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Fiscal Year 2004
Annual Report

to the

Governor
&
Legislature

Introduction

The Public Facilities Authority (Authority) provides financial assistance to municipalities through the Water Pollution Control Revolving Fund, Drinking Water Revolving Fund, Transportation Revolving Loan Fund and the Wastewater Infrastructure Funding program for construction of vital infrastructure. In addition, the Authority administers a County Credit Enhancement Program to provide AA+/AA1 bond ratings on county General Obligation bonds related to law enforcement facilities, social and human services buildings, and solid waste facilities. The Department of Employment and Economic Development provides the administrative support to operate the programs of the Authority. The Authority works closely with the Minnesota Pollution Control Agency, the Minnesota Department of Health, and the Department of Transportation in financing wastewater, drinking water and transportation related projects. These agencies are responsible for establishing priorities and undertaking the technical and regulatory compliance work on projects being considered for financing by the Authority.

Water Pollution Control Revolving Fund

In 1987, the Minnesota Legislature created the Authority with a mandate to establish the Water Pollution Control Revolving Fund. The program was designed to provide below-market rate financing in perpetuity for the financing of municipal wastewater treatment and collection facilities. Minnesota's revolving fund has AAA/AAA/Aaa ratings by Standard & Poor's Corporation, Fitch IBCA, and Moody's Investor Service. The practical effect of the Authority's funds and management practices has been to minimize the cost of borrowing for Minnesota municipalities and their taxpayers and ratepayers.

The Authority leverages State and Federal seed money through revenue bond sales. The Authority did not issue Water Pollution Control Revolving Fund Bonds in FY 2004. Since the first issue in 1989 the Authority has issued \$1,421,962,117. The Fund has an outstanding balance of \$679,460,000 as of June 30, 2004. During fiscal year 2004 the Authority made 21 loans for \$197,719,157 to municipalities and provided \$2,000,000 for a variety of nonpoint source pollution projects administered by the Department of Agriculture and MPCA. Exhibit 1 contains lists of projects financed during state fiscal year 2004.

Wastewater Infrastructure Funding Program

The Wastewater Infrastructure Funding (WIF) program was created to be used in combination with the Water Pollution Control Revolving Fund and was later modified to also match grant funds provided by the US Department of Agriculture's Rural Development loan and grant programs to keep wastewater projects affordable.

In fiscal year 2004, the Authority awarded a total of 2 grants for \$557,000. The Authority has also reserved \$18,406,893 for 7 projects that have met the program requirements under MN Laws 2000, Chapter 492, Art.1, Sec. 22, Subd. 3 and MN Laws 2003, Chapter 20, Sec. 12, Subd. 3, (see Exhibit 2). We expect to award these funds following final technical approvals by MPCA and bidding of the projects by the communities.

Drinking Water Revolving Fund

The Authority made 27 loans for \$73,373,146 using a combination of State match funds, Federal capitalization grants and AAA/AAA/Aaa rated Drinking Water Revolving Fund Revenue Bonds. Two projects also received \$206,646 in grants from Federal funds for principal forgiveness under the Disadvantaged Community provisions of the Federal Safe Drinking Water Act. A listing of the loans made in fiscal year 2004 is in Exhibit 3.

Transportation Revolving Loan Fund Program

This program was created during the 1997 Legislature in response to the new federal initiative to create State Infrastructure Banks as a way to develop innovative financing of transportation projects to help address the growing gap between transportation needs and funding availability. During fiscal year 2003 the Legislature removed \$8.2 million dollars from the Fund, which eliminated any opportunity for making loans.

Financial Condition of the Authority's Revolving Funds

The 2004 annual audit of the Authority is in Exhibit 4. The PFA remains in excellent financial health. All three Funds have bonds outstanding and are highly rated. All PFA Bonds outstanding have AAA ratings by at least two national bond rating agencies with the one exception of the \$20,450,000 in Transportation Revenue Bonds for a closed pool of nine municipalities that were rated Aa2 by Moody's Investor Services.

Exhibit 1

Water Pollution Control Revolving Fund List of Projects Financed during State Fiscal Year 2004

Borrower	Loan Commitment		
	Date	Rate	Amount
Aitkin, City of-2nd	7/15/2003	1.000%	\$ 1,159,000
Delano, City of-3rd	7/22/2003	2.090%	11,054,217
Wabasha, City of	7/22/2003	1.590%	6,004,700
North Branch, City of	8/5/2003	2.340%	11,500,000
Mabel, City of	8/13/2003	1.090%	1,617,528
Saint Augusta, City of	9/2/2003	2.090%	4,589,547
Duluth, City of (Morgan Park)	10/17/2003	1.340%	1,179,115
Lake Crystal, City of	10/30/2003	2.340%	1,730,700
Lonsdale, City of	11/3/2003	2.340%	6,906,000
Lake Park, City of	11/14/2003	1.590%	450,000
Metropolitan Council-14th	11/26/2003	3.090%	100,000,000
St Peter, City of-3rd	12/15/2003	3.480%	2,240,000
Cold Spring, City of	2/24/2004	2.490%	8,038,000
Duluth/North Shore SD-4th	3/8/2004	1.000%	1,328,050
Rockville, City of-2nd	4/22/2004	1.340%	9,235,403
Cottonwood, City of	5/3/2004	2.230%	934,000
Harmony, City of-2nd	5/13/2004	1.000%	625,465
Fairmont, City of	5/25/2004	1.730%	13,762,095
West Concord, City of-2nd	6/10/2004	1.000%	2,270,363
Moorhead, City of-5th	6/21/2004	1.980%	6,604,974
Lake Washington SD	6/23/2004	1.480%	6,490,000
total binding commitments state fiscal year 2004, WPCRF			\$ 197,719,157

Exhibit 2

**Wastewater Infrastructure Funding Program
List of Projects Financed during State Fiscal Year 2004**

<u>Grantee</u>	<u>Date</u>	<u>Grant Amount</u>
Federal Dam	10/10/2003	\$ 255,000
Garvin	5/26/2004	302,000
<u>total grants state fiscal year 2004, WIF</u>		<u>\$ 557,000</u>

Reserved at 06/30/04 for projects expected to proceed during FY 2005:

Knife River-Larsmont SSD-1	\$ 620,000
Koochiching County - Jackfish Bay Area	3,750,000
Prinsburg	756,000
Garrison/Kathio/W. Mille Lacs Lake SD	4,000,000
Gary	3,439,893
Knife River-Larsmont SSD-2	541,000
Murray County - Lake Shetek	5,300,000
	<u>\$ 18,406,893</u>

Exhibit 3

Drinking Water Revolving Fund
List of Projects Financed during State Fiscal Year 2004

Borrower / Grantee	Loan / Grant Commitment		
	Date	Rate	Amount
Loans:			
Spring Lake Park, City of	7/8/2003	2.819%	\$ 4,259,142
Saint Augusta, City of	7/14/2003	2.819%	2,099,423
New Richland, City of	7/15/2003	2.740%	1,365,000
Clearwater, City of-2nd	7/22/2003	2.680%	189,645
Hamburg, City of	7/22/2003	2.490%	225,640
Duluth, City of-1st (Morgan Park)	7/31/2003	2.819%	970,000
Lake Park, City of	9/8/2003	2.090%	460,000
Thomson, City of	9/8/2003	2.680%	223,829
Mountain Lake, City of	9/16/2003	1.430%	3,000,000
Elysian, City of	9/18/2003	1.990%	478,520
Montgomery, City of-1st	9/18/2003	3.180%	642,162
Becker County	9/22/2003	1.680%	135,430
Avon, City of	10/8/2003	2.840%	738,505
West Concord, City of-1st	10/9/2003	2.819%	236,440
Rothsay, City of	11/4/2003	1.990%	404,000
Carver, City of	12/15/2003	2.819%	2,711,000
Annandale, City of	1/13/2004	2.819%	3,358,160
Cokato, City of-2nd	1/13/2004	3.180%	4,478,105
Minneapolis, City of-2nd	2/26/2004	2.800%	25,000,000
Saint Cloud, City of	3/1/2004	2.590%	1,381,672
Northome, City of	3/4/2004	1.730%	241,826
Braham, City of	3/25/2004	1.590%	1,487,800
Red Wing, City of	4/12/2004	2.819%	15,417,000
Wykoff, City of	5/10/2004	2.340%	284,381
Montgomery, City of-2nd	5/24/2004	2.840%	358,044
Princeton, City of-PUC-2nd	6/10/2004	2.530%	847,422
Ada, City of	6/25/2004	1.090%	2,380,000
Grants:			
Becker County	9/22/2003	n/a	100,370
Northome, City of	3/4/2004	n/a	100,276
total binding commitments state fiscal year 2004, DWRF			\$ 73,573,792

Exhibit 4

**Transportation Revolving Loan Fund
List of Projects Financed during State Fiscal Year 2004**

<u>Borrower</u>	<u>Loan Commitment</u>		
	<u>Date</u>	<u>Rate</u>	<u>Amount</u>
<u>total binding commitments state fiscal year 2004, TRLF</u>			<u>\$ -</u>

Exhibit 5

Minnesota Public Facilities Authority
Audit Report for the Fiscal Year Ended June 30, 2004



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

Financial and Compliance Reports
June 30, 2004

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

Financial and Compliance Reports
June 30, 2004

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Minnesota Public Facilities Authority
St. Paul, Minnesota

We have audited the accompanying basic financial statements of the Minnesota Public Facilities Authority (the Authority), a component unit of the State of Minnesota, as of and for the years ended June 30, 2004 and 2003, 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying supplemental schedule of expenditures of federal awards for the year ended June 30, 2004, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
August 13, 2004

Management's Discussion and Analysis

This section of the Minnesota Public Facilities Authority's (the Authority) annual financial report presents a discussion and analysis of the financial condition as of and financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements and notes following this section.

Introduction and Discussion of the Authority's Operations:

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

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

Financial Statement Presentation:

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

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

Statements for the fiscal year ended June 30, 2004 are followed by statements for the fiscal year ended June 30, 2003 to allow comparison of the Authority's financial position and results of operations for the current and prior fiscal years.

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

The Authority defines each of its four funds under separate bond resolutions as major funds for financial reporting purposes, with all other accounts and activities outside of these bond resolutions reported in the Other Fund.

A summary of the major funds reported by the Authority follows. A more detailed description of each is presented later in the section headed *Analysis of Individual Funds' Balances and Transactions for Bond Funds*.

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

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

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

Condensed Financial Information:

The following page presents condensed financial statement information as of and for the fiscal years ended June 30, 2004 and 2003.

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Minnesota Public Facilities Authority
Condensed Financial Statement Information

Condensed Statements of Net Assets June 30, 2004 and 2003

	2004	2003
Assets:		
Cash, cash equivalents, and investments	\$ 419,703,664	\$ 472,975,901
Loans receivable	1,125,070,424	1,068,878,825
Other	40,357,833	25,752,422
Total assets	<u>1,585,131,921</u>	<u>1,567,607,148</u>
Liabilities:		
Interest payable on bonds	13,777,323	13,517,146
Bonds payable	827,438,385	814,188,161
Other	23,844,308	10,342,668
Total liabilities	<u>865,060,016</u>	<u>838,047,975</u>
Net Assets	<u>\$ 720,071,905</u>	<u>\$ 729,559,173</u>

**Condensed Statements of Revenues, Expenses, and Changes
in Fund Net Assets, Years ended June 30, 2004 and 2003**

	2004	2003
Operating Revenues:		
Interest on loans	\$ 35,657,242	\$ 33,799,200
Investment earnings	13,946,031	16,514,223
Grants, appropriations, and fees	3,201,964	22,036,328
Other	(10,633,913)	9,557,347
Total operating revenues	<u>42,171,324</u>	<u>81,907,098</u>
Operating Expenses:		
Interest on bonds	40,729,432	39,199,824
Other	17,405,777	24,895,856
Total operating expenses	<u>58,135,209</u>	<u>64,095,680</u>
Operating Income	(15,963,885)	17,811,418
Capital Contributions	6,476,617	74,788,509
Change in Net Assets	(9,487,268)	92,599,927
Net Assets at Beginning of Year	<u>729,559,173</u>	<u>636,959,246</u>
Net Assets at End of Year	<u>\$ 720,071,905</u>	<u>\$ 729,559,173</u>

**Condensed Statements of Cash Flows,
Years ended June 30, 2004 and 2003**

	2004	2003
Operating Activities:		
Principal and interest received on loans	\$ 236,964,126	\$ 82,498,535
Operating grants, appropriations, and fees	2,629,621	21,869,878
Other	(13,834,396)	(24,300,657)
Net cash provided by operating activities	<u>225,759,351</u>	<u>80,067,756</u>
Non Capital Financing Activities:		
Capital contributions	2,376,617	74,788,509
Proceeds from sales of bonds	53,020,936	158,440,193
Payments to make loans	(255,780,754)	(211,076,042)
Principal and interest paid on bonds	(79,916,438)	(78,087,895)
Other payments	(100,000)	(226,493)
Net cash used in non capital financing activities	<u>(280,399,639)</u>	<u>(56,161,728)</u>
Investing Activities	<u>69,256,900</u>	<u>(19,821,613)</u>
Net increase in cash and cash equivalents	14,616,612	4,084,415
Cash and cash equivalents at beginning of year	200,097,991	196,013,576
Cash and cash equivalents at end of year	<u>\$ 214,714,603</u>	<u>\$ 200,097,991</u>

The following table summarizes certain activities during the fiscal years 2004 and 2003 for reference with the following discussion and analysis.

	<u>2004</u>	<u>2003</u>
Operating revenues and capital contributions from federal grants and state appropriations:		
Clean Water Bond Fund (CWBF):		
Clean water federal capitalization grants	\$ -	\$ 49,362,993
State match		
Drinking Water Bond Fund (DWBF):		
Drinking water federal capitalization grants	6,397,417	25,306,716
State match		
Other Fund:		
Clean water federal capitalization grants		
Drinking water federal capitalization grants	3,200,464	3,909,828
Transportation revolving fund federal grant	79,200	118,800
Transportation revolving fund state appropriations	(4,100,000)	
Other grant programs	(700,000)	18,125,000
	<u>\$ 4,877,081</u>	<u>\$ 96,823,337</u>
Bonds Payable (par):		
issued	\$ 53,000,000	\$ 150,000,000
redeemed	<u>(39,365,000)</u>	<u>(41,025,000)</u>
net increase	<u>\$ 13,635,000</u>	<u>\$ 108,975,000</u>
Loans Receivable:		
disbursed	\$ 255,780,754	\$ 211,076,042
prepayment receivable	\$ 4,045,309	
repaid	<u>(203,634,464)</u>	<u>(50,356,335)</u>
net increase	<u>\$ 56,191,599</u>	<u>\$ 160,719,707</u>

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

During the fiscal years ended June 30, 2004 and 2003, net assets decreased by \$9.5 million and increased by \$92.6 million, respectively. This change is due largely to two factors:

- Timing of federal and state grants and capital contributions over the two year period: during fiscal year 2003 the Authority received \$96.8 million, during fiscal year 2004 the net amount was negative due to cancellations of prior year state appropriations and due to the fact that 2004 federal grant awards were made at or after the end of the fiscal year. These grant awards will be largely realized as capital contributions during fiscal year 2005.
- A decrease in the recorded fair value of long-term investments due to market rate increases between June 30, 2003 and 2004. The unrealized change of value for fiscal year 2004 was \$10.85 million..

