ANNUAL REPORT

FISCAL YEAR 1983

MINNESOTA
HIGHER
EDUCATION
FACILITIES
AUTHORITY

Suite 278, Metro Square, 7th & Robert Streets, Saint Paul, Minnesota 55101

MINNESOTA HIGHER EDUCATION
Facilities Authority

November 22, 1983

The Honorable Rudy Perpich, Governor
Members of the Legislature
State Capitol
St. Paul, Minnesota 55155

Members, Minnesota Higher
Education Coordinating Board
Suite 400, Capitol Square Building
St. Paul, Minnesota 55101

Dear Governor Perpich, Members of the Legislature, and Members of the Higher Education Coordinating Board:

The Minnesota Higher Education Facilities Authority is pleased to send its Annual Report for Fiscal Year 1983.

The Minnesota Higher Education Facilities Authority is an independent agency created by Chapter 868, Laws of Minnesota, 1971 (Section 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education of the State in the construction and financing of projects. The Authority has power to issue revenue bonds in a total amount not to exceed $150 million of outstanding bonds. Bonds issued by the Authority can be payable only from the rental revenues and other income, charges, and moneys pledged for their payment. They do not in any manner constitute a debt or pledge of the faith and credit of the State of Minnesota.

Educational institutions of the State of Minnesota eligible for assistance by the Authority are non-sectarian, non-profit educational institutions authorized to provide a program of education beyond the high school level. Although the statutes do not limit funding to the private sector, no public institution has applied for funding to the Authority.

The Authority is financed solely from fees paid by the institutions. No state appropriations have ever been made to fund the Authority. Also, funds from series reserve accounts and from the General Bond Reserve Account of the Authority cannot be used and have not been used to pay operating expenses of the Authority.

The Authority has been successful in financing four projects in Fiscal Year 1983. The College of St. Thomas received financing for constructing the Daniel C. Gainey Conference Center in Owatonna, Minnesota ($2,500,000) and the college has also refinanced debt on their new physical education and activities building located on its main campus ($6,110,000). Carleton College received financing for the renovation and expansion of their library facilities and the renovation of two student residence facilities ($9,400,000). Concordia College (Moorhead) received funds for major improvements to a student residence facility ($3,055,000). The total of the bonds issued for

these projects was $21,065,000. This is the largest amount ever funded by the Authority in any one year.

The Authority has also been successful in financing two projects in Fiscal Year 1984. Hamline University received $1,970,000 in bond proceeds to finance the renovation of four student residence halls and one dining facility. The Authority also issued its first closed pool bond issue. This is the first time it has been done in the country that several institutions (10), each with multiple projects, were financed with a single bond issue ($18,520,000). Although this pooled issue was quite complex, the market responded quite favorably with a coupon rate of 7.992%. It is estimated that the net effective rate of the loans to the institutions, when a distribution of the balance in the Residual Fund is made at the end of the program, will be approximately 8.81%. This program may be expected to continue to be a model for other states to emulate.

The Authority, as of November 22, 1983, has financed 37 projects totalling $113,955,000. The total amount of bonds outstanding is $103,460,000.

Members of the Authority are quite concerned with pending legislation in the Congress that will affect tax-exempt bonding. However, these pending bills in their present form will not affect the Facilities Authority in financing projects for the private colleges, universities and professional schools. Excesses of the past as well as of the present have brought down the ire of members of Congress on abuses of tax-exempt financing. The Authority also sees potential abuses of tax-exempt financing in the local market. Unseemly competition among bonding authorities in Minnesota for financing college improvements can only lead to abuses and overall ineffectiveness. The Legislature has created a state agency to help the private college sector with capital improvements. It seems unwise to allow any and every local bonding authority to do what can be most effectively done by a statewide agency, for which the Legislature and the Administration maintain oversight and review, and that can assure equal access at competitive rates for institutions within the state.

The Authority members welcome a dialogue among all parties. The Authority is proceeding to hold a conference with private college presidents, key members of the Legislature, and members of the Authority to discuss ways of improving the effectiveness of the Authority to meet the needs of the private higher educational community.

Members of the Authority are happy to serve the higher educational institutions, and look forward to be of continued service to the higher education community and to the State of Minnesota.

Respectfully submitted,

Herbert M. Stellner, Jr.
Chairman

TABLE OF CONTENTS

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Earl R. Herring, Vice Chairman Vice President for Administrative Affairs Moorhead State University Expert - Higher Education	January 1, 1985
Clyde R. Ingle Executive Director, Minnesota Higher Education Coordinating Board Ex-officio member	Indeterminate
Carlos Lopez, Jr. President - Cal-Mech, Inc. St. Paul, Minnesota Expert - Construction	January 1, 1987
Leonard J. Rogge, Secretary Retired General	January 2, 1984
Peter H. Seed Member, Briggs and Morgan, Professional Association of Lawyers, St. Paul, Minnesota Expert - Municipal Finance	January 4, 1986
Emily Anne Staples Director of Development Spring Hill Center, Wayzata, Minnesota General	January 1, 1987
Herbert M. Stellner, Jr., Chairman Senior Vice-President, Marquette Bank and Trust Rochester, Minnesota General	January 2,1984

Dr. Joseph E. LaBelle, Executive Director

BOND COUNSEL
Faegre and Benson
(John S. Holten)
Minneapolis, Minnesota

FISCAL ADVISORS
Springsted, Inc.
(Osmon R. Springsted)
St. Paul, Minnesota

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate and a seventh member who is the Executive Director of the Minnesota Higher Education Coordinating Board or his designee.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $150 million. With the Bonds the Authority has had 37 issues totaling $117,010,000, of which $95,030,000 was outstanding as of November 23, 1983. Bonds issued by the Authority can be payable only from the rentals, revenues and other income, charges and moneys pledged for their payments. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority include nonprofit educational institutions authorized to provide a program of education beyond the high school level. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities and other structures or facilities required or useful for the instruction of students, or conducting of research in the operation of an institution of higher education.

Although the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

It has been the general policy of the Authority that a project for which bonds are issued by the Authority becomes the property of the Authority for as long as such bonds remain outstanding. Thereafter it may be subject to repurchase options. A project which is owned by the Authority is leased by the Authority to the institution for operation and the revenues which are the primary security for the bonds are

provided according to the terms of the lease between the Authority and the institution. The Authority has made exceptions to taking title to the project and property and entering into a mortgage trust indenture in the following issues: Series Two-C, Series Two-D, Series Two-E, Series Two-F, Series Two-G, and Refunding Series 1982-1 and Series 1983-A. The Authority, with respect to all other bond issues, has entered into a mortgage trust indenture with a trustee who administers the funds which, together with land, buildings or other pledged properties, are security for the payment of the bonds, except the funds of the General Bond Reserve Account which are under the exclusive supervision of the Authority. The Authority anticipates that the nature of the security for future issues will vary depending upon circumstances of the financing.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement and remodeling projects.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The Authority is financed solely from fees paid by the institutions; it has no taxing power. With the exception of Series 1983-A, at the time of issuance, and usually from bond proceeds, the Authority is paid a percentage, currently .35%, of the principal amount of the issue. Thereafter, commencing as of the date of issue and payable at the beginning of each year thereafter during the life of the bonds, the Authority receives an annual fee, currently .2%, of the original principal amount of the issue for its original term, regardless of whether the issue is prepaid, unless the Authority waives its rights to such payment.

Bond issuance costs, including fees of bond counsel, the financial advisor and trustee, and the underwriter's discount, are usually paid by the institution from bond proceeds. In the instance of Series 1983-A, such costs and the fee of the Authority were paid from bond proceeds and were prorated to each participating institution as part of its loan.

As a general policy, the Authority requires that the proceeds of each issue include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum, 80% is deposited with the trustee in a series reserve account; the remaining 20% is deposited by the

Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such deposit has been made. However, Series Two-C, Series Two-D, Series Two-E, Series Two-F, Series Two-G, Refunding Series 1982-1, and Series 1983-A are not secured by the General Bond Reserve Account, but in each instance, except for Series Two-C and Series 1983-A, a contribution was made to the General Bond Reserve Account.

OVERVIEW OF THE COLLEGES PARTICIPATING IN THE FACILITIES AUTHORITY LOAN PROGRAM

AUGSBURG COLLEGE

Founded in 1869, Augsburg College is a private four-year liberal arts college located in Minneapolis. It is one of eleven senior colleges affiliated with and supported in part by the American Lutheran Church.

