variable Rate Demand Revenue Bonds, September 1994	2024	$6,660,000	$6,660,000
Series Five-A, Concordia University, St. Paul Lease and Purchase Agreement, April 1999	2014	1,440,000	135,639
Series Five-G, Carleton College Variable Rate Demand Revenue Bonds, June 2000	2029	23,000,000	23,000,000
Series Five-M2, St. Olaf College Variable Rate Demand Revenue Bonds, July 2002	2020	13,420,000	8,750,000
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	2,245,000
Series Five-Q, Macalester College Variable Rate Demand Revenue Bonds, February 2003	2033	15,300,000	15,300,000
Series Five-T, University of St. Thomas Revenue Bonds, December 2003	2014	23,575,000	3,650,000
Series Five-U, Saint Mary's University of Minnesota Revenue Bonds, March 2004	2023	10,980,000	7,340,000
Series Five-X, Gustavus Adolphus College Variable Rate Demand Revenue Bonds, October 2004	2034	16,550,000	11,950,000
Series Five-Y, University of St. Thomas Revenue Bonds, August 2004	2034	30,000,000	25,635,000
Series Six-B, Macalester College Revenue Bonds, December 2004	2017	14,995,000	5,455,000
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	23,090,000
Series Six-E1, Hamline University Variable Rate Demand Revenue Bonds, June 2005	2016	9,580,000	3,800,000
Series Six-E2, Hamline University Variable Rate Demand Revenue Bonds, June 2005	2025	8,580,000	6,585,000
Series Six-E3, Hamline University Variable Rate Demand Revenue Bonds, August 2006	2016	2,195,000	960,000
Series Six-F, Macalester College Revenue Notes, July 2005	2014	3,000,000	578,664
Series Six-G, St. John's University Revenue Bonds, August 2005	2026	39,300,000	26,660,000
Series Six-I, University of St. Thomas Revenue Bonds, February 2006	2023	38,860,000	25,590,000
Series Six-J1, Augsburg College Revenue Bonds, July 2006	2036	15,655,000	14,010,000
Series Six-J2, Augsburg College Variable Rate Demand Revenue Bonds, July 2006	2021	5,000,000	3,500,000
Series Six-K, Minneapolis College of Art and Design Revenue Bonds, July 2006	2026	7,670,000	5,725,000

NOTE 6 - CONDUIT DEBT

COLLEGE/UNIVERSITY	FINAL MATURITY	INDEBTEDNESS ISSUED	INDEBTEDNESS OUTSTANDING
Series Six-L, College of St. Catherine Revenue Notes, August 2006	2031	8,000,000	6,952,232
Series Six-M, College of St. Benedict Revenue Notes, October 2006	2016	7,345,000	3,209,456
Series Six-O, St. Olaf College Revenue Bonds, March 2007	2032	45,405,000	39,410,000
Series Six-P, Macalester College Revenue Bonds, March 2007	2032	39,490,000	32,015,000
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	43,140,000
Series Six-S, College of St. Scholastica Revenue Bonds, November 2007	2027	8,170,000	6,760,000
Series Six-T, Carleton College Revenue Bonds, December 2008	2028	19,665,000	18,225,000
Series Six-U, St. John's University Revenue Bonds, June 2008	2033	11,375,000	10,260,000
Series Six-V, College of St. Benedict Revenue Bonds, May 2008	2023	19,430,000	10,690,000
Series Six-W, University of St. Thomas Revenue Bonds, December 2008	2030	18,305,000	16,630,000
Series Six-X, University of St. Thomas Revenue Bonds, June 2009	2039	58,405,000	54,730,000
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	76,065,000
Series Seven-B, Gustavus Adolphus College Revenue Bonds, August 2010	2035	41,680,000	40,805,000
Series Seven-C, Saint Mary's University of Minnesota Revenue Bonds, May 2010	2026	4,085,000	3,520,000
Series Seven-D, Carleton College Revenue Bonds, June 2010	2040	30,455,000	29,265,000
Series Seven-E, Hamline University Revenue Bonds, June 2010	2029	14,890,000	14,130,000
Series Seven-F, St. Olaf College Revenue Bonds, August 2010	2030	32,440,000	30,210,000
Series Seven-G, Augsburg College Revenue Bonds, October 2010	2027	8,860,000	7,125,000
Series Seven-H, College of St. Scholastica Revenue Bonds, October 2010	2040	21,820,000	21,570,000
Series Seven-I, Macalester College Revenue Bonds, December 2010	2035	16,000,000	15,620,000
Series Seven-J, College of St. Scholastica Revenue Bonds, February 2011	2040	10,170,000	10,170,000
Series Seven-K1, Hamline University Revenue Bonds, March 2011	2018	8,810,000	7,675,000