Changes in market interest rates again affected the results of operations during fiscal year 2004. The weighted average interest rate on outstanding loan balances declined from 3.48% at June 30, 2003 to 2.95% at June 30, 2004. Investment earnings were 15.5% lower in fiscal year 2004 than in fiscal year 2003. The weighted average earnings rate (investment earnings ÷ average cash and investments balance)

declined from 3.96% during fiscal year 2003 to 2.94% during fiscal year 2004. During approximately the last quarter of the fiscal year, though, investment rates rose significantly, and because of this the market value of the long-term investment holdings dropped significantly, resulting in a net decrease in fair value of investments during the year of \$10.85 million.

The Authority made 48 loan commitments during fiscal year 2004 for approximately \$271 million, and 45 during fiscal year 2003 for approximately \$228 million.

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

During fiscal year 2004 the Authority issued Drinking Water bonds of \$53,000,000 par, in March 2004. During fiscal year 2003 the Authority issued Clean Water bonds of \$100,000,000 par and Drinking Water bonds of \$50,000,000 par, both in December 2002.

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

The Authority's outstanding debt limit is \$1,250,000,000. The Authority bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority). The principal amount of bonds outstanding at June 30, 2004 was \$827,515,000.

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

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

Clean Water Bond Fund (CWBF): This fund is a part of the Authority's Clean Water State Revolving Fund, operated under the federal Clean Water program, CFDA #66.458. Initiated in 1989, fourteen series of bonds have been issued for \$1.1 billion, which includes \$221 million for refunding prior issues. Federal capitalization grant awards and state match appropriations through June 30, 2004 was approximately \$467 million, net of set-asides for administrative costs. The Authority has over the years transferred out approximately \$75 million from the CWBF for related but non-pledged programs known as non-point source programs. In fiscal years 2004 and 2003, the Authority transferred \$4 million and \$2 million, respectively, from net assets for these programs. This is reflected on the Statement of Revenues, Expenses, and Changes in Fund Net Assets as transfers out of the CWBF to the Other Fund. Prior to removing assets from the CWBF, the Authority must meet conditions defined in the fund's basic bond resolution. The CWBF has made 268 loan commitments to 178 borrowers for approximately \$1.386 billion. The largest borrower, at \$745 million in loan commitments at June 30, 2004, is the Metropolitan Council.

Drinking Water Bond Fund (DWBf): This fund is a part of the Authority's Drinking Water State Revolving Fund, operated under the federal Safe Drinking Water program, CFDA #66.468. Initiated in 1998, three series of bonds have been issued for \$124.5 million. Federal capitalization grant awards and state match appropriations through June 30, 2004 was approximately \$139 million, net of non-pledged set-asides. The fund has made 141 loan commitments to 125 borrowers for approximately \$245 million. The largest borrower, at \$52.4 million in loan commitments at June 30, 2004, is the City of Minneapolis.

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

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

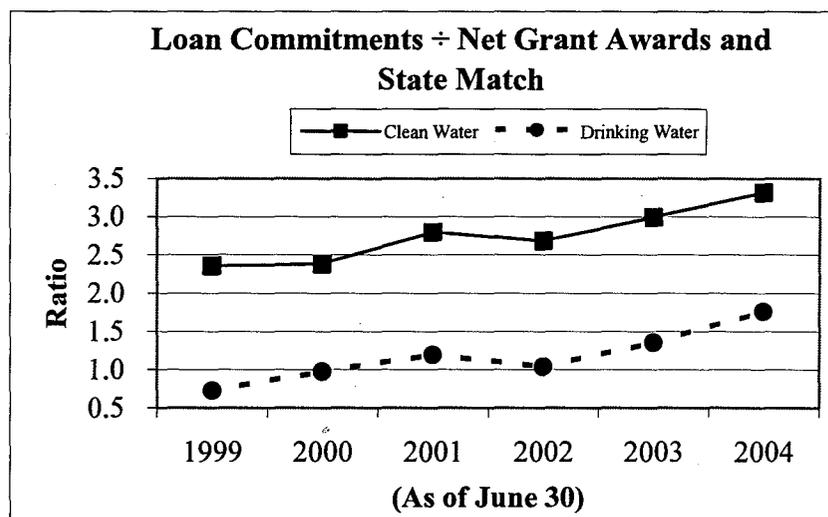
The series 2001 bonds of \$20.45 million par were issued in December 2001. The Authority transferred \$16.77 million in cash and loans receivable into the fund. Nine loan commitments totaling \$35.051 million from the loan pool pledged to these bonds, and a \$1.9 million debt service reserve account was also created from the assets transferred in.

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

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

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

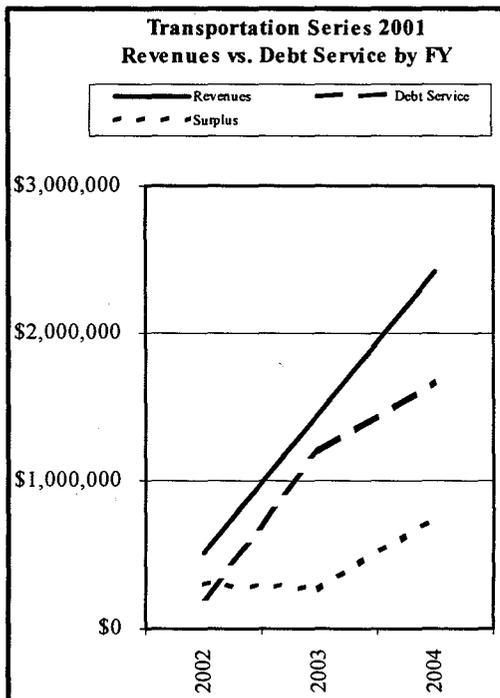
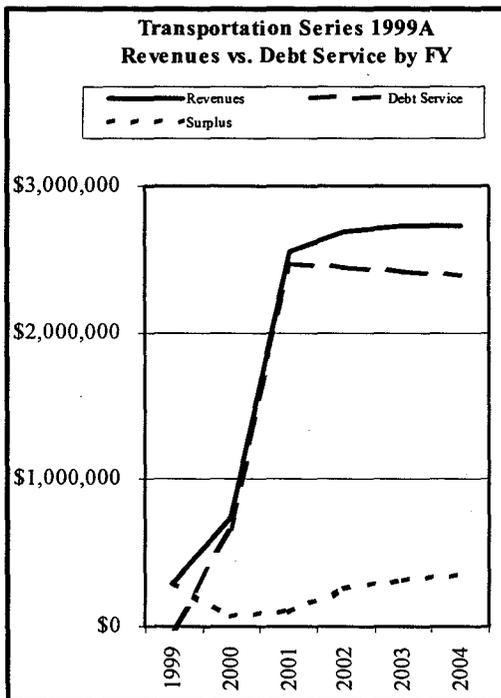
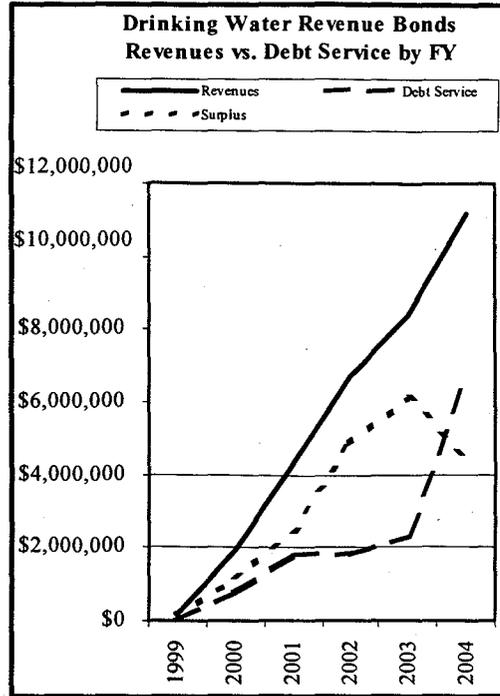
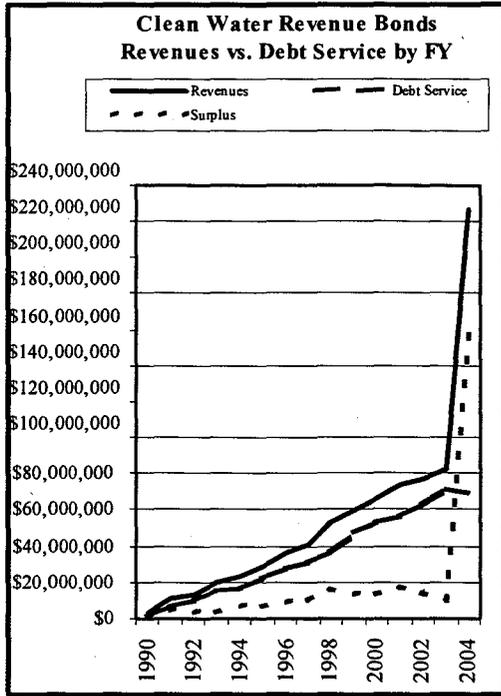
The amount of loans made by the CWBF and DWBF, compared to the net amount of federal capitalization grant awards and state match appropriations in the funds, gives a measure of the effective use of the capital contributions. Over time this ratio should grow as the programs grow in size and loan repayments become a larger portion of the available sources for new loans. Year to year this ratio may fluctuate depending on the timing of grant awards and match appropriations. The following chart displays the ratio at June 30th for the past five years. Because of the timing of awards, fiscal year 2002 recognized most of the awards for the entire two-year period of 2001-2002; this is the reason the ratio decreased from June 30, 2001 to June 30, 2002. The Clean Water Capitalization Grant award for federal year 2004 was actually received in early July 2004 but is included with the June 30, 2004 numbers reflected below.



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

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

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



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

		Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001
Current ratios	June 30, 2004	3.20	14.35	1.22	3.71
	June 30, 2003	6.78	16.53	1.20	4.41
Debt ratios	June 30, 2004	0.58	0.47	0.79	0.55
	June 30, 2003	0.58	0.36	0.78	0.55
Operating Income ratios	FY 2004	0.83	1.25	0.76	1.17
	FY 2003	1.43	2.09	0.78	1.22
Debt Service Coverage ratios	FY 2004	3.32	1.65	1.14	1.45
	FY 2003	1.15	3.49	1.14	1.22

current ratio: $\text{current assets} \div \text{current liabilities}$
debt ratio: $\text{debt} \div \text{assets}$
operating income ratio: $\text{operating revenues} \div \text{operating expenses}$
debt service coverage ratios: $(\text{loan repayments} + \text{investment interest}) \div (\text{debt service on bonds})$

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

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

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

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

Sub-Grants Allocations & Expenditures	MPCA Clean Water Partnership	Dept of Agriculture Best Management Practices	Dept of Health Drinking Water Set-Asides
New allocations	2,000,000	2,000,000	-
Expenditures	2,124,872	2,930,811	2,503,502

The \$2 million each allocations for the Clean Water Partnership program and the Best Management Practices program are from transfers-out of net assets of the CWBF. The drinking water set-asides originated from federal capitalization grant awards.

Several grant programs are reported in the Other Fund, including the Wastewater Infrastructure Funding program (WIF) and the Disadvantaged Community Grants Program.

State Appropriations – Per Minnesota Laws of 2003, special session chapter 19 article 2 section 66, \$4.1 million of prior appropriations was cancelled from the Transportation Revolving Loan Fund portion of the Other Fund and returned to the State general fund during fiscal year 2004. The same amount must be cancelled during fiscal year 2005. Also cancelled, by Laws of 2003, chapter 128 article 10 section 11, was \$700,000 of prior WIF appropriations.

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

During fiscal year 2004 the Authority received early pay-offs on eleven CWBF loans with a total principal balance of \$146 million. The funds from these repayments are being used to make new CWBF loans. Net revenues to the CWBF will be reduced from fiscal year 2005 through fiscal year 2014 because the new loans will have interest free and payment free periods and they will be made at rates lower than the paid-off loans. The Authority intends to structure the next series of CWBF bonds with minimal or no principal maturities through this period in order to achieve relatively level revenue coverage in the CWBF.