BETHEL COLLEGE

Founded in Chicago in 1871, Bethel is a nonprofit, coeducational, residential, four-year liberal arts college owned and operated by the Baptist General Conference. In 1972, the College moved its former St. Paul campus to a new 168-acre site, exclusive of 62-acre Lake Valentine on the campus, in Arden Hills, a northern suburb of St. Paul.

CARLETON COLLEGE

Carleton is a Minnesota nonprofit, coeducational, residential, liberal arts college located in Northfield, Minnesota. Carleton was founded by the Congregational Church (now United Church of Christ) and was chartered in December of 1866. It is now non-sectarian and independent. The College's grounds comprise 900 acres, including the 90-acre main campus, 400-acre arboretum, a virgin prairie, a forest tract, and open land. There are 46 buildings on the campus.

COLLEGE OF ST. BENEDICT

The College of St. Benedict is an accredited, private, four-year liberal arts college for women located in St. Joseph, Minnesota. The College traces its beginning to 1863 when the Sisters of St. Benedict transferred their St. Cloud School for Girls to St. Benedict's Academy in St. Joseph. College courses were first offered in 1913, and the name, The College of St. Benedict, was adopted in 1927. The College is separately incorporated.

COLLEGE OF ST. CATHERINE

The College of St. Catherine was founded in 1905 by the Sisters of St. Joseph of Carondelet. It is one of the largest women's colleges in the United States. Its campus covers more than 100 acres midway between downtown St. Paul and downtown Minneapolis. The College takes part in a local five-college policy of non-tuition student exchange.

COLLEGE OF ST. SCHOLASTICA

The College of St. Scholastica is a four-year liberal arts college which was founded by the Benedictine Sisters Benevolent Association in 1906. In 1962, it was incorporated as a separate entity. Formerly a women's college, it became coeducational in 1968. It is located in Duluth, Minnesota.

COLLEGE OF ST. TERESA

The College of St. Teresa is a nonprofit, women's, residential, four-year, liberal arts college located in Winona, Minnesota. The origin of the College can be traced back to 1894 when the Winona Seminary was opened by the Sisters of the Third Order Regular of the Congregation of Our Lady of Lourdes of St. Francis. The first college-level courses were opened in 1909 and the name was changed to the College of St. Teresa in 1912.

COLLEGE OF ST. THOMAS

The College of St. Thomas was founded in 1885 by Archbishop John Ireland. Its 45-acre campus is located midway between downtown St. Paul and downtown Minneapolis. The College serves approximately 5,000 students in both baccalaureate and graduate programs.

CONCORDIA COLLEGE (MOORHEAD)

Concordia College, founded in 1891, is a nonprofit, four-year, coeducational, liberal arts college. The College is owned and operated by the Concordia College Corporation, members of which are the congregations of the American Lutheran Church of northern Minnesota, North Dakota, and Montana east of the continental divide. The 120-acre campus is located within the residential section of Moorhead, Minnesota. Its facilities include 30 major buildings, half of which have been built since 1955.

GOLDEN VALLEY LUTHERAN COLLEGE

Golden Valley Lutheran College is a coeducational, two-year, liberal arts college. It is a non-profit, non-sectarian institution, although it has a strong Lutheran orientation. The College was established in 1967 by the Lutheran Bible Institute of Minneapolis (LBI). LBI was established as a Bible college in 1919 in St. Paul and moved to Minneapolis in 1929. In 1961, LBI moved to Golden Valley. Title to the Golden Valley Lutheran College campus is in the name of LBI.

GUSTAVUS ADOLPHUS COLLEGE

Gustavus Adolphus is a private, coeducational, fully accredited liberal arts college located in St. Peter, Minnesota. It was founded in 1862 by Eric Norelius, an immigrant Swedish Lutheran pastor and was given its present name in 1876 in honor of the Swedish king who defended Protestantism during the Thirty Years War. It is affiliated with the Lutheran Church in America.

HAMLINE UNIVERSITY

Founded in 1854, Hamline University, located in St. Paul, was the first college in Minnesota. It is operated by the Trustees of the Hamline University of Minnesota, a Minnesota nonprofit corporation. The Hamline University School of Law merged with the Trustees of the Hamline University of Minnesota in 1976. It is affiliated with the Methodist Church in Minnesota and is coeducational.

MINNEAPOLIS COLLEGE OF ART AND DESIGN

Founded in 1886, the Minneapolis College of Art and Design is a four-year accredited educational institution. It is operated by the Minneapolis Society of Fine Arts, a nonprofit organization founded in 1883, which also operates the Minneapolis Institute of Arts.

ST. MARY'S COLLEGE

Located in Winona, Minnesota, St. Mary's is a nonprofit, non-sectarian, residential, four-year, coeducational liberal arts college. It was founded in 1913 by the Second Bishop of Winona. Originally a men's school, the College was operated by diocesan clergy until it came under the administration of the Brothers of the Christian Schools in 1933. It is now operated as a separate corporation and has been coeducational since 1969.

ST. MARY'S JUNIOR COLLEGE

St. Mary's Junior College is a two-year institution that was founded in 1964. It was established to meet the needs of the community in the area of health care personnel. It is located in Minneapolis and is operated by the Sisters of St. Joseph of Carondelet.

ST. OLAF COLLEGE

St. Olaf College is a four-year liberal arts college. Its 350-acre campus is located in Northfield, Minnesota, 40 miles south of the Twin Cities. The College owns approximately 1,175 acres of open space, now used for farming, adjoining the campus. The College was founded in 1874, but was operated as an academy until 1886. The name was changed to St. Olaf College is 1889. It is related to the American Lutheran Church.

PROJECT DESCRIPTIONS

BOND SERIES A, $2,200,000, AUGSBURG COLLEGE

The College used the bond proceeds for the construction of an apartment-type student housing facility to accommodate 312 students. The building had full occupancy with the opening of the fall term in 1973. Moveable furnishings, except for common areas, are provided by the tenants.

BOND SERIES B, $1,935,000, BETHEL COLLEGE

The College constructed and furnished townhouse-type student housing to accommodate approximately 480 students. Students occupied the facilities in January, 1974. The units are of frame construction with partial brick exterior. Each unit has three bedrooms, living room, bath and storage, and houses six students.

BOND SERIES C, $595,000, ST. MARY'S COLLEGE

St. Mary's College constructed six frame buildings having 28 apartments for the accommodation of 108 students and two faculty members. The units are on a site at the edge of the main campus.

BOND SERIES D, $520,000, COLLEGE OF ST. SCHOLASTICA

St. Scholastica used bond proceeds for the construction of six fourplexes to house four students per apartment for a total of 96 students. Each apartment has two bedrooms, a living room, kitchen and bath. Furnishings include carpeting, stove, refrigerator, kitchen table, love seat, coffee table, draperies, eight chairs and bedroom furniture of two beds, a chest, desk and built-in shelving in each of the two bedrooms.

BOND SERIES E, $1,030,000, GUSTAVUS ADOLPHUS COLLEGE

Gustavus Adolphus used $300,000 of the bond proceeds to remodel the old library building into a science classroom. The rest of the proceeds were used for construction of a new administration building.

BOND SERIES F, $1,610,000, COLLEGE OF ST. BENEDICT

Bond proceeds were used to construct two-bedroom, furnished apartments with kitchens. Each apartment houses four students. The College also constructed an indoor swimming pool addition to the Physical Education Building, and remodeled and improved the Home Economics Department facility. It also remodeled and improved the dining facility in St. Gertrude Hall.

BOND SERIES G, $8,450,000, MINNEAPOLIS COLLEGE OF ART AND DESIGN

The bonds were issued for the construction of a new technical academic building with apurtenant equipment, furnishings, utilities and site improvements. The project includes a pedestrian bridge and furnishings and equipment for the existing college building. The new facilities allowed the College to expand to 600 students and to enlarge the scope of its program for a Bachelor of Fine Arts Degree.

BOND SERIES H, $340,000, COLLEGE OF ST. SCHOLASTICA

Bond proceeds were used to fund the Pine Apartment Building at the College. The three-story brick and spancrete building has 11 four-student apartments. Each apartment has its own kitchen, bathroom, two bedrooms, living room, and balcony area. An additional unit accommodates two students. The building also has laundry facilities.