NOTE 6 - CONDUIT DEBT

COLLEGE/UNIVERSITY	FINAL MATURITY	INDEBTEDNESS ISSUED	INDEBTEDNESS OUTSTANDING
Series Seven-K2, Hamline University Revenue Bonds, March 2011	2040	18,330,000	18,330,000
Series Seven-L, Hamline University Revenue Note, February 2011	2021	8,000,000	8,000,000
Series Seven-M, College of St. Benedict Revenue Bonds, December 2011	2036	9,135,000	8,890,000
Series Seven-N, Minneapolis College of Art and Design Revenue Bonds, April 2012	2023	3,215,000	3,215,000
Series Seven-O, University of St. Thomas Revenue Bonds, May 2012	2025	15,325,000	14,240,000
Series Seven-P, University of St. Thomas Revenue Bonds, May 2012	2032	12,300,000	12,300,000
Series Seven-Q, St. Catherine University Revenue Bonds, September 2012	2032	25,630,000	25,630,000
Series Seven-R, College of St. Scholastica Revenue Bonds, October 2012	2032	9,380,000	9,380,000
Series Seven-S, Macalester College Revenue Bonds, December 2012	2043	14,730,000	14,730,000
Series Seven-T, College of St. Benedict Revenue Bonds, January 2013	2024	5,235,000	4,810,000
Series Seven-U, University of St. Thomas Revenue Bonds, March 2013	2027	25,685,000	25,685,000
Series Seven-V, William Mitchell College of Law Revenue Note, May 2013	2033	10,800,000	10,800,000
Total		$ 1,086,925,000	$ 927,560,991

A summary of changes in conduit debt outstanding for the year ended June 30, 2013 is presented below.

CONDUIT DEBT - July 1, 2012	$ 966,219,238
ADDITIONS:	
Revenue Bonds Issued	91,460,000
REDUCTIONS:	
Principal Retirements	(45,515,743)
Refunding of Principal	(84,602,504)
CONDUIT DEBT - June 30, 2013	$ 927,560,991

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, 2013, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Authority's commercial coverage in any of the past three years.

NOTE 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 SERF are 5%, for both employer and employee; for SUERP the requirement is 5% for employees and 6% for the employer. Actual contributions were 100% of required contributions. Required contributions for the Authority were:

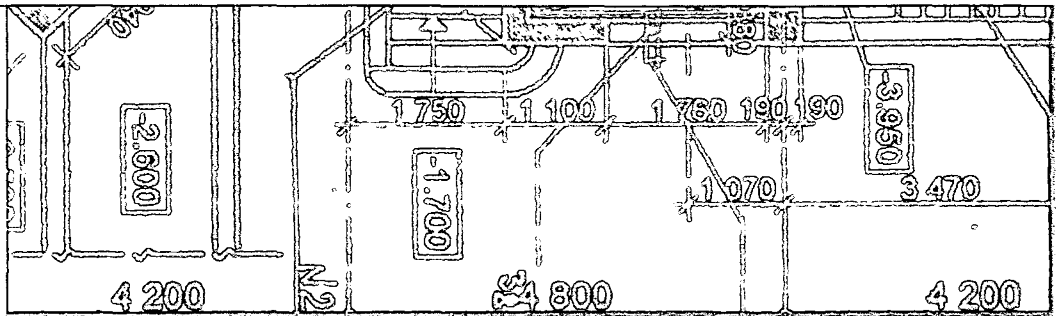
FISCAL YEAR	AMOUNT
2013	$ 10,607
2012	$ 10,153
2011	$ 10,432

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2013, the Authority implemented GASB Statement No. 63. This action resulted in retitling Net Assets to Net Position.

NOTE 10 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits



Building the places where education takes place

MHEFA Annual Report for the Fiscal Year 2013

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