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

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Minnesota Public Facilities Authority
Statement of Net Assets
June 30, 2004

	Revenue Bond Funds					Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 78,617,309	\$ 68,987,939	\$ 34,855	\$ 2,249,438	\$ 64,825,062	\$ 214,714,603
Investments	19,120,525					19,120,525
Loans receivable	38,588,825	7,659,327	1,305,000	1,634,540	3,802,467	52,990,159
Federal grants receivable					99,274	99,274
Accrued interest receivable:						
Investments	3,780,348	134,231		35,541		3,950,120
Loans	8,866,664	1,571,634	123,007	313,570	242,397	11,117,272
Securities lending collateral					21,512,000	21,512,000
Total current assets	148,973,671	78,353,131	1,462,862	4,233,089	90,481,200	323,503,953
Noncurrent assets:						
Investments	173,202,786	10,769,009		1,896,741		185,868,536
Loans receivable	848,141,502	169,845,099	10,710,000	29,956,722	13,426,942	1,072,080,265
Deferred bond issuance costs	2,922,072	502,525	77,335	177,235		3,679,167
Total noncurrent assets	1,024,266,360	181,116,633	10,787,335	32,030,698	13,426,942	1,261,627,968
Total assets	1,173,240,031	259,469,764	12,250,197	36,263,787	103,908,142	1,585,131,921
LIABILITIES						
Current liabilities:						
Accounts payable					596,099	596,099
Interest payable on bonds	11,326,850	1,991,281	137,125	322,067		13,777,323
Arbitrage rebate liability						-
Compensated absences payable					11,728	11,728
Bonds payable	35,245,000	3,470,000	1,060,000	820,000		40,595,000
Securities lending collateral					21,512,000	21,512,000
Total current liabilities	46,571,850	5,461,281	1,197,125	1,142,067	22,119,827	76,492,150
Noncurrent liabilities:						
Bonds payable	641,134,500	117,817,328	8,665,580	19,225,977		786,843,385
Arbitrage rebate liability	1,517,960		34,074			1,552,034
Compensated absences payable					172,447	172,447
Total liabilities	689,224,310	123,278,609	9,896,779	20,368,044	22,292,274	865,060,016
NET ASSETS						
Restricted by bond resolutions	484,015,721	136,191,155	2,353,418	15,895,743		638,456,037
Restricted by legislation					79,411,077	79,411,077
Unrestricted					2,204,791	2,204,791
Total net assets	\$ 484,015,721	\$ 136,191,155	\$ 2,353,418	\$ 15,895,743	\$ 81,615,868	\$ 720,071,905

See accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Net Assets
June 30, 2003

	Revenue Bond Funds					Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 92,601,792	\$ 35,934,333	\$ 289,179	\$ 2,713,715	\$ 68,558,972	\$ 200,097,991
Investments	40,387,443	30,582,490				70,969,933
Loans receivable	172,283,000	6,157,000	2,345,000	1,381,000	3,678,000	185,844,000
Federal grants receivable					166,669	166,669
Accrued interest receivable:						
Investments	3,783,242	161,087		35,541		3,979,870
Loans	10,806,100	1,266,100	147,000	325,500	290,300	12,835,000
Securities lending collateral					4,868,188	4,868,188
Total current assets	319,861,577	74,101,010	2,781,179	4,455,756	77,562,129	478,761,651
Noncurrent assets:						
Investments	192,643,857	7,367,379		1,896,741		201,907,977
Loans receivable	702,738,897	120,319,306	12,015,000	31,189,066	16,772,556	883,034,825
Deferred bond issuance costs	3,265,959	340,657	91,876	204,203		3,902,695
Total noncurrent assets	898,648,713	128,027,342	12,106,876	33,290,010	16,772,556	1,088,845,497
Total assets	1,218,510,290	202,128,352	14,888,055	37,745,766	94,334,685	1,567,607,148
LIABILITIES						
Current liabilities:						
Accounts payable					1,883,131	1,883,131
Interest payable on bonds	11,882,567	1,142,054	162,525	330,000		13,517,146
Arbitrage rebate liability	1,823,716		253,586			2,077,302
Compensated absences payable					56,966	56,966
Bonds payable	33,440,000	3,340,000	1,905,000	680,000		39,365,000
Securities lending collateral					4,868,188	4,868,188
Total current liabilities	47,146,283	4,482,054	2,321,111	1,010,000	6,808,285	61,767,733
Noncurrent liabilities:						
Bonds payable	676,135,012	68,783,749	9,730,748	20,173,652		774,823,161
Arbitrage rebate liability	1,210,110		28,176			1,238,286
Compensated absences payable					218,795	218,795
Total liabilities	724,491,405	73,265,803	12,080,035	21,183,652	7,027,080	838,047,975
NET ASSETS						
Restricted by bond resolutions	494,018,885	128,862,549	2,808,020	16,562,114		642,251,568
Restricted by legislation					85,564,251	85,564,251
Unrestricted					1,743,354	1,743,354
Total net assets	\$ 494,018,885	\$ 128,862,549	\$ 2,808,020	\$ 16,562,114	\$ 87,307,605	\$ 729,559,173

See accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Year Ended June 30, 2004

	Revenue Bond Funds					Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	
Operating revenues:						
Interest on loans	\$ 27,582,166	\$ 4,053,635	\$ 362,250	\$ 865,141	\$ 2,794,050	\$ 35,657,242
Investment earnings	12,330,909	1,143,588	(4,960)	165,107	311,387	13,946,031
Net decrease, fair value of investments	(10,280,305)	(569,870)				(10,850,175)
Federal grants-operating					3,200,464	3,200,464
State appropriations and fees					1,500	1,500
Securities lending income					156,000	156,000
Other					60,262	60,262
Total operating revenues	<u>29,632,770</u>	<u>4,627,353</u>	<u>357,290</u>	<u>1,030,248</u>	<u>6,523,663</u>	<u>42,171,324</u>
Operating expenses:						
Interest on bonds	35,680,359	3,696,164	471,548	881,361		40,729,432
Salaries and employee benefits					1,661,924	1,661,924
Other general operating					692,322	692,322
Grants					10,101,531	10,101,531
Securities lending rebate and fees					150,000	150,000
Appropriation reductions					4,800,000	4,800,000
Total operating expenses	<u>35,680,359</u>	<u>3,696,164</u>	<u>471,548</u>	<u>881,361</u>	<u>17,405,777</u>	<u>58,135,209</u>
Operating income (loss)	<u>(6,047,589)</u>	<u>931,189</u>	<u>(114,258)</u>	<u>148,887</u>	<u>(10,882,114)</u>	<u>(15,963,885)</u>
Capital Contributions:						
Federal Grants		6,397,417			79,200	6,476,617
State Match					-	-
Total capital contributions	<u>-</u>	<u>6,397,417</u>	<u>-</u>	<u>-</u>	<u>79,200</u>	<u>6,476,617</u>
Transfers in (out)	(3,955,575)		(340,344)	(815,258)	5,111,177	-
Change in net assets	<u>(10,003,164)</u>	<u>7,328,606</u>	<u>(454,602)</u>	<u>(666,371)</u>	<u>(5,691,737)</u>	<u>(9,487,268)</u>
Total net assets:						
Beginning of year	494,018,885	128,862,549	2,808,020	16,562,114	87,307,605	729,559,173
End of year	<u>\$ 484,015,721</u>	<u>\$ 136,191,155</u>	<u>\$ 2,353,418</u>	<u>\$ 15,895,743</u>	<u>\$ 81,615,868</u>	<u>\$ 720,071,905</u>

See accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Year Ended June 30, 2003

	Revenue Bond Funds					Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	
Operating revenues:						
Interest on loans	\$ 27,278,432	\$ 3,325,259	\$ 417,389	\$ 808,877	\$ 1,969,243	\$ 33,799,200
Investment earnings	14,481,924	1,033,497	6,703	289,046	703,053	16,514,223
Net increase, fair value of investments	8,980,797	355,963				9,336,760
Federal grants-operating					3,909,828	3,909,828
State appropriations and fees					18,126,500	18,126,500
Securities lending income					220,587	220,587
Other						-
Total operating revenues	<u>50,741,153</u>	<u>4,714,719</u>	<u>424,092</u>	<u>1,097,923</u>	<u>24,929,211</u>	<u>81,907,098</u>
Operating expenses:						
Interest on bonds	35,532,082	2,229,172	541,430	897,140		39,199,824
Salaries and employee benefits					2,014,283	2,014,283
Other general operating	60,885	26,763		2,447	492,641	582,736
Grants					22,088,127	22,088,127
Securities lending rebate and fees					210,710	210,710
Appropriation reductions						-
Total operating expenses	<u>35,592,967</u>	<u>2,255,935</u>	<u>541,430</u>	<u>899,587</u>	<u>24,805,761</u>	<u>64,095,680</u>
Operating income (loss)	<u>15,148,186</u>	<u>2,458,784</u>	<u>(117,338)</u>	<u>198,336</u>	<u>123,450</u>	<u>17,811,418</u>
Capital Contributions:						
Federal Grants	49,362,993	25,306,716			118,800	74,788,509
State Match						-
Total capital contributions	<u>49,362,993</u>	<u>25,306,716</u>	<u>-</u>	<u>-</u>	<u>118,800</u>	<u>74,788,509</u>
Transfers in (out)	(2,000,000)		(1,028,546)	(585,177)	3,613,723	-
Change in net assets	<u>62,511,179</u>	<u>27,765,500</u>	<u>(1,145,884)</u>	<u>(386,841)</u>	<u>3,855,973</u>	<u>92,599,927</u>
Total net assets:						
Beginning of year	431,507,706	101,097,049	3,953,904	16,948,955	83,451,632	636,959,246
End of year	<u>\$ 494,018,885</u>	<u>\$ 128,862,549</u>	<u>\$ 2,808,020</u>	<u>\$ 16,562,114</u>	<u>\$ 87,307,605</u>	<u>\$ 729,559,173</u>

See accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Cash Flows
for the Year Ended June 30, 2004

	Revenue Bond Funds					Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	
Operating activities:						
Interest received on loans	\$ 25,476,292	\$ 3,748,101	\$ 386,243	\$ 877,071	\$ 2,841,954	\$ 33,329,661
Principal received on loans	189,985,345	6,245,148	2,345,000	1,381,290	3,677,682	203,634,465
Federal grants - operating					3,328,121	3,328,121
State appropriations and fees					(698,500)	(698,500)
Payments to employees					(1,703,568)	(1,703,568)
Payments to vendors					(670,780)	(670,780)
Payments to grantees					(3,900,863)	(3,900,863)
Payments to sub-grantees					(7,559,185)	(7,559,185)
Net cash provided (used) by operating activities	<u>215,461,637</u>	<u>9,993,249</u>	<u>2,731,243</u>	<u>2,258,361</u>	<u>(4,685,139)</u>	<u>225,759,351</u>
Non capital financing activities:						
Capital contributions:						
Federal		6,397,417			79,200	6,476,617
State					(4,100,000)	(4,100,000)
Proceeds from sale of bonds		53,020,936				53,020,936
Payments for bond issuance costs		(100,000)				(100,000)
Interest paid on bonds	(35,647,700)	(3,426,163)	(487,575)	(990,000)		(40,551,438)
Principal paid on bonds	(33,440,000)	(3,340,000)	(1,905,000)	(680,000)		(39,365,000)
Payments to make loans	(197,648,466)	(57,273,267)		(402,486)	(456,535)	(255,780,754)
Cash transfers	(3,955,575)		(340,344)	(815,258)	5,111,177	-
Net cash provided (used) by non capital financing activities	<u>(270,691,741)</u>	<u>(4,721,077)</u>	<u>(2,732,919)</u>	<u>(2,887,744)</u>	<u>633,842</u>	<u>(280,399,639)</u>
Investing activities:						
Investment interest	13,729,086	1,166,680	5,069	165,106	317,387	15,383,328
Arbitrage payments to the IRS	(1,999,285)		(257,717)			(2,257,002)
Purchases of investments	(149,012,656)	(18,967,531)				(167,980,187)
Proceeds from sale and maturities	178,528,476	45,582,285				224,110,761
Net cash provided (used) by investing activities	<u>41,245,621</u>	<u>27,781,434</u>	<u>(252,648)</u>	<u>165,106</u>	<u>317,387</u>	<u>69,256,900</u>
Net increase (decrease) in cash and cash equivalents	(13,984,483)	33,053,606	(254,324)	(464,277)	(3,733,910)	14,616,612
Cash and cash equivalents:						
Beginning of year	92,601,792	35,934,333	289,179	2,713,715	68,558,972	200,097,991
End of year	<u>\$ 78,617,309</u>	<u>\$ 68,987,939</u>	<u>\$ 34,855</u>	<u>\$ 2,249,438</u>	<u>\$ 64,825,062</u>	<u>\$ 214,714,603</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (6,047,589)	\$ 931,189	\$ (114,258)	\$ 148,887	\$ (10,882,114)	\$ (15,963,885)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Principal received on loans	189,985,345	6,245,148	2,345,000	1,381,290	3,677,682	203,634,465
Interest paid on bonds	35,647,700	3,426,163	487,575	990,000		40,551,438
Investment interest	(13,729,086)	(1,166,680)	(5,069)	(165,106)	(317,387)	(15,383,328)
Arbitrage payments to the IRS	1,999,285		257,717			2,257,002
Net decrease, investments fair value	10,280,305	569,870				10,850,175
Net amortization	1,500,239	(389,644)	9,373	(100,707)		1,019,261
Capitalized interest on loans	(4,045,309)					(4,045,309)
Changes in assets and liabilities:						
Accrued revenues	1,942,330	(278,678)	23,993	11,930	115,298	1,814,873
Accrued expenses	(2,071,583)	849,227	(273,088)	(7,933)	(1,378,618)	(2,881,995)
Bond proceeds for accrued interest		(193,346)				(193,346)
Net cash provided (used) by operating activities	<u>\$ 215,461,637</u>	<u>\$ 9,993,249</u>	<u>\$ 2,731,243</u>	<u>\$ 2,258,361</u>	<u>\$ (8,785,139)</u>	<u>\$ 221,659,351</u>

See accompanying notes to the financial statements

Minnesota Public Facilities Authority
Statement of Cash Flows
for the Year Ended June 30, 2003

	Revenue Bond Funds					Totals
	Clean Water Bond Fund	Drinking Water Bond Fund	Transportation Series 1999A	Transportation Series 2001	Other	
Operating activities:						
Interest received on loans	\$ 26,314,332	\$ 3,006,159	\$ 439,389	\$ 647,377	\$ 1,734,943	\$ 32,142,200
Principal received on loans	40,334,821	4,680,519	2,280,000	528,523	2,532,472	50,356,335
Federal grants - operating					3,743,378	3,743,378
State appropriations and fees					18,126,500	18,126,500
Payments to employees					(1,769,399)	(1,769,399)
Payments to vendors	(60,886)	(26,763)		(2,446)	(540,303)	(630,398)
Payments to grantees					(9,626,838)	(9,626,838)
Payments to sub-grantees					(12,274,022)	(12,274,022)
Net cash provided (used) by operating activities	<u>66,588,267</u>	<u>7,659,915</u>	<u>2,719,389</u>	<u>1,173,454</u>	<u>1,926,731</u>	<u>80,067,756</u>
Non capital financing activities:						
Capital contributions:						
Federal	49,362,993	25,306,716			118,800	74,788,509
State						-
Proceeds from sale of bonds	105,138,055	53,302,138				158,440,193
Payments for bond issuance costs	(135,170)	(91,323)				(226,493)
Interest paid on bonds	(33,899,989)	(1,604,331)	(561,575)	(997,000)		(37,062,895)
Principal paid on bonds	(38,170,000)	(805,000)	(1,850,000)	(200,000)		(41,025,000)
Payments to make loans	(156,689,424)	(27,912,781)		(9,269,479)	(17,204,358)	(211,076,042)
Cash transfers	(2,000,000)		(1,028,546)	(585,177)	3,613,723	-
Net cash provided (used) by non capital financing activities	<u>(76,393,535)</u>	<u>48,195,419</u>	<u>(3,440,121)</u>	<u>(11,051,656)</u>	<u>(13,471,835)</u>	<u>(56,161,728)</u>
Investing activities:						
Investment interest	15,925,598	711,923	20,935	289,046	712,930	17,660,432
Arbitrage payments to the IRS						-
Purchases of investments	(130,238,046)	(55,607,385)				(185,845,431)
Proceeds from sale and maturities	128,365,471	19,997,915				148,363,386
Net cash provided (used) by investing activities	<u>14,053,023</u>	<u>(34,897,547)</u>	<u>20,935</u>	<u>289,046</u>	<u>712,930</u>	<u>(19,821,613)</u>
Net increase (decrease) in cash and cash equivalents	4,247,755	20,957,787	(699,797)	(9,589,156)	(10,832,174)	4,084,415
Cash and cash equivalents:						
Beginning of year	88,354,037	14,976,546	988,976	12,302,871	79,391,146	196,013,576
End of year	<u>\$ 92,601,792</u>	<u>\$ 35,934,333</u>	<u>\$ 289,179</u>	<u>\$ 2,713,715</u>	<u>\$ 68,558,972</u>	<u>\$ 200,097,991</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 15,148,186	\$ 2,458,784	\$ (117,338)	\$ 198,336	\$ 123,450	\$ 17,811,418
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Principal received on loans	40,334,821	4,680,519	2,280,000	528,523	2,532,472	50,356,335
Interest paid on bonds	33,899,989	1,604,331	561,575	997,000		37,062,895
Investment interest	(15,925,598)	(711,923)	(20,935)	(289,046)	(712,930)	(17,660,432)
Arbitrage payments to the IRS						-
Net increase, investments fair value	(8,980,797)	(355,963)				(9,336,760)
Net amortization	1,806,459	(78,818)	4,522	(97,526)		1,634,637
Capitalized interest on loans						-
Changes in assets and liabilities:						
Accrued revenues	(226,817)	(468,442)	22,000	(161,500)	(330,007)	(1,164,766)
Accrued expenses	780,962	655,364	(10,435)	(2,333)	313,746	1,737,304
Bond proceeds for accrued interest	(248,938)	(123,937)				(372,875)
Net cash provided (used) by operating activities	<u>\$ 66,588,267</u>	<u>\$ 7,659,915</u>	<u>\$ 2,719,389</u>	<u>\$ 1,173,454</u>	<u>\$ 1,926,731</u>	<u>\$ 80,067,756</u>