BOND SERIES I, $1,600,000, AUGSBURG COLLEGE

Bond proceeds were used to construct a two-rink, artificial ice, Ice Center on an area adjacent to the campus. The facility includes moderate spectator capacity, dressing rooms, offices, a service shop and a concession area. It is used for physical education programs of the College, including intramural and intercollegiate competition, and is available for rental to other colleges and to junior hockey organizations.

BOND SERIES J, $370,000, COLLEGE OF ST. BENEDICT

St. Benedict used bond proceeds to construct, equip, and furnish a campus center that includes a bookstore, snack bar, post office, student government office and recreational lounge space.

BOND SERIES K, $800,000, COLLEGE OF ST. THOMAS

The bonds were issued for the construction, equipping and furnishing of a faculty residence with 23 apartments, two guest rooms, a conference room, a lunch meeting room, an exercise room and five garage stalls.

BOND SERIES L, $2,280,000, ST. MARY'S JUNIOR COLLEGE

Bond proceeds were used to construct an academic building with classrooms, laboratories, administrative offices, and a library.

BOND SERIES M, $690,000, COLLEGE OF ST CATHERINE

The College used the proceeds to construct Fairview Apartments, consisting of 13 one-bedroom units and 23 two-bedroom units. Each apart-

ment has a living room, dining area and kitchen. There are two laundry rooms in the building. The construction is of brick veneer on a wood frame with a concrete block fire wall in the middle of the building.

BOND SERIES N, $1,450,000, COLLEGE OF ST. BENEDICT

Bond Series N was issued to construct, furnish and equip a new student residence facility for the College. The apartment-type facility houses 200 students and two faculty residents.

BOND SERIES O, $4,000,000, CARLETON COLLEGE

Bond proceeds were used to construct, furnish and equip a new three-story chemistry and geology building containing classrooms, lecture halls, seminar rooms, offices, a computer room, a science library, and laboratories. The Seeley G. Mudd Fund of California provided an additional $1,035,000 for this building. The rest of the bond proceeds were used to help pay for the renovation of Burton Hall, the oldest and second largest of Carleton's dormitory halls. A new kitchen and conversion of existing kitchen space to a cafeteria-style serving facility was accomplished in Burton Hall.

BOND SERIES P, $2,350,000, ST. OLAF COLLEGE

The proceeds were used by St. Olaf to help pay for construction of a new 63,200 square foot music hall, including two large instrumental rehearsal halls, a choral rehearsal hall, a 400-seat recital hall, a new music library, classrooms, offices, and practice and teaching studios.

REFUNDING SERIES 1975-1, $6,460,000, BETHEL COLLEGE

Bethel used the proceeds to help repay the outstanding 8% $6,000,000 direct obligation notes issued by the Baptist General Conference, which were used to construct four new buildings on the campus. The bond proceeds helped to repay the loan used for the following buildings: library and food service, cultural arts, academic classroom.

REFUNDING SERIES 1976-1, $1,695,000, COLLEGE OF ST. TERESA

The proceeds were used to refinance the outstanding debt originally incurred to construct and remodel the following facilities: Mary A. Molloy Library, Maria Hall Student Residence, the Service Center, dining hall and kitchen of Lourdes Hall.

BOND SERIES Q, $800,000, CONCORDIA COLLEGE

Concordia used the bond proceeds to construct, finance, and equip a student apartment building on campus. The building has 33 units and can accommodate a maximum of 126 students. Each unit is air conditioned and contains bedrooms, a kitchen, living room, and bathroom. A 67-car parking lot adjoins the building.

BOND SERIES R, $795,000, COLLEGE OF ST. CATHERINE

Proceeds were used to construct, furnish and equip an apartment-dormitory complex consisting of 36 units to house 118 students. The three-floor structure is of wood frame construction with a brick veneer exterior. There are 13 one-bedroom, one-bath units; 12 two-bedroom, two-bath units; and 11 two-bedroom, one-bath units. Each apartment has a living room, dining area, and kitchen, and each unit has air-conditioning. There are two laundry facilities in the building.

BOND SERIES S, $2,070,000, GOLDEN VALLEY LUTHERAN COLLEGE

The College used $1,246,000 to construct, furnish and equip a residence hall on campus. The three-story concrete building has 101 sleeping units that accommodate two students each. There is one bath to every two bedrooms and one living room to every eight bedrooms. There are also two one-bedroom, residence head apartments, an activity room, a lobby and service space. Roughly $439,000 of the proceeds were used to refund part of an existing first lien mortgage on the campus. The mortgagee, Minnesota Federal Savings and Loan Association, St. Paul, has released its first mortgage on all of the campus land and buildings except the Administration Building.

REFUNDING SERIES 1976-2, $1,300,000, ST. MARY'S COLLEGE

St. Mary's used the proceeds to refinance part of the outstanding debt incurred for the construction of a three-story College Center. The Center, originally built in 1968, houses a bookstore, post office, game room, several meeting rooms, snack bar, general lounge, Presidential Reception Room, music room, offices, and food service facilities.

BOND SERIES T, $2,385,000, CARLETON COLLEGE

Carleton used bond proceeds to remodel three building on campus. Leighton Hall was remodeled to bring together offices and classrooms for five humanities departments and to provide more adequate, grouped offices for three major, closely-related, administrative units. Sayles Hill Gymnasium was remodeled to provide an adequate college center for the campus, including a post office, bookstore, snack bar, social assembly area, game rooms, and a central information/switchboard station. Willis Hall was remodeled to provide coordinated offices and classrooms for four social science departments.

BOND SERIES U, $685,000, COLLEGE OF ST. THOMAS

The bond proceeds were used to construct a two-floor, 90 student residential facility addition to the college's student union (Murray Hall) to help meet the residency requirements of women students. Each unit accommodates three students and has toilet facilities.

BOND SERIES W, $2,360,000, BETHEL COLLEGE

Bethel used the proceeds to finance two housing residences of two-and-a-half story brick veneer construction, each of which includes lounge and recreation areas. The two buildings together house roughly 282 students. There is also an apartment for house parents.

BOND SERIES X, $1,800,000, COLLEGE OF ST. THOMAS

Bond Series X financed the construction of a five-story dormitory on campus, with 35 apartments housing four students each, plus a manager's apartment for the handicapped. Each unit contains one bedroom with two bunk beds, a living room and bath. The concrete and brick building also has an activities room, study areas, and laundry facilities.

BOND SERIES Y, $5,245,000, ST. OLAF COLLEGE

St. Olaf used the proceeds for the construction and related costs of a three-story residence hall on campus which houses 232 students. It replaces Ytterboe Hall, which housed 219 students.

BOND SERIES Z, $6,500,000, CONCORDIA COLLEGE

Concordia used $5,000,000 for the construction of an academic building to provide laboratory, classroom, support space and offices for the biology and home economics departments of the college, with necessary equipment, furnishings, and site improvements.

BOND SERIES TWO-A, $6,000,000, HAMLINE UNIVERSITY

Hamline used bond proceeds for their two-and-a-half story law building located approximately in the center of the campus. The building has a capacity for 500 students and features three 90-seat classrooms, one 50-seat classroom, two 30-seat seminar rooms, a glass-enclosed 75-seat moot courtroom, administration and faculty offices, two lounges, and the law library. An additional floor can be added if the need arises.

BOND SERIES TWO-B, $1,160,000, COLLEGE OF ST. SCHOLASTICA

In 1979, the College used interim financing to pay for completed construction of a multi-purpose recreation building and related outdoor facilities. This issue allowed them to pay back their bank loan and reimburse the College funds used for the financing. Financing through the Authority was delayed because the property on which the project is located had to have clear title from a United States Government mortgage.

BOND SERIES TWO-C, $5,980,000, COLLEGE OF ST. THOMAS

Bond proceeds were used to construct and equip a new physical education and activities building to be attached to the present physical education and athletic building (O'Shaughnessy Hall). Concurrently with the construction of the new building, renovations were made to O'Shaughnessy Hall. Also, part of the bond proceeds went to pay for construction and equipping of new physical plant headquarters.

REFUNDING SERIES 1982-1, $6,110,000, COLLEGE OF ST. THOMAS

The proceeds were used mainly to refund in advance of maturity the Series Two-C bonds, due November 20, 1983. The Series Two-C Bonds were discharged but the principal thereof will not be paid prior to maturity. The Two-C Bonds were issued for the construction and equipping of a new physical education and activities building, renovation of the existing physical education and athletic building, and construction and equipping of a new physical plant headquarters, all on the St. Paul campus.