See accompanying notes to the financial statements

Minnesota Public Facilities Authority
Notes to the Financial Statements
Years Ended June 30, 2004 and 2003

1. *Summary of Significant Accounting Policies*

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

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

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

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

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

Basis of Accounting - The Authority has determined that all of its funds shall be classified as proprietary funds and, as such, accounted for on a flow of economic resources measurement focus. All assets and liabilities (whether current or non current) associated with their activity are included on their statements of net assets. Proprietary fund measurement is focused upon determination of net income, financial position, and cash flows. The Authority's proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of

revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

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

Clean Water Bond Fund (CWBF) - The Authority receives federal capitalization grants under Title VI of the Federal Clean Water Act, and state matching grants. These funds are leveraged with proceeds from the Authority's revenue bonds to provide below-market-rate loans to municipalities and eligible political subdivisions to facilitate the construction of wastewater treatment facilities. Before the Authority can approve any particular loan, the MCPA must certify the applicant's project based on technical and environmental reviews.

Drinking Water Bond Fund (DWBf) - The Authority receives federal capitalization grants under Section 1452 of the Safe Drinking Water Act and state matching grants. These funds are leveraged with proceeds from the Authority's revenue bonds to provide below-market-rate loans to municipalities to finance costs of drinking water system infrastructure. Before the Authority can approve any particular loan, the Minnesota Department of Health must certify the applicants' projects based on technical and environmental reviews.

Transportation Bond Funds (TBF) - This program was initiated with a federal grant from the U.S. Department of Transportation to the Minnesota Department of Transportation (MnDOT) and state matching grants. The Authority administers the TBF, which provides loans to municipalities and eligible political subdivisions for construction of highways, bridges, and streets, and for purchasing transit capital. MnDOT must certify applicants' projects based on MnDOT's design standards.

Other Fund - In addition to the pledged bond funds, the Authority manages various legislative appropriations for similar purposes. One of the programs included in the Other Fund is the Wastewater Infrastructure Funding Program (WIF). The Authority receives appropriations from the Minnesota Legislature to fund the program, and in conjunction with any particular loan from the CWBF or financing from the U.S. Department of Agriculture's Rural Development Office, WIF Supplemental Assistance grants are given to eligible municipalities with high-cost wastewater projects. The Other Fund also includes the accounts and activities within the Clean Water, Drinking Water, and Transportation programs not pledged to the bonds.

Federal Grants and State Match - The Authority receives federal capitalization grants from the Environmental Protection Agency and, through MnDOT, the Authority receives federal highway money. This money is used primarily for funding of loans, as security on bonds, and a portion may be expended for administrative and other set-aside costs. The Authority also receives state appropriations as match to the federal grants, and for other Authority loan and grant programs. These federal and state monies, when used to capitalize the revolving loan funds, are recorded as capital contributions; when used for administrative costs or grants, they are recorded as operating revenue. Grant revenues and capital contributions during fiscal year 2004 included \$9,677,081 of federal

grants and reductions of \$4,800,000 of prior state appropriations. Fiscal year 2003 revenues and contributions included \$78,698,337 of federal grants and \$18,125,000 from state appropriations.

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

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

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

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

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

Defining Operating Revenues and Expenses and Operating Cash Flows - The Authority issues revenue bonds to leverage the capital contributions it receives from federal capitalization grants and state matching grants. These funds are then used to make below-market-rate loans to municipalities and to create reserve accounts. Investment interest and loan repayments generate the cash flow required to make debt service payments on the bonds. Interest from loans and investment income are included as part of operating revenues, and interest expense on bonds is included in operating expenses. Accounting conventions preclude this classification on the statement of cash flows, and the Authority believes the classification of operating activities on this statement do not necessarily represent all components of operating activity, which the Authority believes should include investment earnings and debt service on bonds.

Use of Estimates - The presentation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Deposits - Cash deposits of the Authority are invested in a state pool and the pooled balances are insured in accordance with Minnesota State Statutes. At June 30, 2004 and 2003, \$59,897,320 and \$43,965,609, respectively, of cash deposits were interest-bearing and \$20,317,282 and \$28,214,221, respectively, of cash deposits were non interest-bearing.

Investments - Investments consist of those permitted by the bond resolutions and the Authority Act. They are composed primarily of commercial paper, guaranteed investment contracts, and notes and bills of the U.S. Government and its agencies. The Authority's investments are categorized below to give an indication of the risk level assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not the Authority's name. All investments of the Authority are held by the State Board of Investment (SBI) in the name of the Authority (Credit Risk Category 1).

Deposits and investments consisted of the following at June 30, 2004 and 2003:

	Carrying Value 2004	Carrying Value 2003
Investment risk category 1:		
U.S. Government and agencies' securities	\$ 162,204,673	\$ 265,139,571
Commercial paper	134,500,000	92,872,112
Risk category 1	<u>296,704,673</u>	<u>358,011,683</u>
Not subject to categorization:		
Guaranteed investment contracts	42,784,388	42,784,388
Total investments	<u>339,489,061</u>	<u>400,796,071</u>
Deposits in the state pool:		
Interest-bearing	59,897,320	43,965,609
Non interest-bearing	20,317,282	28,214,221
Total deposits and investments	<u>\$ 419,703,664</u>	<u>\$ 472,975,901</u>

Deposits and investments are classified on the statement of net assets as follows:

	2004	2003
Cash and cash equivalents	\$ 214,714,603	\$ 200,097,991
Investments, current	19,120,525	70,969,933
Investments, long-term	185,868,536	201,907,977
	<u>\$ 419,703,664</u>	<u>\$ 472,975,901</u>

Securities Lending Collateral Transactions - To enhance the return on investments, the State of Minnesota (the State) has, by way of a Custodial Trust Agreement, authorized Wells Fargo Bank, Minnesota, N.A. (Wells Fargo) to act as agent in lending Minnesota securities to broker-dealers and banks pursuant to a form of loan agreement.

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

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

During the fiscal years, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in the separately managed funds of the SBI.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2004, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State.

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3. Loans Receivable

Loans receivable at June 30, 2004 and 2003 consisted of the following:

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Clean Water Bond Fund:						
Aitkin, City of-1st	10/15/97	02/20/18	2.240%	\$ 525,000	\$ 391,248	\$ 414,275
Aitkin, City of-2nd	07/15/03	08/20/23	1.000%	1,159,000	846,358	-
Albany, City of	04/21/03	02/20/22	3.490%	1,324,014	1,258,047	1,184,491
Albertville, City of	10/19/93	08/20/14	3.320%	1,454,514	879,581	948,586
Alvarado, City of	10/16/98	02/20/20	1.000%	677,980	552,917	584,168
Avon, City of	11/18/02	08/20/22	1.820%	8,016,196	7,047,041	4,237,673
Bagley, City of	07/01/98	08/20/19	1.000%	1,654,075	1,293,780	1,370,665
Battle Lake, City of	06/18/03	08/20/22	1.000%	1,749,246	1,301,335	234,140
Baxter, City of	07/24/91	02/20/12	3.530%	875,607	419,428	464,649
Beaver Creek, City of	09/23/94	08/20/15	3.600%	103,102	67,637	72,072
Belle Plaine, City of	01/27/03	08/20/22	1.990%	10,754,000	8,353,477	3,152,100
Bethel, City of	04/17/91	08/20/12	3.030%	396,153	194,715	214,017
Blue Earth, City of	03/30/00	08/20/20	1.290%	3,290,170	2,981,000	3,137,000
Browerville, City of-1st	03/06/90	08/20/11	2.420%	552,000	238,594	267,278
Browerville, City of-2nd	09/25/92	03/20/93	0.840%	250,000	-	-
Buffalo Lake, City of	01/26/98	02/20/19	2.750%	615,750	489,837	516,057
Caledonia, City of	02/07/94	02/20/15	3.440%	606,675	381,432	409,526
Cambridge, City of-1st	10/16/92	02/20/14	3.090%	10,477,205	5,930,142	6,429,185
Cambridge, City of-2nd	08/17/95	08/20/16	3.450%	247,227	205,638	218,599
Cannon Falls, City of-1st	06/27/01	08/20/21	3.070%	4,529,000	4,428,000	4,279,668
Cannon Falls, City of-2nd	11/20/01	08/20/22	2.860%	8,021,909	7,843,909	8,012,677
Canosia Township-1st	09/10/99	08/20/20	1.290%	2,517,810	2,182,000	2,296,000
Canosia Township-2nd	06/11/01	08/20/20	1.290%	207,000	183,000	193,000
Canosia Township-3rd	03/11/02	08/20/20	1.290%	138,000	127,000	134,000
Carver, City of	02/16/00	08/20/19	2.860%	1,188,000	1,029,000	1,077,028
Cass County	06/23/97	02/20/19	1.130%	1,366,190	1,146,879	1,216,664
Cass Lake, City of	02/14/94	02/20/15	1.940%	276,364	164,196	177,276
Cedar Lake Area WSSDB-1st	07/26/01	08/20/21	1.570%	3,225,000	2,783,898	3,000,758
Cedar Lake Area WSSDB-2nd	07/11/02	08/20/21	1.570%	360,000	227,629	245,748
Chandler, City of	09/24/02	08/20/23	1.000%	1,470,000	1,280,627	791,090
Chisholm, City of	05/17/94	02/20/15	3.820%	2,150,644	1,379,425	1,478,645
Clara City, City of	08/19/97	08/20/18	2.740%	2,138,045	1,341,764	1,419,249
Clear Lake, City of	07/30/97	02/20/19	3.080%	223,506	179,658	188,420
Clearwater, City of	07/23/97	02/20/19	2.080%	1,654,550	1,302,258	1,375,538
Cokato, City of	10/26/94	02/20/16	3.320%	2,760,000	1,867,510	1,992,343
Cold Spring City of	02/24/04	08/20/23	2.490%	8,038,000	3,115,194	-
Cologne, City of	01/03/97	02/20/18	3.320%	1,538,699	1,161,055	1,226,384
Cottonwood, City of	05/03/04	08/20/24	2.230%	934,000	120,940	-
Cottonwood Township-1st	03/12/98	08/20/20	1.290%	391,546	337,707	355,707
Cottonwood Township-2nd	09/22/99	08/20/20	1.290%	140,296	124,892	130,892
Courtland, City of	05/22/98	08/20/19	1.540%	889,935	712,806	753,231
Cross Lake Area WSSD	07/09/97	02/20/19	2.880%	2,035,802	1,630,289	1,716,095
Dassel, City of	07/30/02	08/20/22	1.380%	1,666,300	1,593,734	1,410,838
Dayton, City of	08/16/00	08/20/21	3.250%	986,395	593,000	616,436
Delano, City of-1st	05/24/95	08/20/16	4.620%	2,480,000	1,800,710	1,905,460
Delano, City of-2nd	10/16/98	02/20/20	2.980%	1,150,000	970,816	1,017,648
Delano, City of-3rd	07/22/03	08/20/22	2.090%	11,054,217	6,705,153	-

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Clean Water Bond Fund (continued):						
Detroit Lakes, City of-1st	09/10/93	08/20/14	2.820%	2,552,820	1,467,662	1,586,228
Detroit Lakes, City of-2nd	12/19/95	02/20/17	2.930%	3,754,889	2,678,074	2,845,138
Dilworth, City of	03/22/00	08/20/20	3.070%	1,850,000	1,669,852	1,640,967
Dover Eyota St. Charles SD	05/30/02	08/20/21	3.293%	1,573,871	1,532,000	1,573,871
Duluth, City of (Fondulac)	07/24/02	08/20/18	1.000%	364,195	364,195	-
Duluth, City of (Morgan Park)	10/17/03	08/20/18	1.340%	1,179,115	696,751	-
Duluth/North Shore SD-1st	02/04/00	08/20/20	3.520%	225,000	206,000	215,000
Duluth/North Shore SD-2nd	11/30/00	08/20/21	3.830%	300,000	280,000	291,000
Duluth/North Shore SD-3rd	07/01/02	08/20/23	1.630%	7,952,500	5,315,468	-
Duluth/North Shore SD-4th	03/08/04	08/20/23	1.000%	1,328,050	166,404	-
Dundas, City of-1st	03/21/97	02/20/18	2.880%	927,469	702,458	742,685
Dundas, City of-2nd	03/21/97	08/20/99	1.980%	825,000	-	-
East Gull Lake, City of	10/23/91	02/20/13	3.640%	2,226,861	1,199,115	1,310,141
Ely, City of	01/02/01	08/20/21	1.070%	4,699,982	2,449,178	2,572,178
Elysian, City of	07/31/97	08/20/18	2.130%	1,163,536	891,013	942,954
Evansville, City of	12/11/97	02/20/19	1.250%	673,073	519,864	551,189
Eveleth, City of	06/12/92	02/20/13	4.730%	500,000	280,469	304,958
Fairfax, City of	08/18/95	08/20/16	2.950%	1,506,773	1,039,718	1,107,599
Fairmont, City of	05/25/04	08/20/24	1.730%	13,762,095	1,467,001	-
Farmington, City of	04/04/95	08/20/16	4.630%	764,377	551,981	583,977
Fayal Township-1st	09/22/99	08/20/20	2.110%	4,851,756	4,219,000	4,418,400
Fayal Township-2nd	06/22/01	08/20/21	1.570%	341,468	272,000	284,728
Fayal Township-3rd	10/04/01	08/20/20	2.110%	855,267	682,801	719,107
Fergus Falls, City of-1st	11/22/94	02/20/16	3.920%	3,100,000	-	2,275,029
Fergus Falls, City of-2nd	10/07/96	02/20/17	3.740%	450,000	328,630	347,950
Foley, City of	07/21/94	08/20/15	3.320%	1,080,000	705,680	755,340
Forest Prairie Township	04/12/01	08/20/21	1.800%	711,095	665,000	696,000
Garfield, City of-1st	05/09/97	02/20/18	3.080%	100,000	76,097	80,159
Garfield, City of-2nd	06/29/98	08/20/19	1.040%	450,489	351,117	371,528
Garrison, Kathio, West Mille Lacs La	01/09/01	08/20/21	1.620%	500,000	458,000	477,199
Glyndon, City of	08/14/91	02/20/13	3.640%	671,323	336,068	366,319
Good Thunder, City of	10/15/99	08/20/19	1.290%	1,010,545	907,000	958,000
Goodhue County	04/29/97	02/20/18	1.580%	141,175	103,304	109,849
Grand Lake Township-1st	09/02/99	08/20/20	1.290%	1,131,190	979,000	1,030,000
Grand Lake Township-2nd	05/29/01	08/20/20	1.290%	93,000	83,000	87,000
Grand Lake Township-3rd	02/19/02	08/20/20	1.290%	62,000	56,000	59,000
Granite Falls, City of	12/20/95	08/20/06	3.180%	200,000	101,331	143,353
Grey Eagle, City of	02/03/97	02/20/18	1.220%	410,000	223,335	237,645
Hackensack, City of	11/21/97	02/20/18	1.250%	287,844	207,188	220,652
Hancock, City of	06/29/93	02/20/14	2.210%	367,116	203,528	221,537
Hanover, City of	08/18/99	08/20/20	2.290%	1,909,275	1,675,000	1,755,000
Harmony, City of-1st	02/25/93	02/20/14	3.340%	1,216,700	700,975	759,961
Harmony, City of-2nd	05/13/04	08/20/23	1.000%	625,465	205,616	-
Hector, City of	12/14/94	02/20/16	3.920%	1,914,260	1,316,684	1,401,280
Henning, City of	09/15/92	02/20/14	(1)	606,500	309,111	339,334
Hewitt, City of-1st	09/05/90	02/20/11	0.000%	75,000	26,250	30,000
Hewitt, City of-2nd	12/04/91	08/20/12	0.000%	335,000	142,375	159,125
Hibbing, City of	09/22/99	08/20/22	1.740%	9,847,450	7,456,522	1,138,123
Hinckley, City of-1st	11/30/00	02/20/14	2.090%	1,850,839	444,229	483,782
Hinckley, City of-2nd	10/10/01	08/20/20	2.110%	2,570,000	2,114,641	2,223,641
Hoffman, City of	08/17/01	02/20/19	1.990%	263,440	207,016	218,752

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Clean Water Bond Fund (continued):						
Ida Township	03/28/01	08/20/21	1.980%	7,723,000	7,179,357	7,378,348
Isanti, City of	09/18/96	08/20/17	2.630%	4,682,145	3,023,985	3,203,098
Jasper, City of	08/25/95	08/20/16	2.440%	778,200	529,519	565,347
Jordan, City of	05/30/00	08/20/21	2.290%	6,850,120	6,413,000	6,688,200
Kandiyohi County-1st	09/22/99	08/20/20	2.250%	7,188,360	6,511,000	6,816,603
Kandiyohi County-2nd	11/30/00	08/20/21	2.250%	3,648,450	3,414,000	3,563,656
Kandiyohi County-3rd	10/10/01	08/20/21	2.140%	651,000	609,000	635,433
Kasson, City of	08/17/01	08/20/21	3.070%	7,820,000	7,233,938	7,348,030
Lake Benton, City of	11/21/91	08/20/12	2.660%	169,000	82,802	91,379
Lake City, City of-1st	08/25/93	08/20/14	3.740%	1,442,000	887,891	955,802
Lake City, City of-2nd	11/24/96	02/20/17	3.320%	1,500,000	1,082,795	1,148,442
Lake City, City of-3rd	08/18/99	08/20/20	2.860%	1,329,000	1,071,667	1,124,667
Lake City, City of-4th	09/30/02	08/20/23	2.990%	4,800,000	4,236,186	1,924,444
Lake Crystal, City of	10/30/03	08/20/23	2.340%	1,730,700	275,155	-
Lake Mary Township-1st	05/05/98	08/20/19	1.540%	2,120,212	1,487,450	1,639,695
Lake Mary Township-2nd	09/11/00	08/20/20	1.360%	377,951	259,000	266,052
Lake Park, City of	11/14/03	08/20/23	1.590%	450,000	424,520	-
Lake Shore, City of	04/22/91	02/20/12	3.420%	504,690	241,111	266,365
Lake Washington SD	06/23/04	08/20/24	1.480%	6,490,000	-	-
Lakefield, City of	05/03/96	08/20/17	2.630%	1,143,940	835,300	884,776
Laketown Township	08/12/98	08/20/19	1.790%	1,020,000	843,018	887,243
Landfall Village	01/26/94	02/20/15	1.940%	1,088,007	649,795	702,314
Lanesboro, City of	08/15/96	08/20/17	2.680%	492,733	360,070	381,476
Le Center, City of	07/01/94	08/20/15	2.960%	2,315,710	1,493,787	1,601,426
Leota Sanitary District	08/10/99	08/20/19	1.000%	256,598	218,000	230,000
Lewiston, City of	07/17/01	08/20/21	2.320%	1,630,000	1,584,000	1,630,000
Lismore, City of	08/07/95	02/20/16	2.070%	550,000	356,720	382,657
Litchfield, City of	12/27/01	08/20/22	2.680%	10,762,025	10,521,464	10,140,135
Little Falls, City of	02/03/03	08/20/22	1.240%	4,248,645	3,615,455	767,214
Long Prairie, City of	06/24/02	08/20/23	2.170%	3,500,000	1,750,000	3,452,578
Lonsdale, City of	11/03/03	08/20/23	2.340%	6,906,000	4,017,593	-
Mabel, City of	08/13/03	08/20/23	1.090%	1,617,528	1,364,581	-
Madelia, City of	01/25/93	02/20/14	2.010%	2,415,000	1,327,674	1,446,427
Madison Lake, City of	11/01/95	08/20/17	0.000%	301,512	195,983	211,058
Mankato, City of-1st	05/21/98	08/20/19	3.070%	24,682,000	20,360,242	21,372,474
Mankato, City of-2nd	11/09/00	08/20/19	3.070%	678,000	594,000	623,000
Mayer, City of	01/14/00	08/20/20	2.570%	689,274	619,000	648,000
Metropolitan Council-01st	07/12/89	02/20/09	5.382%	40,000,000	13,950,000	16,700,000
Metropolitan Council-02nd	08/08/90	02/20/10	6.054%	65,000,000	-	33,000,000
Metropolitan Council-03rd	06/11/91	08/20/12	5.316%	37,300,000	-	25,800,000
Metropolitan Council-04th	06/11/91	08/20/12	6.420%	27,700,000	-	19,900,000
Metropolitan Council-05th	05/04/92	08/20/13	4.862%	40,000,000	-	27,900,000
Metropolitan Council-06th	07/20/93	02/20/14	4.710%	20,000,000	13,260,000	14,160,000
Metropolitan Council-07th	11/28/94	08/20/15	4.440%	40,000,000	-	29,715,000
Metropolitan Council-08th	09/30/96	08/20/16	3.824%	40,000,000	29,050,000	30,750,000
Metropolitan Council-09th	10/03/97	08/20/17	3.405%	40,000,000	29,500,000	30,650,000
Metropolitan Council-10th	12/31/98	08/20/19	3.140%	60,000,000	47,905,000	48,900,000
Metropolitan Council-11th	09/22/99	08/20/20	3.757%	60,000,000	55,155,000	57,420,000
Metropolitan Council-12th	11/30/00	08/20/21	3.543%	75,000,000	71,000,000	74,500,000
Metropolitan Council-13th	10/10/01	02/20/22	3.383%	100,000,000	99,000,000	63,073,739
Metropolitan Council-14th	08/17/01	08/20/23	3.090%	100,000,000	77,677,012	-

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Clean Water Bond Fund (continued):						
Metropolitan Council-prepmt agrmnt.	10/31/03	02/20/16	0.000%	-	3,750,474	-
Montgomery, City of	02/05/03	08/20/22	1.000%	8,801,945	8,050,830	3,104,163
Monticello, City of	03/13/97	08/20/18	4.080%	14,700,000	11,758,107	12,342,719
Montrose, City of-1st	08/04/89	08/20/09	3.470%	1,310,000	-	-
Montrose, City of-2nd	08/27/02	08/20/22	2.740%	4,209,000	4,209,000	3,726,915
Montrose, City of-3rd	02/21/03	08/20/22	2.740%	1,566,000	1,451,926	-
Moorhead, City of-1st	09/23/94	02/20/15	4.100%	2,478,112	1,591,709	1,704,206
Moorhead, City of-2nd	05/23/95	08/20/16	4.100%	1,601,443	1,141,977	1,210,708
Moorhead, City of-3rd	09/29/97	02/20/18	3.290%	426,290	324,747	342,752
Moorhead, City of-4th	05/06/02	08/20/22	3.130%	3,389,288	3,309,000	3,289,458
Moorhead, City of-5th	06/21/04	08/20/23	1.980%	6,604,974	-	-
Moose Lake, City of-1st	10/13/94	08/20/15	2.920%	2,250,000	1,449,773	1,554,468
Moose Lake, City of-2nd	02/25/97	08/20/15	2.845%	175,813	119,465	128,134
Morgan, City of-1st	09/23/93	08/20/14	2.570%	131,280	77,149	83,474
Morgan, City of-2nd	09/30/94	02/20/16	2.570%	640,309	422,341	452,037
Morris, City of	10/19/93	02/20/15	3.320%	2,146,672	1,349,744	1,449,955
Morristown, City of	11/19/98	02/20/20	1.810%	1,229,797	1,017,909	1,071,137
New Ulm, City of	06/15/95	08/20/16	4.850%	6,227,000	-	4,810,094
Nicollet, City of	08/03/95	02/20/17	3.200%	1,260,000	906,303	961,821
Nisswa, City of-1st	08/10/90	02/20/12	3.670%	2,634,561	1,276,438	1,408,320
Nisswa, City of-2nd	05/02/00	08/20/19	2.020%	288,760	249,000	264,550
North Branch, City of	08/05/03	08/20/23	2.340%	11,500,000	8,121,818	-
North Mankato, City of-1st	11/25/97	02/20/19	3.405%	1,032,679	835,496	876,244
North Mankato, City of-2nd	09/30/99	08/20/19	3.140%	442,988	383,000	400,475
Northfield, City of	05/02/00	08/20/21	3.040%	18,945,000	17,267,090	17,802,178
Oliva, City of	09/26/97	02/20/19	3.490%	1,122,092	907,477	952,882
Park Rapids, City of-1st	08/23/95	02/20/17	3.200%	11,203,311	8,058,273	8,551,276
Park Rapids, City of-2nd	12/31/97	02/20/17	3.200%	1,205,000	870,913	924,195
Pelican Rapids, City of	11/04/92	02/20/03	3.450%	86,315	-	-
Pemberton, City of	02/03/97	02/20/18	1.580%	372,136	272,455	289,526
Pillager, City of	11/21/91	02/20/13	2.530%	500,000	256,129	281,183
Pine Island, City of	07/14/92	08/20/13	3.480%	2,254,355	1,241,792	1,354,577
Pipestone, City of	09/04/97	08/20/07	1.990%	301,247	109,818	139,659
Plainview Elgin SSD	08/27/90	02/20/12	3.920%	1,401,104	691,774	764,122
Plato, City of-1st	04/20/99	08/20/19	1.290%	107,025	87,000	92,000
Plato, City of-2nd	03/27/00	08/20/21	1.860%	857,047	782,000	819,047
Pokegama Township	06/26/96	08/20/17	2.630%	2,416,802	1,764,594	1,867,245
Princeton, City of	03/13/95	08/20/16	3.880%	4,254,663	3,018,685	3,203,271
Ramsey Washington MWD-1st	06/13/97	08/20/17	3.824%	540,835	408,095	430,818
Ramsey Washington MWD-2nd	09/24/98	08/20/18	3.340%	711,431	570,000	600,121
Red Wing, City of-1st	12/20/96	08/20/17	3.824%	750,000	563,464	594,001
Red Wing, City of-2nd	12/02/97	02/20/18	3.405%	700,000	536,849	565,508
Red Wing, City of-3rd	05/22/98	08/20/18	3.340%	2,500,000	1,381,995	1,502,927
Red Wing, City of-4th	10/11/02	08/20/22	3.740%	2,100,000	1,298,513	1,213,073
Redwood Falls, City of	12/11/96	08/20/17	2.490%	133,900	97,379	103,220
Renville, City of	08/22/96	02/20/17	2.470%	794,818	558,897	594,954
Rockford, City of	08/14/97	02/20/19	3.990%	1,694,279	1,386,338	1,452,786
Rockville, City of-1st	09/22/99	08/20/17	0.000%	869,580	565,227	608,706
Rockville, City of-2nd	11/30/00	08/20/24	1.340%	9,235,403	2,319,812	-
Rogers, City of-1st	10/10/01	08/20/13	3.200%	1,023,299	565,117	615,296
Rogers, City of-2nd	08/17/01	02/20/16	4.170%	2,710,873	1,881,197	1,999,911