BOND SERIES TWO-D, $2,500,000, COLLEGE OF ST. THOMAS

St. Thomas used the bond proceeds to acquire grounds for, construct an addition to and remodel the former Daniel C. Gainey residence in Owatonna, Minnesota. Approximately 21 surrounding acres were purchased. The project has been named the Daniel C. Gainey Conference Center and is used by the College for general educational purposes. There are 35 rooms including a conference room and dining facilities accommodating approximately 75 persons.

BOND SERIES TWO-E, $9,400,000, CARLETON COLLEGE

The College used the proceeds to construct an addition to and remodel the College library building and remodel Margaret Evans Residence Hall and Davis Residence Hall. The Library has been expanded to contain 900 study and research spaces, capacity for 25 years' growth of the collection, new technological equipment and facilities for collection preservation, and energy conservation. Margaret Evans Residence Hall has been remodeled for energy conservation and general improvement. Davis Residence Hall has also been remodeled for energy conservation and general improvement.

BOND SERIES TWO-F, $3,055,000, CONCORDIA COLLEGE

Concordia has used bond proceeds to fund the cost of constructing improvements to Brown Hall, a student hall for roughly 270 students, with appurtenant equipment, furnishings and site improvements.

NEW BOND ISSUES FOR FISCAL YEAR 1983

BOND SERIES	DATE	FINAL MATURITY	AVERAGE MATURITY	NET INTEREST COST	AMOUNT
Refunding Revenue Bonds, Series 1982-1 (College of St. Thomas)	7/1/82	1993	7.26	10.473	$6,110,000
Revenue Bonds, Series Two-D (College of St. Thomas)	7/1/82	1993	7.26	10.671	$2,500,000
First Mortgage Revenue Bonds, Series Two-E (Carleton College)	12/1/82	1987	5.00	7.419	$9,400,000
Revenue Bonds, Series Two-F (Concordia College)	3/1/83	2003	13.48	8.567	$3,055,000
		TOTAL AMOUNT OF NEW BOND ISSUES			$21,065,000

BOND ISSUES
1972 TO 1983

COLLEGE	BOND SERIES	TYPE OF BOND	DATE	FINAL MATURITY	AVERAGE MATURITY	NET INTEREST COST	AMOUNT
AUGSBURG	A	FIRST MORTGAGE REVENUE	12/01/72	2012	29.534 yrs	5.592960%	2,200,000
BETHEL	B	FIRST MORTGAGE REVENUE	12/01/72	1997	16.31 yrs	5.459212%	1,935,000
ST. MARY'S	C	FIRST MORTGAGE REVENUE	1/01/73	1998	16.52 yrs	5.480850%	595,000
ST. SCHOLASTICA	D	FIRST MORTGAGE REVENUE	3/01/73	1997	15.16 yrs	5.953800%	520,000
GUSTAVUS ADOLPHUS	E	FIRST MORTGAGE REVENUE	3/01/73	1993	12.98 yrs	5.354400%	1,030,000
ST. BENEDICT	F	FIRST MORTGAGE REVENUE	3/01/73	1998	16.15 yrs	5.727000%	1,610,000
MPLS. SOCIETY	G	FIRST MORTGAGE REVENUE	8/01/73	1984	7.07 yrs	6.668900%	8,450,000
ST. SCHOLASTICA	H	FIRST MORTGAGE REVENUE	6/01/74	1999	16.43 yrs	6.404600%	340,000
AUGSBURG	I	FIRST MORTGAGE REVENUE	5/01/74	1995	14.037 yrs	6.201100%	1,600,000
ST. BENEDICT	J	FIRST MORTGAGE REVENUE	7/01/74	2002	19.77 yrs	6.782600%	370,000
ST. THOMAS	K	FIRST MORTGAGE REVENUE	12/01/74	1994	12.15 yrs	6.586700%	800,000
ST. MARY'S JUNIOR	L	FIRST MORTGAGE REVENUE	4/01/75	1994	12.64 yrs	8.261730%	2,280,000
ST. CATHERINE	M	FIRST MORTGAGE REVENUE	5/01/75	1996	14.51 yrs	7.997284%	690,000
ST. BENEDICT	N	FIRST MORTGAGE REVENUE	5/01/75	1994	13.26 yrs	8.320200%	1,450,000
CARLETON	O	FIRST MORTGAGE REVENUE	11/01/75	2000	25.00 yrs	7.000000%	4,000,000
ST. OLAF	P	FIRST MORTGAGE REVENUE	10/01/75	1989	9.25 yrs	7.011879%	2,350,000
BETHEL	1975-1-REFUND.	FIRST MORTGAGE REVENUE	12/01/75	1994	12.89 yrs	8.433100%	6,460,000
ST. TERESA	1976-1-REFUND.	FIRST MORTGAGE REVENUE	4/01/76	1991	10.38 yrs	7.100675%	1,695,000
CONCORDIA	Q	FIRST MORTGAGE REVENUE	5/01/76	1994	12.40 yrs	6.216100%	800,000
ST. CATHERINE	R	FIRST MORTGAGE REVENUE	8/01/76	1997	12.98 yrs	6.498330%	795,000
GOLDEN VALLEY	S	FIRST MORTGAGE REVENUE	4/01/77	1997	13.43 yrs	6.686180%	2,070,000
ST. MARY'S	1976-2-REFUND.	MORTGAGE REVENUE	4/01/77	2002	16.68 yrs	6.386100%	1,300,000
CARLETON	T	FIRST MORTGAGE REVENUE	12/01/78	2007	29.25 yrs	5.622440%	2,385,000
ST. THOMAS	U	MORTGAGE REVENUE	1/01/78	2000	15.51 yrs	5.827600%	685,000
BETHEL	W	FIRST MORTGAGE REVENUE	8/01/78	2001	15.54 yrs	6.869600%	2,360,000
ST. THOMAS	X	FIRST MORTGAGE REVENUE	9/01/78	1999	15.51 yrs	6.477010%	1,800,000
ST. OLAF	Y	FIRST MORTGAGE REVENUE	6/01/79	2010	22.66 yrs	6.595373%	5,245,000
CONCORDIA	Z	FIRST MORTGAGE REVENUE	8/01/79	2006	19.84 yrs	6.756100%	6,500,000
HAMLINE	TWO-A	FIRST MORTGAGE REVENUE	11/01/79	2008	20.80 yrs	7.798970%	6,000,000
ST. SCHOLASTICA	TWO-B	FIRST MORTGAGE REVENUE	7/01/80	1993	9.325 yrs	7.579000%	1,160,000
ST. THOMAS	TWO-C	FIRST MORTGAGE REVENUE	11/20/80	1983	3.00 yrs	7.950000%	5,980,000
ST. THOMAS	1982-1-REFUND.	REVENUE	7/01/82	1993	7.26 yrs	10.473000%	6,110,000
ST. THOMAS	TWO-D	REVENUE	7/01/82	1993	7.26 yrs	10.671000%	2,500,000
CARLETON	TWO-E	FIRST MORTGAGE REVENUE	12/01/82	1987	5.00 yrs	7.419000%	9,400,000
CONCORDIA	TWO-F	REVENUE	3/01/83	2003	13.48 yrs	8.567000%	3,055,000
						TOTAL	96,520,000

GENERAL BOND RESERVE FUND

As a general policy, the Authority requires that the amount of each bond series include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum, 80% is deposited with the trustee in a Series Reserve Account; the remaining 20% is deposited by the Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such a deposit has been made. No moneys from this fund can be used to pay operating expenses of the Authority.

No contribution to the General Bond Reserve Account will be required if an issue is three years or less and is not secured by the General Bond Reserve Account. Also, no contribution is required for a pooled bond issue. A contribution will be required for any other issue whether or not the issue is secured by the General Bond Reserve Account. If the final maturity of an issue is ten years or more, a contribution of 20% of probable average annual debt service will be made to the General Bond Reserve Account. If the issue is a term issue probable average annual debt service will be calculated upon the basis of the Authority's estimated average annual debt service for the issue if the issue were amortized with level annual debt service. The amount of the percentage of probable average annual debt service will be as follows for bonds having the maturity indicated: 0-3 years - 0%; over 3 to 4 years - 2%; over 4 to 5 years - 5%; over 5 to 6 years - 8%; over 6 to 7 years - 11%; over 7 to 8 years - 14%; over 8 to 9 years - 17%; over 9 years - 20%. No issue for which a contribution of less than 20% has been made will be secured by the General Bond Reserve Account. All contributions together with contributions for other bonds unsecured by the General Bond Reserve Account will be placed in a subaccount of the General Bond Reserve Account to form a pool to which resort will be made for advances from the General Bond Reserve Account pursuant to the General Bond Reserve Resolution only after all other funds in the General Bond Reserve Account have been exhausted.

Funds in the General Bond Reserve are invested and/or reinvested in direct obligations of the United States of America or in certificates of deposit or time deposits secured by direct obligations of the United States of America, or in such other securities, if any, as the Authority may lawfully purchase and hold for investment purposes and which are then eligible for investment of public funds of the State of Minnesota or of municipalities of the State. These securities are the following: certificates of deposit of banks or trust companies having a combined capital and surplus of at least $25,000,000; securities issued by the following agencies of the United States: Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, Banks for Cooperatives, Federal National Mortgage

Association. The Authority covenants that investment of funds shall be limited as to amount and yield of investment in such a manner that no part of any common fund bonds shall be deemed "arbitrage bonds" under Section 103(d) (1) of the Internal Revenue Code of 1954 and regulations thereunder. Interest earned on authorized investments in the General Bond Reserve may be and is intended to be accumulated until rebated to the several institutions of higher education at the respective times when the particular bond series issued has been fully paid. The interest income and the original contribution will be rebated to the college to the extent the original contribution and accumulated interest income was not needed to prevent default on bonds secured by the General Bond Reserve Account.

GENERAL BOND RESERVE FUND
STATEMENT OF CONTRIBUTIONS AND EARNINGS
FOR THE YEAR ENDED JUNE 30, 1983

COLLEGE	BOND SERIES	TYPE OF BOND	AMOUNT OF BOND	DATE INVESTED	ORIGINAL INVESTMENT
AUGSBURG	A	FIRST MORTGAGE REVENUE	2,200,000	1/08/73	31,744
BETHEL	B	FIRST MORTGAGE REVENUE	1,935,000	1/08/73	34,082
ST. MARY'S	C	FIRST MORTGAGE REVENUE	595,000	1/08/73	9,000
ST. SCHOLASTICA	D	FIRST MORTGAGE REVENUE	520,000	3/13/73	8,643
GUSTAVUS ADOLPHUS	E	FIRST MORTGAGE REVENUE	1,030,000	3/13/73	19,308
ST. BENEDICT	F	FIRST MORTGAGE REVENUE	1,610,000	3/13/73	21,304
MPLS SOCIETY	G	FIRST MORTGAGE REVENUE	8,450,000	9/13/73	220,000
ST. SCHOLASTICA	H	FIRST MORTGAGE REVENUE	340,000	6/12/74	6,000
AUGSBURG	I	FIRST MORTGAGE REVENUE	1,600,000	5/08/74	30,000
ST. BENEDICT	J	FIRST MORTGAGE REVENUE	370,000	7/11/74	7,000
ST. THOMAS	K	FIRST MORTGAGE REVENUE	800,000	1/17/75	14,000
ST. MARY'S JUNIOR	L	FIRST MORTGAGE REVENUE	2,280,000	4/29/75	47,667
ST. CATHERINE	M	FIRST MORTGAGE REVENUE	690,000	5/15/75	12,000
ST. BENEDICT	N	FIRST MORTGAGE REVENUE	1,450,000	5/20/75	28,000
CARLETON	O	FIRST MORTGAGE REVENUE	4,000,000	12/02/75	80,000
ST. OLAF	P	FIRST MORTGAGE REVENUE	2,350,000	11/07/75	53,426
BETHEL	1975-1-REFUNDING	FIRST MORTGAGE REVENUE	6,460,000	1/06/76	138,000
ST. TERESA	1976-1-REFUNDING	FIRST MORTGAGE REVENUE	1,695,000	4/06/76	40,000
CONCORDIA	Q	FIRST MORTGAGE REVENUE	800,000	5/27/76	17,000
ST. CATHERINE	R	FIRST MORTGAGE REVENUE	795,000	9/02/76	15,000
GOLDEN VALLEY	S	FIRST MORTGAGE REVENUE	2,070,000	4/04/77	39,000
ST. MARY'S	1976-2-REFUNDING	MORTGAGE REVENUE	1,300,000	5/02/77	22,800
CARLETON	T	FIRST MORTGAGE REVENUE	2,360,000	12/29/77	30,000
ST. THOMAS	U	MORTGAGE REVENUE	685,000	1/23/78	11,200
BETHEL	W	FIRST MORTGAGE REVENUE	2,360,000	8/07/78	40,000
ST. THOMAS	X	FIRST MORTGAGE REVENUE	1,800,000	9/18/78	28,000
ST. OLAF	Y	FIRST MORTGAGE REVENUE	5,245,000	6/01/79	84,000
CONCORDIA	Z	FIRST MORTGAGE REVENUE	6,500,000	8/20/79	120,000
HAMLINE	TWO-A	FIRST MORTGAGE REVENUE	6,000,000	11/13/79	100,000
ST. SCHOLASTICA	TWO-B	FIRST MORTGAGE REVENUE	1,160,000	7/18/80	32,000
ST. THOMAS	1982-1-REFUNDING	REVENUE	6,110,000	8/30/82	201,633
ST. THOMAS	TWO-D	REVENUE	2,500,000	8/30/82	82,488
CARLETON	TWO-E	FIRST MORTGAGE REVENUE	9,400,000	12/17/82	115,000
CONCORDIA	TWO-F	REVENUE	3,055,000	3/31/83	63,560
					1,801,855
			ADD: ACCUMULATED FUND EARNINGS		1,164,242
TOTAL ORIGINAL INVESTMENTS AND ACCUMULATED FUND EARNINGS AS OF 6/30/83					2,966,097

GENERAL BOND RESERVE FUND
SECURITY ANALYSIS
CURRENT VALUE 6/30/83

TYPE	MATURITY DATE	FACE AMOUNT	COUPON	PRIOR INTEREST PAYMENT	CURRENT ACCRUED INTEREST	CURRENT BID PRICE	CURRENT MARKET VALUE	TOTAL
FNMA	3/10/92	50,000	7.000%	3/10/83	1,069.44	77.00000	38,500.00	39,569.44
FNMA	9/12/83	30,000	8.500%	3/12/83	765.00	99.68750	29,906.25	30,671.25
FNMA	9/12/83	30,000	8.500%	3/12/83	765.00	99.68750	29,906.25	30,671.25
FNMA	4/10/85	60,000	13.750%	4/10/83	1,833.33	105.12500	63,075.00	64,908.33
FNMA	9/10/86	70,000	13.250%	3/10/83	2,834.03	105.93750	74,156.25	76,990.28
FLB	7/20/83	150,000	8.650%	1/20/83	5,766.67	99.84375	149,765.63	155,532.30
FFCB	3/04/85	42,000	13.200%	3/04/83	1,786.40	104.59375	43,929.38	45,715.78
FFCB	4/23/84	105,000	15.500%	4/23/83	3,028.96	107.43750	112,809.38	115,838.34
FFCB	6/02/86	50,000	15.100%	6/02/83	587.22	110.12500	55,062.50	55,649.72
FFCB	3/02/87	140,000	12.400%	3/02/83	5,690.22	103.87500	145,425.00	151,115.22
FFCB	7/01/83	250,000	10.250%	10/01/82	19,147.57	100.00000	250,000.00	269,147.57
FFCB	7/20/87	35,000	10.625%	1/20/83	1,652.78	99.12500	34,693.75	36,346.53
FFCB	8/01/83	130,000	9.200%	11/01/82	7,940.11	99.96875	129,959.38	137,899.49
FECB	9/01/83	90,000	8.550%	3/01/83	2,543.63	99.81250	89,831.25	92,374.88
FFCB	12/01/87	200,000	10.300%	6/01/83	1,659.44	98.31250	196,625.00	198,284.44
FFCB	12/01/83	200,000	9.000%	6/01/83	1,450.00	99.75000	199,500.00	200,950.00
FFCB	3/01/84	210,000	9.050%	6/01/83	1,530.96	99.68750	209,343.75	210,874.71
T-NOTE	2/15/84	32,000	7.250%	2/15/83	865.19	98.62500	31,560.00	32,425.19
T-NOTE	12/31/83	70,000	13.000%	6/30/83	0.00	101.59375	71,115.63	71,115.63
T-NOTE	3/31/85	80,000	9.625%	3/31/83	1,914.48	99.12500	79,300.00	81,214.48
T-NOTE	4/30/85	65,000	9.500%	5/02/83	990.01	98.93750	64,309.38	65,299.39
T-NOTE	5/15/86	135,000	9.375%	5/16/83	1,547.64	97.53125	131,667.19	133,214.83
REPO	7/01/83	140,000	8.000%	6/30/83	0.00	100.00000	140,000.00	140,000.00
TOTALS		2,364,000			65,368.08		2,370,440.97	2,435,809.05