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Clean Water Bond Fund (continued):						
Rollingstone, City of	04/12/00	08/20/20	2.790%	532,035	487,000	508,408
Roseau, City of-1st	05/09/94	08/20/14	2.990%	237,000	138,073	149,327
Roseau, City of-2nd	11/01/95	02/20/17	2.950%	950,000	678,489	720,758
Rush City, City of	03/05/99	08/20/19	1.040%	4,097,542	3,345,000	2,941,543
Rushford, City of	06/04/96	08/20/17	3.430%	1,101,488	821,706	868,866
Rushford Village, City of	05/30/96	02/20/17	3.180%	168,403	119,718	126,954
Russell, City of	08/08/90	02/20/12	2.920%	155,450	73,088	81,094
Sacred Heart, City of	07/17/97	08/20/18	1.580%	1,441,093	1,088,803	1,155,133
Saint Augusta, City of	09/02/03	08/20/23	2.090%	4,589,547	4,035,532	-
Saint Clair, City of	09/28/98	08/20/19	1.480%	2,653,226	2,120,447	2,241,321
Saint Cloud, City of	07/23/97	08/20/18	3.630%	4,812,000	3,812,533	4,009,264
Saint Hilaire, City of	03/27/98	02/20/19	2.250%	15,641	11,054	11,669
Saint James, City of	07/12/89	08/20/11	4.590%	5,704,341	-	994,591
Saint Michael, City of-1st	08/07/95	08/20/16	4.200%	3,686,833	-	2,790,012
Saint Michael, City of-2nd	01/28/00	08/20/19	3.540%	586,927	511,000	535,000
Saint Michael, City of-3rd	09/19/00	08/20/21	4.660%	6,722,516	-	6,495,516
Saint Paul, City of-1st	08/23/93	08/20/14	2.570%	1,072,837	630,661	682,373
Saint Paul, City of-2nd	11/10/94	08/20/15	3.600%	600,000	395,817	423,170
Saint Paul, City of-3rd	12/20/95	08/20/16	3.200%	600,000	418,092	444,916
Saint Paul, City of-4th	06/21/96	02/20/17	2.880%	4,269,844	3,043,584	3,234,144
Saint Paul, City of-5th	01/17/97	02/20/18	3.820%	1,500,000	1,162,095	1,223,871
Saint Paul, City of-6th	01/13/98	02/20/19	3.250%	3,100,000	2,501,221	2,628,820
Saint Paul, City of-7th	02/18/99	08/20/19	2.790%	4,600,000	3,870,000	4,060,000
Saint Paul, City of-8th	09/12/00	08/20/20	3.870%	8,965,000	8,437,000	8,784,000
Saint Peter, City of-1st	12/29/00	08/20/21	2.040%	11,733,250	10,982,000	10,213,030
Saint Peter, City of-2nd	09/17/02	08/20/22	2.040%	7,260,850	5,014,110	2,967,035
Saint Peter, City of-3rd	12/15/03	08/20/22	3.480%	2,240,000	-	-
Sauk Centre, City of	10/30/95	08/20/16	3.200%	1,407,000	980,510	1,043,410
Shafer, City of-1st	03/17/95	08/20/16	2.240%	174,000	117,586	125,535
Shafer, City of-2nd	09/24/02	08/20/23	1.630%	1,167,000	1,167,000	1,012,692
Shingobee Township	01/24/00	08/20/20	1.000%	60,240	51,000	54,005
Shorewood Park SD	12/19/95	02/20/17	0.000%	625,000	406,250	437,500
Silver Bay, City of	09/23/94	02/20/16	2.820%	1,490,796	992,192	1,060,794
Silver Creek Township-1st	03/23/99	08/20/20	2.290%	1,700,000	1,490,000	1,561,000
Silver Creek Township-2nd	06/11/01	08/20/20	2.290%	350,000	319,000	292,350
Spring Lake Township	06/11/01	08/20/21	1.290%	1,263,000	1,176,000	1,232,364
Stewart, City of	10/02/98	02/20/19	1.000%	150,000	115,255	122,345
Thief River Falls, City of	07/16/98	08/20/19	2.790%	925,525	758,642	796,319
Tofte Schroeder SSD	01/14/02	08/20/21	2.930%	230,481	174,729	230,481
Tracy, City of	06/30/00	08/20/20	2.110%	1,434,769	1,281,000	1,343,000
Twin Lakes Township-1st	10/25/93	02/20/15	2.070%	1,165,729	696,856	752,725
Twin Lakes Township-2nd	08/17/01	08/20/21	1.640%	286,842	267,000	280,000
Two Harbors, City of	03/11/94	02/20/15	2.440%	2,200,000	1,339,643	1,442,768
Verndale, City of	07/10/97	02/20/18	1.130%	155,809	112,388	119,760
Wabasha, City of	07/22/03	08/20/22	1.590%	6,004,700	4,698,858	-
Walker, City of	04/03/95	08/20/16	2.600%	2,182,510	1,490,848	1,590,601
Walnut Grove, City of	04/15/93	02/20/14	(2)	767,041	394,458	432,465
Watertown, City of	09/22/99	08/20/14	3.490%	3,300,000	2,011,048	2,167,347
Waverly, City of	11/30/00	08/20/11	2.640%	623,933	270,668	302,899
West Concord, City of-1st	10/10/01	02/20/18	3.990%	281,777	219,067	229,661
West Concord, City of-2nd	08/17/01	08/20/24	1.000%	2,270,363	-	-

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Clean Water Bond Fund (continued):						
Western Lk Superior SD-1st	10/10/91	08/20/12	4.780%	5,078,000	3,214,949	3,515,167
Western Lk Superior SD-2nd	03/06/97	02/20/13	4.330%	4,400,000	2,969,320	3,234,012
Western Lk Superior SD-3rd	10/21/98	02/20/20	3.980%	4,517,000	3,873,980	4,044,359
Western Lk Superior SD-4th	09/02/99	08/20/14	3.560%	835,800	681,000	731,000
Western Lk Superior SD-5th	10/13/99	08/20/20	4.270%	21,053,000	19,437,000	20,206,000
Western Lk Superior SD-6th	10/06/00	08/20/21	4.870%	7,023,372	6,671,372	6,925,223
Western Lk Superior SD-7th	10/29/02	08/20/18	3.240%	3,149,184	3,149,184	2,758,952
Wheaton, City of	06/26/03	08/20/22	2.240%	2,505,000	2,327,619	-
Willmar, City of	06/28/96	08/20/17	3.130%	4,300,000	3,181,850	3,360,412
Windom, City of-1st	01/26/94	02/20/14	2.440%	352,380	195,247	212,536
Windom, City of-2nd	05/17/94	08/20/15	2.710%	3,886,970	2,485,564	2,667,510
Windom, City of-3rd	12/20/95	02/20/11	2.450%	298,884	153,082	172,898
Winnebago, City of	07/12/89	09/10/90	3.840%	640,000	-	-
Woodland, City of	06/12/97	08/20/18	2.580%	698,775	540,800	571,202
Zimmerman, City of-1st	11/30/89	02/20/11	4.970%	93,000	-	48,158
Zimmerman, City of-2nd	08/10/90	02/20/12	3.670%	1,281,340	198,228	218,876
Zimmerman, City of-3rd	04/09/99	08/20/20	2.040%	4,173,493	3,802,000	3,984,610
Clean Water Bond Fund			268	1,385,704,690	886,730,327	875,021,897

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Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30.	
					2004	2003
Drinking Water Bond Fund:						
Ada, City of	06/25/04	08/20/23	1.090%	2,380,000	-	-
Adrian, City of	10/30/98	08/20/18	3.320%	259,660	217,000	228,000
Alexandria, City of	07/30/02	08/20/22	3.380%	1,146,700	961,048	790,777
Annandale, City of	01/13/04	08/20/23	2.819%	3,358,160	1,274,970	-
Argyle, City of	09/30/98	08/20/19	2.570%	229,655	195,000	205,000
Arlington, City of	02/21/03	08/20/17	2.990%	110,000	106,000	110,000
Askov, City of	09/30/98	08/20/19	1.000%	479,781	389,000	411,416
Avon, City of	10/08/03	08/20/23	2.840%	738,505	618,146	-
Babbitt, City of	08/29/01	08/20/21	2.820%	1,316,806	1,236,000	1,285,679
Battle Lake, City of	06/18/03	08/20/22	1.490%	1,392,230	1,024,711	63,677
Becker County	09/22/03	08/20/22	1.680%	135,430	77,830	-
Braham, City of	03/25/04	08/20/23	1.590%	1,487,800	320,127	-
Breitung Township-1st	11/01/01	08/20/21	2.070%	94,177	85,775	90,775
Breitung Township-2nd	12/16/02	08/20/22	2.490%	117,500	113,845	111,738
Brooton, City of	12/05/00	08/20/20	3.410%	405,365	332,036	287,255
Browerville, City of	10/21/98	08/20/18	2.040%	213,876	174,000	184,000
Brownnton, City of	11/03/99	08/20/19	2.980%	188,100	164,000	172,000
Buffalo Lake, City of	08/18/99	08/20/19	2.540%	754,776	644,000	676,000
Butterfield, City of	02/11/02	08/20/21	2.070%	263,919	238,836	239,053
Cambridge, City of	09/17/01	08/20/21	4.050%	2,080,000	1,705,669	1,492,177
Canby, City of	11/10/98	08/20/18	1.790%	2,020,499	1,642,000	1,737,000
Cannon Falls, City of	06/27/01	08/20/21	4.070%	5,331,000	5,047,000	5,192,866
Carver, City of	12/15/03	08/20/23	2.819%	2,711,000	1,376,018	-
Cass Lake, City of	05/20/03	08/20/22	1.990%	626,693	426,727	-
Clara City, City of	11/13/01	08/20/21	2.320%	2,472,224	2,295,524	2,256,102
Clearwater, City of-1st	11/23/02	08/20/22	2.130%	686,486	582,584	239,782
Clearwater, City of-2nd	07/22/03	08/20/22	2.680%	189,645	180,311	-
Cloquet, City of	10/08/02	08/20/22	3.380%	2,077,005	1,730,968	1,391,402
Cokato, City of-1st	06/14/00	08/20/15	3.910%	613,137	571,000	608,000
Cokato, City of-2nd	01/13/04	08/20/23	3.180%	4,478,105	1,975,622	-
Cold Spring, City of	12/18/98	08/20/08	3.540%	489,000	290,000	341,294
Coleraine, City of	12/12/02	08/20/22	2.380%	1,572,375	1,422,678	-
Comfrey, City of	10/16/98	08/20/18	2.040%	149,107	121,000	128,000
Cromwell, City of	04/12/99	08/20/19	1.000%	62,361	49,735	55,916
Dalton, City of	04/14/03	08/20/22	2.680%	134,711	41,309	-
Dassel, City of	07/02/99	08/20/19	2.040%	1,768,142	1,524,000	1,602,637
Dawson, City of	09/20/02	08/20/22	3.320%	914,497	892,000	913,547
Dayton, City of	08/16/00	08/20/20	3.750%	2,269,906	2,059,000	2,144,906
Deer River, City of	10/29/02	08/20/22	1.630%	322,131	291,786	207,464
Dover, City of	12/11/00	08/20/20	3.410%	464,776	416,000	434,776
Duluth, City of-1st (Morgan Park)	07/31/03	08/20/18	2.819%	970,000	970,000	-
Eden Valley, City of-1st	08/21/00	08/20/20	3.160%	1,944,450	1,688,174	1,756,449
Eden Valley, City of-2nd	06/27/01	08/20/21	2.320%	644,890	602,356	628,845
Edgerton, City of	07/11/02	08/20/22	3.380%	395,035	381,407	395,035
Ely, City of	12/13/00	08/20/20	3.410%	1,177,302	1,059,000	1,104,000
Elysian, City of	09/18/03	08/20/23	1.990%	478,520	469,498	-
Fairfax, City of	08/06/99	08/20/19	2.040%	1,265,806	1,088,000	1,145,000
Fertile, City of	01/27/03	08/20/22	1.130%	1,200,000	1,036,304	303,805
Finlayson, City of	11/28/00	08/20/20	1.910%	211,828	186,834	196,000
Fulda, City of	07/30/98	08/20/18	2.320%	503,117	396,000	418,000
Gilbert, City of	04/30/03	08/20/23	2.880%	157,764	157,764	148,284

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Drinking Water Bond Fund (continued):						
Glenwood, City of	05/30/00	08/20/19	1.980%	1,081,126	966,000	1,014,484
Glyndon, City of	10/29/02	08/20/22	2.380%	959,000	817,262	755,223
Grand Marais, City of	04/27/99	08/20/19	2.560%	484,112	421,402	442,496
Grand Rapids, City of	01/03/00	08/20/19	3.040%	1,079,657	938,000	983,000
Hamburg, City of	07/22/03	08/20/22	2.490%	225,640	225,640	-
Harris, City of	10/26/99	08/20/19	3.290%	142,000	123,811	129,302
Hawley, City of	06/27/01	08/20/21	3.320%	660,000	615,000	640,000
Hibbing, City of-PUC	07/19/01	08/02/20	3.050%	1,434,777	1,308,324	958,952
Hinckley, City of-1st	11/17/00	08/20/20	4.160%	563,800	488,977	508,977
Hinckley, City of-2nd	10/05/01	08/20/21	2.820%	1,401,218	1,272,262	1,312,187
Howard Lake, City of	10/13/99	08/20/19	3.060%	287,662	251,991	263,484
Jordan, City of-1st	11/05/98	08/20/18	3.540%	307,917	258,000	270,387
Jordan, City of-2nd	06/30/03	08/20/23	2.819%	1,068,000	982,311	-
Kandiyohi County-1st	08/18/99	08/20/19	3.540%	4,446,000	3,907,000	4,079,973
Kandiyohi County-2nd	12/29/99	08/20/19	3.540%	2,262,450	1,978,450	2,066,398
Kandiyohi County-3rd	11/30/00	08/20/20	3.540%	1,012,260	916,000	953,591
Kandiyohi County-4th	10/10/01	08/20/21	3.540%	233,000	217,000	225,667
Keewatin, City of	08/28/02	08/20/22	2.880%	500,000	491,000	417,463
Kenyon, City of	12/16/02	08/20/22	3.240%	224,000	133,000	195,794
Kiester, City of	10/15/01	08/20/21	3.070%	228,636	210,000	218,741
Lake Park, City of	09/08/03	08/20/23	2.090%	460,000	203,387	-
Lakefield, City of	09/26/02	08/20/22	2.880%	2,461,570	2,131,900	650,080
Lamberton, City of	08/06/99	08/20/19	1.860%	262,182	224,000	236,000
Lewiston, City of-1st	12/20/99	08/20/19	3.790%	312,934	269,000	281,000
Lewiston, City of-2nd	05/29/01	08/20/20	3.820%	270,000	254,000	264,000
Lismore, City of	08/17/01	08/20/21	2.570%	174,060	163,000	170,000
Litchfield, City of	05/24/99	08/20/19	3.540%	4,092,166	3,601,000	3,766,000
Littlefork, City of	07/28/99	08/20/19	1.810%	181,277	155,000	163,000
Long Prairie, City of	04/06/01	08/20/20	3.910%	1,098,586	1,020,736	1,065,997
Lyle, City of	06/27/00	08/20/20	3.000%	311,040	279,000	290,644
Lynd, City of	11/19/98	08/20/09	2.040%	27,325	18,000	20,960
Marble, City of	10/08/01	08/20/21	2.570%	128,210	116,800	121,840
Mayer, City of	12/21/00	08/20/20	3.910%	347,000	314,000	327,000
Melrose, City of-1st	01/26/99	08/20/18	3.540%	599,219	504,000	528,116
Melrose, City of-2nd	04/13/99	08/20/19	3.480%	2,500,000	2,204,700	2,302,909
Minneapolis, City of-1st	12/16/02	08/20/22	2.819%	27,400,000	27,000,000	7,937,713
Minneapolis, City of-2nd	02/26/04	08/20/23	2.800%	25,000,000	6,189,361	-
Montevideo, City of	03/27/00	08/20/20	4.250%	1,658,080	1,497,000	1,556,000
Montgomery, City of-1st	09/18/03	08/20/23	3.180%	642,162	622,999	-
Montgomery, City of-2nd	05/24/04	08/20/23	2.840%	358,044	-	-
Morgan, City of	06/21/99	08/20/19	2.480%	481,289	418,000	439,000
Morris, City of	10/26/99	08/20/19	2.540%	1,251,423	1,082,000	1,136,000
Mountain Lake, City of	09/16/03	08/20/23	1.430%	3,000,000	1,688,833	-
Nashwauk, City of	06/08/99	08/20/19	1.980%	966,092	839,000	883,000
New Market, City of	07/02/99	08/20/19	3.040%	76,000	-	-
New Prague, City of	10/15/02	08/20/22	3.630%	3,150,000	2,652,820	1,495,730
New Richland, City of	07/15/03	08/20/22	2.740%	1,365,000	1,091,914	-
Northome, City of	03/04/04	08/20/23	1.730%	241,826	23,640	-
Onamia, City of	10/19/00	08/20/20	3.000%	420,000	376,000	393,000
Osakis, City of	01/14/03	08/20/22	2.920%	666,377	642,000	383,391
Ottertail, City of	01/14/03	08/20/22	1.170%	1,536,000	1,433,000	691,109