GENERAL BOND RESERVE FUND - SUB-ACCOUNTS
SECURITY ANALYSIS
CURRENT VALUE 6/30/83

TYPE	MATURITY DATE	FACE AMOUNT	COUPON	PRIOR INTEREST PAYMENT	CURRENT ACCRUED INTEREST	CURRENT BID PRICE	CURRENT MARKET VALUE	TOTAL
SERIES G SUB-ACCOUNT								
T-BILL	7/14/83	110,000	0.000%	0/00/00	0.00	99.66439	109,630.83	109,630.83
T-BILL	7/28/83	240,000	0.000%	0/00/00	0.00	99.35522	238,452.53	238,452.53
SLG	7/29/83	117,400	7.200%	4/26/83	1,534.73	100.00000	117,400.00	118,934.73
TOTALS		467,400			1,534.73		465,483.36	467,018.09
SERIES R SUB-ACCOUNT								
T-NOTE	11/30/84	25,000	9.875%	5/31/83	202.36	99.75000	24,937.50	25,139.86
SLG	11/30/84	1,600	7.280%	6/17/83	4.14	100.00000	1,600.00	1,604.14
TOTALS		26,600			206.50		26,537.50	26,744.00
SERIES BB SUB-ACCOUNT								
T-NOTE	11/30/84	40,000	9.875%	5/31/83	323.77	99.75000	39,900.00	40,223.77
SLG	11/30/84	2,700	8.500%	6/17/83	8.15	100.00000	2,700.00	2,708.15
TOTALS		42,700			331.92		42,600.00	42,931.92
TOTALS FOR ALL THREE SUB-ACCOUNTS		536,700			2,073.15		534,620.86	536,694.01
TOTALS FOR GENERAL BOND RESERVE		2,364,000			65,368.08		2,370,440.97	2,435,809.05
GRAND TOTALS, ALL ACCOUNTS		2,900,700			67,441.23		2,905,061.83	2,972,503.06

GENERAL BOND RESERVE

RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/83

					-----AT COST----------		-----AT MARKET------	
BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/82	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83
A	67,583.22	365	72,478.56	3.29	7,475.01	75,058.23	7,729.85	75,313.07
B	72,537.12	365	77,791.30	3.53	8,020.30	80,557.42	8,293.73	80,830.85
C	19,141.30	365	20,527.79	0.93	2,113.00	21,254.30	2,185.03	21,326.33
D	18,257.63	365	19,580.11	0.89	2,022.11	20,279.74	2,091.05	20,348.68
E	40,788.97	365	43,743.49	1.99	4,521.36	45,310.33	4,675.50	45,464.47
F	45,029.61	365	48,291.30	2.19	4,975.76	50,005.37	5,145.40	50,175.01
H	11,482.30	365	12,314.01	0.56	1,272.34	12,754.64	1,315.72	12,798.02
I	57,789.10	365	61,975.01	2.81	6,384.43	64,173.53	6,602.09	64,391.19
J	13,307.12	365	14,271.01	0.65	1,476.83	14,783.95	1,527.17	14,834.29
K	25,550.72	365	27,401.47	1.24	2,817.33	28,368.05	2,913.38	28,464.10
L	84,562.70	365	90,687.94	4.12	9,360.80	93,923.50	9,679.93	94,242.63
M	21,278.60	365	22,819.90	1.04	2,362.92	23,641.52	2,443.48	23,722.08
N	49,660.15	365	53,257.25	2.42	5,498.33	55,158.48	5,685.79	55,345.94
O	136,437.01	365	146,319.73	6.64	15,086.34	151,523.35	15,600.67	152,037.68
P	91,634.91	365	98,272.42	4.46	10,133.29	101,768.20	10,478.76	102,113.67
Q	28,211.52	365	30,255.00	1.37	3,112.69	31,324.21	3,218.81	31,430.33
1975-1	234,115.69	365	251,073.70	11.40	25,946.67	260,062.36	26,831.31	260,947.00
1976-1	66,768.53	365	71,604.86	3.25	7,384.13	74,152.66	7,635.87	74,404.40
S	61,239.44	365	65,675.28	2.98	6,770.67	68,010.11	7,001.51	68,240.95
1976-2	35,606.17	365	38,185.28	1.73	3,930.63	39,536.80	4,064.63	39,670.80
T	45,042.33	365	48,304.94	2.19	4,975.76	50,018.09	5,145.40	50,187.73
U	16,728.23	365	17,939.93	0.81	1,840.35	18,568.58	1,903.09	18,631.32
W	57,320.95	365	61,472.95	2.79	6,338.99	63,659.94	6,555.10	63,876.05
X	39,634.23	365	42,505.11	1.93	4,385.03	44,019.26	4,534.53	44,168.76
Y	112,144.02	365	120,267.09	5.46	12,405.33	124,549.35	12,828.26	124,972.28
Z	158,405.68	365	169,879.68	7.71	17,517.42	175,923.10	18,114.63	176,520.31
AA	129,521.02	365	138,902.81	6.31	14,336.56	143,857.60	14,825.34	144,346.38
1982-1	201,633.25	304	180,099.94	8.18	18,585.27	220,218.52	19,218.90	220,852.15
DD	82,487.50	304	73,678.29	3.35	7,611.33	90,098.83	7,870.82	90,358.32
EE	115,000.00	195	65,888.60	2.99	6,793.40	121,793.40	7,025.00	122,025.00
FF	63,560.00	91	16,994.29	0.77	1,749.47	65,309.47	1,809.11	65,369.11
TOTALS	2,202,459.04		2,202,459.04	99.98	227,203.85	2,429,662.89	234,949.86	2,437,408.90

GENERAL BOND RESERVE - SUB-ACCOUNTS
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/83

BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/82	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	------AT COST---------- SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83	-----AT MARKET------ SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83
G	430,995.32	365	430,995.32	100.00	36,021.46	467,016.78	35,979.35	466,974.67
R	24,494.22	365	24,494.22	100.00	2,114.39	26,608.61	2,051.89	26,546.11
BB	39,117.98	365	39,117.98	100.00	3,670.30	42,788.28	3,570.30	42,688.28
TOTALS FOR THREE SUBACCOUNTS	494,607.52		494,607.52		41,806.15	536,413.67	41,601.54	536,209.06
TOTALS FOR GENERAL BOND RESERVE	2,202,459.04		2,202,459.04		227,203.85	2,429,662.89	234,949.86	2,437,408.90
GRAND TOTALS	2,697,066.56		2,697,066.56		269,010.00	2,966,076.56	276,551.40	2,973,617.96