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Drinking Water Bond Fund (continued):						
Perham, City of	11/19/99	08/20/19	2.790%	606,790	526,000	550,545
Pine River, City of	09/20/02	08/20/22	1.630%	167,260	160,856	167,260
Princeton, City of-PUC-1st	09/08/99	08/20/19	3.290%	670,000	587,000	615,000
Princeton, City of-PUC-2nd	06/10/04	08/20/23	2.530%	847,422	-	-
Red Wing, City of	04/12/04	08/20/23	2.819%	15,417,000	989,103	-
Rock County Rural Water District-1s	09/30/99	08/20/19	1.790%	1,460,000	1,248,000	1,315,000
Rothsay, City of	11/04/03	08/20/23	1.990%	404,000	102,650	-
Royalton, City of	09/27/99	08/20/19	1.000%	458,452	376,000	397,883
Rush City, City of	03/05/99	08/20/18	1.540%	3,889,693	3,161,000	2,620,173
Rushford, City of	09/10/99	08/20/19	3.040%	765,000	663,000	695,000
Saint Augusta, City of	07/14/03	08/20/22	2.819%	2,099,423	1,782,800	-
Saint Cloud, City of	03/01/04	08/20/23	2.590%	1,381,672	854,990	-
Saint James, City of	01/08/02	08/20/21	3.570%	2,230,000	2,098,000	2,155,781
Saint Paul, City of	11/05/98	12/01/18	3.480%	16,500,000	13,400,000	14,355,000
Sandstone, City of	07/28/99	08/20/19	2.110%	401,331	346,000	363,831
Sauk Centre, City of	11/05/98	08/20/18	3.540%	2,121,231	1,783,000	1,872,000
Savage, City of	08/06/99	08/20/19	3.620%	8,984,395	7,887,395	8,234,955
Sebeka, City of	10/15/02	08/20/22	1.130%	266,300	255,222	228,840
Silver Bay, City of	11/19/98	08/20/18	2.560%	642,000	530,000	559,000
Spring Lake Park, City of	07/08/03	08/20/23	2.819%	4,259,142	3,338,921	-
Staples, City of	03/24/03	08/20/22	1.490%	1,400,000	1,400,000	-
Thomson, City of	09/08/03	08/20/23	2.680%	223,829	67,530	-
Tower, City of	01/20/00	08/20/19	1.860%	892,659	758,000	798,659
Tracy, City of	06/30/00	08/20/20	4.160%	141,355	113,960	123,960
Trosky, City of	11/03/99	08/20/19	3.290%	131,670	113,000	118,000
Two Harbors, City of	06/30/99	08/20/19	3.040%	835,000	731,000	763,292
Underwood, City of	11/13/01	08/20/21	2.570%	660,878	598,000	624,478
Utica, City of	09/19/01	08/20/21	2.070%	173,000	161,000	167,720
Verndale, City of	12/18/98	08/20/18	1.310%	75,572	60,000	64,000
Virginia, City of	11/08/99	08/20/19	3.040%	6,127,973	5,349,000	5,606,244
Wadena, City of	07/30/02	08/20/22	2.670%	2,617,891	2,557,000	2,615,974
Walker, City of	08/18/99	08/20/19	1.810%	1,877,758	1,604,000	1,690,000
Wanamingo, City of	08/29/01	08/20/21	1.810%	1,660,000	1,547,699	1,618,229
Watertown, City of	12/27/01	08/20/21	3.570%	2,467,000	2,315,978	2,194,853
West Concord, City of-1st	10/09/03	08/20/23	2.819%	236,440	208,208	-
Windom, City of-1st	03/12/99	08/20/18	2.570%	3,151,838	2,607,000	2,748,000
Windom, City of-2nd	06/28/99	08/20/19	2.290%	1,319,714	1,141,000	1,199,000
Winnebago, City of	09/19/00	08/20/20	2.160%	1,910,364	1,697,000	1,778,364
Wykoff, City of	05/10/04	08/20/23	2.340%	284,381	-	-
Drinking Water Bond Fund			141	245,251,503	177,504,426	126,476,306

Program Borrower	Date of Loan	Final Maturity	Interest Rate	Loan Commitment	Outstanding Principal at June 30,	
					2004	2003
Transportation Revolving Loan Fund Direct Loans:						
Mn Dept of Transportation-1st	04/18/00	12/01/05	3.120%	15,000,000	5,352,914	6,962,915
Mn Dept of Transportation-2nd	01/02/02	12/01/11	2.550%	15,000,000	3,777,579	5,480,960
Pennington County	08/29/01	08/20/21	3.140%	1,731,285	1,579,687	1,567,720
Pine County-1st	05/29/01	08/20/16	3.000%	2,225,000	1,197,943	957,130
Pine County-2nd	03/15/02	08/20/05	1.810%	100,000	17,114	17,131
Woodbury, City of-2nd	06/28/01	08/20/15	2.690%	4,589,700	4,339,700	4,464,700
Transportation Revolving Loan Fund Direct Loans			6	38,645,985	16,264,937	19,450,556
Transportation Bond Fund Series 1999A:						
Metropolitan Council	03/12/99	02/15/20	2.710%	21,025,000	12,015,000	14,360,000
Transportation Bond Fund Series 2001:						
Benton County	10/23/01	08/20/11	2.150%	469,000	123,840	167,829
Mazeppa, City of	10/26/99	08/20/14	2.480%	535,000	424,000	458,000
Newport, City of	11/28/01	08/20/15	1.390%	1,625,600	745,969	499,794
Ramsey County-1st	05/04/01	08/20/30	3.590%	6,872,000	6,722,000	6,872,000
Ramsey County-2nd	05/04/01	08/20/30	3.590%	-	-	-
Richfield, City of	09/17/01	02/20/07	2.000%	6,700,000	6,596,310	6,450,000
Robbinsdale, City of	10/23/01	08/20/12	2.290%	1,200,000	927,843	927,843
Rochester, City of	11/14/01	08/20/21	2.830%	2,500,000	2,399,000	2,500,000
Waite Park, City of	06/27/01	08/20/21	3.190%	2,100,000	1,944,000	2,023,000
Woodbury, City of-1st	06/28/01	08/20/17	2.700%	13,049,400	11,708,300	12,671,600
Transportation Bond Fund Series 2001			10	35,051,000	31,591,262	32,570,066
Special Appropriation Direct Loans:						
Stewart, City of	04/22/02	08/20/21	1.000%	1,000,000	964,472	1,000,000
MPFA Totals			427	\$ 1,726,678,177	\$ 1,125,070,424	\$ 1,068,878,825
Total of loans made to the Metropolitan Council			15	\$ 766,025,000	\$ 452,262,486	\$ 486,828,739
Metropolitan Council percentage of total loan portfolio				44.4%	40.2%	45.5%

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

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

Schedule of Future Loan Repayments - At June 30, 2004, scheduled loan repayments on outstanding loans are payable as follows:

Fiscal Year(s) Ending	Clean Water		Drinking Water		Transportation Series 1999A	
	Interest	Principal	Interest	Principal	Interest	Principal
2005	\$ 24,651,748	\$ 38,588,825	\$ 4,882,991	\$ 7,659,327	\$ 323,981	\$ 1,305,000
2006	26,343,131	39,285,886	5,902,422	9,480,983	288,547	1,345,000
2007	25,388,429	42,475,520	5,627,962	9,626,000	252,098	1,380,000
2008	23,902,482	48,180,127	5,348,418	9,830,000	214,632	1,420,000
2009	22,460,058	47,550,915	5,062,388	10,066,000	176,082	1,460,000
2010 - 2014	88,543,126	269,832,716	20,661,393	55,646,000	474,318	2,815,000
2015 - 2019	43,409,362	314,532,128	11,718,742	68,794,000	209,077	1,875,000
2020 - 2024	5,789,789	180,203,441	2,431,259	57,959,442	10,705	415,000
2025 - 2029	-	1,968,000				
2030 - 2034						
	\$ 260,488,124	\$ 982,617,559	\$ 61,635,573	\$ 229,061,752	\$ 1,949,439	\$ 12,015,000
Less: Undisbursed loan commitments:		95,887,231		51,557,327		-
Outstanding principal:		<u>\$ 886,730,327</u>		<u>\$ 177,504,426</u>		<u>\$ 12,015,000</u>

Fiscal Year(s) Ending	Transportation Series 2001		Non-Pledged Loans		MPFA Totals	
	Interest	Principal	Interest	Principal	Interest	Principal
2005	\$ 850,241	\$ 1,634,540	\$ 491,900	\$ 3,802,467	\$ 31,200,860	\$ 52,990,159
2006	824,676	6,312,900	821,333	3,553,023	34,180,109	59,977,791
2007	685,945	3,748,200	711,343	3,992,945	32,665,777	61,222,665
2008	598,142	1,829,500	593,288	4,107,350	30,656,962	65,366,977
2009	548,232	1,903,300	471,635	4,233,427	28,718,394	65,213,642
2010 - 2014	1,968,966	8,694,400	833,217	10,617,307	112,481,019	347,605,423
2015 - 2019	1,088,102	4,327,900	143,127	1,767,000	56,568,410	391,296,028
2020 - 2024	593,465	2,273,000	18,274	501,000	8,843,490	241,351,883
2025 - 2029	283,161	1,635,000	-	-	283,161	3,603,000
2030 - 2034	26,584	737,000	-	-	26,584	737,000
	\$ 7,467,513	\$ 33,095,740	\$ 4,084,117	\$ 32,574,519	\$ 335,624,766	\$ 1,289,364,569
Less: Undisbursed loan commitments:		1,504,477		15,345,110		164,294,145
Outstanding principal:		<u>\$ 31,591,262</u>		<u>\$ 17,229,409</u>		<u>\$ 1,125,070,424</u>

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

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

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

4. Bonds Payable

Bonds payable at June 30, 2004 and 2003 consist of:

Series	Interest Rates	Date Issued	Final Maturity ¹	Original Principal	Outstanding Principal, June 30:	
					2004	2003
Clean Water						
1989A	6.35 - 7.00 %	07/14/89		\$ 46,698,221	\$ -	\$ -
1990A	6.15 - 7.10	08/09/90		71,029,777	-	-
1991A	5.10 - 6.95	06/13/91	03/01/03	31,400,000	-	-
1991B	5.10 - 6.70	09/25/91	03/01/03	32,655,000	-	-
1992A	4.70 - 6.65	05/06/92	03/01/05	55,549,119	-	-
1995A	5.00 - 6.25	01/26/95	03/01/09	88,195,000	17,720,000	20,550,000
1996A	4.00 - 5.00	03/06/96	03/01/13	118,830,000	93,690,000	94,665,000
1996B	4.00 - 6.75	09/26/96	03/01/18	61,970,000	48,330,000	50,655,000
1997A/B	4.75 - 6.00	10/15/97	03/01/18	138,635,000	104,445,000	114,005,000
1998A	4.125 - 5.00	03/05/98	03/01/19	100,000,000	76,875,000	85,125,000
1998B	3.30 - 5.125	12/30/98	03/01/19	78,000,000	69,400,000	71,400,000
2000A	5.00 - 5.50	07/27/00	03/01/19	110,000,000	103,500,000	107,500,000
2001A	3.00 - 5.00	11/15/01	03/01/20	70,000,000	66,000,000	69,000,000
2002A	3.00 - 5.25	12/19/02	03/01/21	100,000,000	99,500,000	100,000,000
Clean Water bonds				1,102,962,117	679,460,000	712,900,000
Plus: Remaining unamortized net premium (discount)					5,369,315	6,700,990
Less: Unamortized portion of the amount deferred in refunding ²					(8,449,815)	(10,025,978)
Net bonds payable reflected on the statement of net assets					676,379,500	709,575,012
Drinking Water						
1999B	4.60 - 5.125	07/14/99	03/01/19	21,500,000	18,225,000	19,065,000
2002B	2.00 - 5.25	12/19/02	03/01/21	50,000,000	47,500,000	50,000,000
2004A	2.00 - 5.00	03/04/04	03/01/24	53,000,000	53,000,000	-
Drinking Water bonds				124,500,000	118,725,000	69,065,000
Plus: Remaining unamortized net premium (discount)					2,562,328	3,058,749
Net bonds payable reflected on the statement of net assets					121,287,328	72,123,749
Transportation Series 1999A						
1999A	4.00 - 4.75	03/18/99	03/01/20	17,080,000	9,760,000	11,665,000
Plus: Remaining unamortized net premium (discount)					(34,420)	(29,252)
Net bonds payable reflected on the statement of net assets					9,725,580	11,635,748
Transportation Series 2001						
2001	3.50 - 5.00	12/13/01	03/01/21	20,450,000	19,570,000	20,250,000
Plus: Remaining unamortized net premium (discount)					475,977	603,652
Net bonds payable reflected on the statement of net assets					20,045,977	20,853,652
MPFA Totals						
Original and outstanding principal				1,264,992,117	827,515,000	813,880,000
Plus: Remaining unamortized net premium (discount)					8,373,200	10,334,139
Less: Unamortized portion of the amount deferred in refunding ²					(8,449,815)	(10,025,978)
Net bonds payable reflected on the statement of net assets					\$ 827,438,385	\$ 814,188,161

¹ Final maturity reflects the latest maturity currently outstanding.