GENERAL BOND RESERVE
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/82

BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/81	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	-----AT COST----- SHARE OF EARNINGS	-----AT COST----- INVESTED AND EARNED 6/30/82	-----AT MARKET----- SHARE OF EARNINGS	-----AT MARKET----- INVESTED AND EARNED 6/30/82
A	60,642.21	365	60,642.21	3.75	7,279.92	67,922.13	5,461.92	66,104.13
B	65,096.36	365	65,096.36	4.02	7,804.07	72,900.43	5,855.17	70,951.53
C	17,179.31	365	17,179.31	1.06	2,057.79	19,237.10	1,543.90	18,723.21
D	16,388.18	365	16,388.18	1.01	1,960.72	18,348.90	1,471.08	17,859.26
E	36,605.85	365	36,605.85	2.26	4,387.36	40,993.21	3,291.71	39,897.56
F	40,402.27	365	40,402.27	2.50	4,853.28	45,255.55	3,641.28	44,043.55
H	10,297.70	365	10,297.70	0.64	1,242.44	11,540.14	932.17	11,229.87
I	51,866.10	365	51,866.10	3.20	6,212.20	58,078.30	4,660.84	56,526.94
J	11,937.43	365	11,937.43	0.74	1,436.57	13,374.00	1,077.82	13,015.25
K	22,922.39	365	22,922.39	1.42	2,756.66	25,679.05	2,068.25	24,990.64
L	75,881.81	365	75,881.81	4.69	9,104.75	84,986.56	6,831.04	82,712.85
M	19,094.50	365	19,094.50	1.18	2,290.75	21,385.25	1,718.68	20,813.18
N	44,570.08	365	44,570.08	2.75	5,338.61	49,908.69	4,005.41	48,575.49
O	122,425.42	365	122,425.42	7.57	14,695.73	137,121.15	11,025.79	133,451.71
P	82,232.15	365	82,232.15	5.08	9,861.86	92,094.01	7,399.08	89,631.23
Q	25,324.06	365	25,324.06	1.56	3,028.45	28,352.51	2,272.16	27,596.22
1975-1	210,090.52	365	210,090.52	12.98	25,198.21	235,288.73	18,905.48	228,996.00
1976-1	59,920.07	365	59,920.07	3.70	7,182.85	67,102.92	5,389.09	65,309.16
R	21,976.95	365	21,976.95	1.36	2,640.18	24,617.13	1,980.85	23,957.80
S	54,946.26	365	54,946.26	3.40	6,600.46	61,546.72	4,952.14	59,898.40
1976-2	31,959.83	365	31,959.83	1.97	3,824.38	35,784.21	2,869.33	34,829.16
T	40,414.99	365	40,414.99	2.50	4,853.28	45,268.27	3,641.28	44,056.27
U	15,006.86	365	15,006.86	0.93	1,805.42	16,812.28	1,354.56	16,361.42
W	51,434.97	365	51,434.97	3.18	6,173.37	57,608.34	4,631.70	56,066.67
X	35,562.17	365	35,562.17	2.20	4,270.88	39,833.05	3,204.32	38,766.49
Y	100,631.20	365	100,631.20	6.22	12,074.96	112,706.16	9,059.50	109,690.70
Z	142,154.46	365	142,154.46	8.78	17,044.71	159,199.17	12,788.17	154,942.63
AA	116,231.32	365	116,231.32	7.18	13,938.62	130,169.94	10,457.75	126,689.07
BB	35,101.45	365	35,101.45	2.17	4,212.65	39,314.10	3,160.63	38,262.08
TOTALS	1,618,296.87		1,618,296.87	100.00	194,131.13	1,812,428.00	145,651.10	1,763,947.97
SERIES G SUB-ACCOUNT	387,312.57	365	387,312.57	100.00	34,645.24	421,957.81	22,865.55	410,178.12
GRAND TOTALS	$2,005,609.44		$2,005,609.44	100.00	$228,776.37	$2,234,385.81	$168,516.65	$2,174,126.09

SERIES RESERVE ACCOUNTS
CONTRIBUTIONS

COLLEGE	BOND SERIES	TYPE OF BOND	AMOUNT OF BOND	INITIAL SERIES RESERVE
AUGSBURG	A	FIRST MORTGAGE REVENUE	2,200,000	126,474
BETHEL	B	FIRST MORTGAGE REVENUE	1,935,000	136,328
ST. MARY'S	C	FIRST MORTGAGE REVENUE	595,000	36,000
ST. SCHOLASTICA	D	FIRST MORTGAGE REVENUE	520,000	34,574
GUSTAVUS ADOLPHUS	E	FIRST MORTGAGE REVENUE	1,030,000	77,232
ST. BENEDICT	F	FIRST MORTGAGE REVENUE	1,610,000	85,216
MPLS. SOCIETY	G	FIRST MORTGAGE REVENUE	8,450,000	880,000
ST. SCHOLASTICA	H	FIRST MORTGAGE REVENUE	340,000	24,000
AUGSBURG	I	FIRST MORTGAGE REVENUE	1,600,000	120,000
ST. BENEDICT	J	FIRST MORTGAGE REVENUE	370,000	28,000
ST. THOMAS	K	FIRST MORTGAGE REVENUE	800,000	56,000
ST. MARY'S JUNIOR	L	FIRST MORTGAGE REVENUE	2,280,000	190,668
ST. CATHERINE	M	FIRST MORTGAGE REVENUE	690,000	48,000
ST. BENEDICT	N	FIRST MORTGAGE REVENUE	1,450,000	112,000
CARLETON	O	FIRST MORTGAGE REVENUE	4,000,000	0
ST. OLAF	P	FIRST MORTGAGE REVENUE	2,350,000	213,703
BETHEL	1975-1-REFUNDING	FIRST MORTGAGE REVENUE	6,460,000	552,000
ST. TERESA	1976-1-REFUNDING	FIRST MORTGAGE REVENUE	1,695,000	160,000
CONCORDIA	Q	FIRST MORTGAGE REVENUE	800,000	68,000
ST. CATHERINE	R	FIRST MORTGAGE REVENUE	795,000	60,000
GOLDEN VALLEY	S	FIRST MORTGAGE REVENUE	2,070,000	156,000
ST. MARY'S	1976-2-REFUNDING	MORTGAGE REVENUE	1,300,000	91,200
CARLETON	T	FIRST MORTGAGE REVENUE	2,385,000	0
ST. THOMAS	U	MORTGAGE REVENUE	685,000	44,800
BETHEL	W	FIRST MORTGAGE REVENUE	2,360,000	160,000
ST. THOMAS	X	FIRST MORTGAGE REVENUE	1,800,000	112,000
ST. OLAF	Y	FIRST MORTGAGE REVENUE	5,245,000	336,000
CONCORDIA	Z	FIRST MORTGAGE REVENUE	6,500,000	480,000
HAMLINE	TWO-A	FIRST MORTGAGE REVENUE	6,000,000	400,000
ST. SCHOLASTICA	TWO-B	FIRST MORTGAGE REVENUE	1,160,000	128,000
ST. THOMAS	1982-1-REFUNDING	REVENUE	6,110,000	893,800
ST. THOMAS	TWO-D	REVENUE	2,500,000	365,000
CARLETON	TWO-E	FIRST MORTGAGE REVENUE	9,400,000	0
CONCORDIA	TWO-F	REVENUE	3,055,000	320,850
		TOTAL OF ALL ISSUES AS OF JUNE 30, 1983	90,540,000	6,495,845

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS

for the years ended June 30, 1983 and 1982

C O N T E N T S

Coopers & Lybrand

certified public accountants

To the Executive Director and Chairman of the Board of
the Minnesota Higher Education Facilities Authority:

We have examined the balance sheets comprising the various funds of the Minnesota Higher Education Facilities Authority as of June 30, 1983 and 1982, and the related statements of revenues and expenses and changes in fund balance and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds of the Minnesota Higher Education Facilities Authority at June 30, 1983 and 1982 and the results of their operations and changes in their financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

St. Paul, Minnesota
August 19, 1983

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1983 and 1982

ASSETS	General Operating Fund 1983	General Operating Fund 1982	General Bond Reserve Fund (Note 4) 1983	General Bond Reserve Fund (Note 4) 1982
Unrestricted:				
Cash (including short-term investments of $215,000 in 1983 and $104,998 in 1982)	$ 233,056	$ 115,534		
Furniture and equipment (less accumulated depreciation of $8,854 in 1983 and $8,043 in 1982)	5,634	1,742		
Other	11,164	9,781		
	249,854	127,057		
Restricted:				
Cash			$ 5,679	$ 39,939
Investments, at cost			2,897,520	2,130,637
Accrued interest receivable			67,462	66,650
Financing leases (Note 3):				
Rentals receivable	54,540,561	52,594,400		
Cash (including certificates of deposit and short-term investment funds of $2,828,548 in 1983 and $1,006,178 in 1982)	3,141,682	1,107,576		
Investments, at cost	23,735,154	9,201,514		
Accrued interest receivable	451,820	194,161		
Reserve deposits to General Bond Reserve Fund	1,339,174	1,339,174		
	83,208,391	64,436,825		
Total assets	$83,458,245	$64,563,882	$2,970,661	$2,237,226

Continued

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1983 and 1982, Continued

LIABILITIES AND FUND BALANCE	General Operating Fund 1983	General Operating Fund 1982	General Bond Reserve Fund (Note 4) 1983	General Bond Reserve Fund (Note 4) 1982
Accounts payable, operations	$ 1,504	$ 1,469		
Payable from restricted assets:				
Revenue bonds payable (less unamortized discount of $1,263,358 in 1983 and $910,509 in 1982) (Note 4)	81,706,642	63,454,491		
Accrued interest payable	1,501,749	982,334		
Accounts payable			$ 4,564	$ 2,840
Reserve deposits from colleges			462,681	
Reserve deposits from restricted assets of General Operating Fund			1,339,174	1,339,174
	83,208,391	64,436,825	1,806,419	1,342,014
Total liabilities	83,209,895	64,438,294	1,806,419	1,342,014
Fund balance:				
Unappropriated	248,350	125,588		
Appropriated (Note 1)			1,164,242	895,212
Total fund balance	248,350	125,588	1,164,242	895,212
Total liabilities and fund balance	$83,458,245	$64,563,882	$2,970,661	$2,237,226