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

Bond Proceeds – The net bond proceeds have been used to fund loans to Minnesota municipalities for projects relating to wastewater treatment facilities, drinking water systems, and transportation. A portion of the 1996A Series was used to refund portions of the 1989A, 1990A, 1991A, and 1991B Series bonds. A portion of the 1997A/B Series was used to refund portions of the 1990A and 1992A Series bonds. A portion of the 1998A Series was used to refund portions of the 1989A, 1991A, 1991B, and 1995A Series bonds.

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

Bonding Authority - The Authority's outstanding debt limit is \$1,250,000,000. The Authority bonds do not constitute a debt of the State of Minnesota or any agency or political subdivision thereof (other than the Authority). The principal amount of bonds outstanding at June 30, 2004 was \$827,515,000.

Advanced Refunding of Debt - The Authority has, on three occasions to date, issued bonds the partial proceeds of which were used to defease certain prior debt issuances. In each case, the Authority established an irrevocable escrow fund at U.S. Bank Corporate Trust Services (formerly First Trust National Association) pursuant to an escrow agreement between the Authority, the Minnesota State Board of Investment, and U.S. Bank Corporate Trust Services. The escrow funds are pledged solely to the repayment of principal, premium, and interest on the refunded bonds. Under the agreements, the refunded bonds will be called for redemption at each series' applicable optional redemption dates. As these bonds have, in effect, been redeemed under the defeasance, they are no longer outstanding under the Authority's applicable bond resolutions and therefore, they are not entitled to the pledge of the applicable resolution. Accordingly, these bonds and the related escrow funds are not reflected in these combined financial statements as of June 30, 2004.

The following (sorted by cusip #) represents the defeased bonds unredeemed as of June 30, 2004:

Series	CUSIP #	Refunding Date	Maturity	Call Date	Principal Refunded Unredeemed
1995A	604114DW5	03/05/98	03/01/10	03/01/05	\$ 5,885,000
1995A	604114DX3	03/05/98	03/01/11	03/01/05	6,680,000
1995A	604114DY1	03/05/98	03/01/12	03/01/05	7,070,000
1995A	604114DZ8	03/05/98	03/01/13	03/01/05	7,235,000
1995A	604114EA2	03/05/98	03/01/14	03/01/05	11,290,000
1995A	604114EB0	03/05/98	03/01/15	03/01/05	7,225,000
1995A	604114EC8	03/05/98	03/01/16	03/01/05	6,610,000
					<u>\$ 51,995,000</u>

Schedule of Maturities - At June 30, 2004 debt service on outstanding bonds is payable as follows:

Fiscal Year(s) Ending	Clean Water		Drinking Water		Transportation Series 1999A	
	Interest	Principal	Interest	Principal	Interest	Principal
2005	\$ 33,980,550	\$ 35,245,000	\$ 5,622,306	\$ 3,470,000	\$ 411,375	\$ 1,060,000
2006	32,238,603	38,440,000	5,279,300	4,310,000	368,975	1,095,000
2007	30,335,850	40,025,000	5,094,213	4,445,000	325,175	1,120,000
2008	28,355,385	42,115,000	4,905,743	4,590,000	280,375	1,155,000
2009	26,297,555	44,940,000	4,706,713	4,730,000	234,175	1,185,000
2010 - 2014	97,981,285	234,390,000	20,150,188	27,030,000	657,260	2,285,000
2015 - 2019	38,460,181	216,805,000	13,036,244	36,450,000	300,018	1,525,000
2020 - 2024	1,862,500	27,500,000	4,268,900	33,700,000	15,913	335,000
Totals, PFA	\$289,511,909	\$679,460,000	\$ 63,063,605	\$118,725,000	\$ 2,593,265	\$ 9,760,000
Plus: Remaining premium (discount)		5,369,315		2,562,328		(34,420)
Less: Remaining refunding deferrals		(8,449,815)				
Net bonds payable		\$676,379,500		\$121,287,328		\$ 9,725,580

Fiscal Year(s) Ending	Transportation Series 2001		MPFA Totals	
	Interest	Principal	Interest	Principal
2005	\$ 966,200	\$ 820,000	\$ 40,980,431	\$ 40,595,000
2006	937,500	3,970,000	38,824,378	47,815,000
2007	739,000	2,345,000	36,494,238	47,935,000
2008	621,750	1,110,000	34,163,253	48,970,000
2009	566,250	1,175,000	31,804,693	52,030,000
2010 - 2014	1,891,000	5,800,000	120,679,733	269,505,000
2015 - 2019	707,500	3,330,000	52,503,943	258,110,000
2020 - 2024	77,000	1,020,000	6,224,313	62,555,000
Totals, PFA	\$ 6,506,200	\$ 19,570,000	\$361,674,979	\$827,515,000
Plus: Remaining premium (discount)		475,977		8,373,200
Less: Remaining refunding deferrals				(8,449,815)
Net bonds payable		\$ 20,045,977		\$827,438,385

Table of changes during the fiscal year: The following table summarizes the change in reported bonds payable during the year ended June 30, 2004:

Bond Fund	Beginning Balance (par)	New Issues (par)	Redemptions	Ending Balance (par)
CWBF	\$ 712,900,000	\$ -	\$ (33,440,000)	\$ 679,460,000
DWBF	69,065,000	53,000,000	(3,340,000)	118,725,000
TR-1999A	11,665,000		(1,905,000)	9,760,000
TR-2001	20,250,000		(680,000)	19,570,000
Totals	\$ 813,880,000	\$ 53,000,000	\$ (39,365,000)	\$ 827,515,000
Plus: Remaining unamortized premium				8,373,200
Less: Unamortized portion of the amount deferred in refunding				(8,449,815)
				\$ 827,438,385

5. Arbitrage Rebate Liability

The bonds issued by the Authority are subject to a variety of Internal Revenue Service (IRS) regulations that limit the amount of income that may be earned with investments to an amount not greater than the amount that would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. The Authority's arbitrage rebate liability at June 30, 2004 and 2003 was \$1,552,034 and \$3,315,588, respectively.

6. Related-Party Transactions

Administrative Services - The DEED, Department of Health, and MPCA provide administrative staff and services to the Authority. During fiscal 2004 and 2003, the Authority paid approximately \$2.4 million and \$2.6 million, respectively, for these services.

Transfers - The Authority has, from CWBF net assets, made sub grant awards for non point-source pollution control programs administered by the Minnesota Department of Agriculture and the Minnesota Pollution Control Agency. As the Authority makes these awards a transfer out of the CWBF to the Other Fund is recognized. Such transfers during fiscal 2004 and 2003 were \$4 million and \$2 million, respectively. In fiscal year 2004, approximately \$1.2 million was transferred from the TBF Funds to the Other Fund, from excess bond year pledged revenues over bond year debt service in the TBF Funds. In fiscal year 2003, approximately \$1.6 million was transferred from the TBF Funds to the Other Fund.

State Appropriations - Per Minnesota Laws of 2003, special session chapter 19 article 2 section 66, \$4.1 million of prior appropriations was cancelled from the Transportation Revolving Loan Fund portion of the Other Fund and returned to the State general fund during fiscal year 2004. The same amount must be cancelled during fiscal year 2005. Also cancelled, by Laws of 2003, chapter 128 article 10 section 11, was \$700,000 of prior WIF appropriations.

7. Commitments

At June 30, 2004 the Authority had committed approximately \$169 million for the origination or disbursement of future loans under the Clean Water Bond Fund, Drinking Water Bond Fund, and Transportation Revolving Loan Fund program, and approximately \$13.7 million for disbursement of non point-source pollution control awards under the Other Fund.

8. Subsequent Events

At its August 19, 2004 board meeting, the Authority authorized the issuance of CWBF revenue bonds, such principal amount not to exceed \$240,000,000, and the amount of this total to be used for refunding outstanding CWBF revenue bonds not to exceed \$120,000,000.

Authority staff of the Department of Employment and Economic Development will be moving to new office space. At the end of October 2004, the Authority will have the following new mailing address:

Dept of Employment & Economic Development
BCD / Minnesota Public Facilities Authority
1st Nat'l Bank Bldg
332 Minnesota Street, Suite E200
St. Paul, MN 55101-1351

**Minnesota Public Facilities Authority
Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004**

Federal Agency	/CFDA no. Federal Program Description	Federal Expenditures
U.S. Department of Transportation		
20.205	Capitalization Grant for the Transportation Revolving Loan Fund	\$ 79,200
U.S. Environmental Protection Agency		
66.458	Capitalization Grants for Clean Water State Revolving Funds	-
66.468	Capitalization Grants for Drinking Water State Revolving Funds	9,597,881
		<u>9,597,881</u>
	Total	<u>\$ 9,677,081</u>

See notes to the supplemental schedule.

Notes to Supplemental Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation – The supplemental schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Federal awards provided to sub recipients are treated as expended when the sub recipient incurs the expenditure.

Reconciliation to Financial Statements – The expenditures included in the supplemental schedule of expenditures of federal awards include administrative expenditures, loan disbursements, sub recipient expenditures, and grant expenditures made with federal capitalization grants. The financial statements include expenditures made using nonfederal sources. As a result, the expenditures included in the supplemental schedule of expenditures of federal awards for the year ended June 30, 2004 do not directly reconcile to the financial statement expenses.

2. Capitalization Grant Awards

The Minnesota Public Facilities Authority uses federal capitalization grants to provide for administrative expenditures, loan disbursements, sub recipient expenditures, grant expenditures, and deposits to the debt service reserve accounts. The debt service reserve accounts are used as collateral on revenue bonds and future debt service thereon. The following presents a breakdown of the uses of the federal capitalization grants by program.

CFDA # 20.205, Capitalization Grants for the Transportation Revolving Loan Fund

Grant Year	Grant Award	Cumulative Expenditures by Type		
		Loans	Administrative	Total Expenditures
1997	\$ 3,960,000	\$ 3,708,540	\$ 132,660	\$ 3,841,200
Less cumulative prior fiscal years expenditures:				3,762,000
Equals current fiscal year expenditures:				\$ 79,200

CFDA # 66.458, Capitalization Grants for Clean Water State Revolving Funds

Grant Year	Grant Award	Cumulative Expenditures by Type				Total Expenditures
		Loans	Administrative	Sub Recipients	DSR Deposits	
1989	\$ 17,336,385	\$ -	\$ 402,204	\$ -	\$ 16,934,181	\$ 17,336,385
1990	17,975,776		595,351		17,380,425	17,975,776
1991	37,720,881	4,200,000	1,257,315		32,263,566	37,720,881
1992	35,712,270		1,190,360		34,521,910	35,712,270
1993	35,327,457	34,149,923	1,177,534			35,327,457
1994	21,920,184	5,520,000	730,643		15,669,541	21,920,184
1995	24,638,825		247,770	15,500,000	8,891,055	24,638,825
1996	37,083,123	3,163,568		15,336,432	18,583,123	37,083,123
1997	14,165,310	7,005,816		7,159,494		14,165,310
1998	24,749,901	24,741,526		8,375		24,749,901
1999	24,751,980				24,751,980	24,751,980
2000	24,668,127	24,668,127				24,668,127
2001	24,448,842	24,328,089		120,753		24,448,842
2002	25,018,992	25,018,992				25,018,992
2003	24,344,001	24,344,001				24,344,001
	<u>\$ 389,862,054</u>	<u>\$ 177,140,042</u>	<u>\$ 5,601,177</u>	<u>\$ 38,125,054</u>	<u>\$ 168,995,781</u>	<u>\$ 389,862,054</u>
Less cumulative prior fiscal years expenditures:						389,862,054
Equals current fiscal year expenditures:						\$ -

CFDA # 66.468, Capitalization Grants for Drinking Water State Revolving Funds

Grant Year	Grant Award	Cumulative Expenditures by Type					Total Expenditures
		Loans	Administrative	Sub Recipients	DSR Grants	DSR Deposits	
1997	\$ 42,086,000	\$ 35,406,607	\$ 1,683,440	\$ 2,419,945	\$ 770,833	\$ 1,805,175	\$ 42,086,000
1998	11,856,100	8,954,990	529,889	1,185,612	1,185,609		11,856,100
1999	12,426,300	9,544,899	441,407	1,242,630	1,197,364		12,426,300
2000	12,914,600	11,375,495	537,584	1,001,521			12,914,600
2001	12,968,000	12,086,474	197,720	683,806			12,968,000
2002	15,952,900	13,220,242	311,602	1,488,849	932,207		15,952,900
2003	15,857,000	6,397,417	615,411	2,503,502	308,482		9,824,812
2004	16,449,300						-
	<u>\$ 140,510,200</u>	<u>\$ 96,986,124</u>	<u>\$ 4,317,053</u>	<u>\$ 10,525,865</u>	<u>\$ 4,394,495</u>	<u>\$ 1,805,175</u>	<u>\$ 118,028,712</u>
Less cumulative prior fiscal years expenditures:							108,430,831
Equals current fiscal year expenditures:							\$ 9,597,881

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Minnesota Public Facilities Authority
Saint Paul, Minnesota

We have audited the financial statements of the Minnesota Public Facilities Authority (the Authority) as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board and management of the Minnesota Public Facilities Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
August 13, 2004

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Award Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Minnesota Public Facilities Authority
Saint Paul, Minnesota

We have audited the compliance of the Minnesota Public Facilities Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board and management of the Minnesota Public Facilities Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
August 13, 2004

Minnesota Public Facilities Authority

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified

2. Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not
considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial
statements noted? Yes X No

B. Federal Awards

1. Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not
considered to be material weaknesses? Yes X None Reported

2. Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Section
510(a) of Circular A-133? Yes X No

C. Identification of Major Program

1. <u>CFDA Number</u>	<u>Name of Federal Program</u>
66.468	Capitalization Grant for Drinking Water State Revolving Funds

2. Dollar threshold used to distinguish between
type A and type B programs \$300,000

3. Auditee qualified as low-risk auditee? X Yes No

(Continued)

Minnesota Public Facilities Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2004

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Internal Control

None reported.

B. Compliance

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control

None reported.

B. Compliance

None reported.

Minnesota Public Facilities Authority

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004**

Item No.	Date of the Report in Which Finding Was First Reported	Description of Condition	Status of Corrective Action
<hr/> There were no prior-year audit findings reported.			