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE

for the years ended June 30, 1983 and 1982

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
REVENUES	1983	1982	1983	1982	1983	1982
Application fees	$ 2,000	$ 4,000				
Bond issuance fees	73,727					
Annual administrative fees	151,064	121,154				
Investment income	19,882	17,803	$2,028,615	$1,272,043	$ 274,512	$232,634
Revenues from institutions to finance interest expense and bond issuance costs (Note 1)			3,959,554	3,293,058		
Total revenues	246,673	142,957	5,988,169	4,565,101	274,512	232,634
EXPENSES						
Payroll, payroll taxes and employee benefits (Note 5)	85,672	112,081				
Rent expense	9,028	8,625				
Legal, audit and consulting expense	11,413	18,616			4,244	3,653
Other general and administrative expenses	17,798	13,006			1,238	205
Interest expense			5,598,813	4,561,957		
Bond issuance costs			376,324			
Loss on sale of investments			13,032	3,144		
Total expenses	123,911	152,328	5,988,169	4,565,101	5,482	3,858
Excess (deficit) of revenues over expenses	122,762	(9,371)			269,030	228,776
Fund balance, beginning of year	125,588	134,959			895,212	666,436
Fund balance, end of year	$248,350	$125,588	-	-	$1,164,242	$895,212

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended June 30, 1983 and 1982

	General Operating Fund		General Bond Reserve Fund	
	1983	1982	1983	1982
Cash provided:				
Operations:				
Excess (deficit) of revenues over expenses	$ 122,762	$ (9,371)	$269,030	$228,776
Add (deduct) items not affecting cash:				
Depreciation	811	916		
Amortization of bond discount	139,508	92,841		
Increase (decrease) in accrued interest payable	519,415	(44,946)		
(Increase) in accrued interest receivable	(257,659)	(34,545)	(812)	(20,682)
Increase (decrease) in accounts payable	35	(17,540)	1,724	(648)
Cash provided by operations	524,872	(12,645)	269,942	207,446
Deposit to escrow	5,805,500			
Reserve deposits from colleges			462,681	
Proceeds from revenue bonds issued	20,572,643			
Collections of financing lease rentals receivable	2,782,854	2,016,145		
Total cash provided	29,685,869	2,003,500	732,623	207,446
Cash applied:				
Construction of property under lease	10,534,515	490,895		
Net increase in funds invested	14,533,640	475,474	766,883	172,779
Redemption of revenue bonds	2,460,000	2,240,000		
Purchase of fixed assets	4,703	890		
Other	1,383	1,284		
Total cash applied	27,534,241	3,208,543	766,883	172,779
Increase (decrease) in cash	2,151,628	(1,205,043)	(34,260)	34,667
Unrestricted cash and temporary investments, beginning of year	115,534	143,703		
Restricted cash, beginning of year	1,107,576	2,284,450	39,939	5,272
Cash and temporary investments, end of year	$ 3,374,738	$ 1,223,110	$ 5,679	$ 39,939
Unrestricted cash and temporary investments, end of year	233,056	115,534		
Restricted cash and temporary investments, end of year	3,141,682	1,107,576	5,679	39,939
Cash and temporary investments, end of year	$ 3,374,738	$ 1,223,110	$ 5,679	$ 39,939

The accompanying notes are an integral part of the financial statements.

1. Authorizing Legislation and Funds:

AUTHORIZING LEGISLATION:

The Minnesota Higher Education Facilities Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority is authorized to have a maximum of $150 million of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

FUNDS:

The following describes the funds maintained by the Authority, all of which conform with the authorizing legislation, bond resolutions and mortgage indentures:

General Operating Fund:

The unrestricted revenue of the General Operating Fund consists principally of the following fees paid by the participating institutions:

Bond issuance fees - .35% of original bond principal.

Annual administrative fees - .2% of original bond principal until repayment (.125% of the original bond principal for applications received prior to August 12, 1975).

General and administrative expenses of the Authority are paid from unrestricted assets. Assets in the General Bond Reserve Fund and assets arising from the capitalized financing lease activities in this fund, including debt service reserves, are appropriated for the purposes specified in the mortgage trust indentures and cannot be used to pay the operating expenses of the Authority.

The restricted assets of the General Operating Fund consist of capitalized financing leases. Separate trust accounts are maintained to account for the proceeds of each bond issue, to receive rental payments and to accumulate the required reserves and sinking funds stipulated in the related mortgage trust indentures.

Continued

1. Authorizing Legislation and Funds, continued:

FUNDS, continued:

General Operating Fund, continued:

Proceeds of the bonds are held by a trustee and invested in specified securities until withdrawn for payment of construction costs or debt service.

Under the terms of the net lease agreements, the participating institutions lease the projects from the Authority over the life of the bond issue. The lease agreements define rental payments as the amount required to provide sufficient revenues to fund debt service, principal redemptions and other related expenses.

Rental payments to be received from the participating institutions are reduced by the amount of income earned on the investments in the required reserves (other than the General Bond Reserve) and sinking funds stipulated in the mortgage trust indenture.

Upon retirement of a bond issue, any remaining assets in the related trust accounts will be rebated to the participating institution.

General Bond Reserve Fund:

A specified portion of the proceeds from each issuance of Authority bonds (except Series CC which did not contribute and DD, 1982-1, EE and FF which contributed out of institution funds) is deposited in the General Bond Reserve Fund. Monies in the fund are invested in United States obligations and certificates of deposit. The investments and the earnings thereon are pledged as collateral for repayment of all revenue bonds outstanding except Series CC, DD, 1982-1, EE and FF (see Note 4). Upon repayment of its bonds, a participating institution will be rebated its share of the fund consisting of the institution's original deposit adjusted for a proportionate share of fund earnings and charges for collateral payments, if any, to date.

2. Accounting Policies:

The following is a summary of the significant accounting policies applied in the preparation of these financial statements.

BASIS OF ACCOUNTING:

The Authority follows the accrual basis of accounting.

Continued

2. Accounting Policies, continued:

INVESTMENTS:

Investments are stated at cost adjusted for amortization of purchase discount or premium, if any.

BOND DISCOUNTS:

Bond discounts are amortized under the interest method over the term of the related bond series.

FURNITURE AND EQUIPMENT:

Office furniture and equipment is stated at cost and depreciated on the straight-line method over the estimated useful life of the asset.

ISSUANCE COSTS:

The costs of issuing the bonds, which are insignificant in amount, are expensed as incurred.

LEASE ACCOUNTING:

Lease contracts have been accounted for as direct financing leases in accordance with Statement No. 13 of the Financial Accounting Standards Board (FASB). The net investment is comprised of the total lease payments receivable under the contract less unearned income. The unearned finance income is recognized as revenue over the lease term as interest expense is recognized. This method approximates a constant rate of return on the net investment in the contract. Since the participating institutions have the option to acquire the project from the Authority at the expiration of the lease for a nominal fee, the estimated residual value of the property under lease at the end of the lease term is not included in the net investment. The income received from an institution from the sale of a project, which is insignificant in amount, will be recognized as income in the year received.

3. Financing Leases:

The annual rental payments required under the leases are sufficient to fund debt service, principal redemptions (Note 4) and other related expenses. The term of each lease agreement corresponds to the maturity of the related bond issue. At the expiration of the lease the institution has the option to acquire the project from the Authority for a specified nominal fee.

Continued

3. Financing Leases, continued:

The Authority's net investment in finance leases consists of the following at June 30, 1983 and 1982:

	1983	1982
Aggregate payments to be received from the participating institutions and from income earned on the investments in the required reserves and sinking funds stipulated in the mortgage trust indentures	$142,452,069	$116,135,322
Unearned income	(59,243,678)	(51,698,497)
	$ 83,208,391	$ 64,436,825

At June 30, 1983 future minimum lease payments to be received under financing leases, including income earned on the investments as noted above, approximates:

	Principal	Interest	Total
1984	$ 9,535,000	$ 5,575,039	$ 15,110,039
1985	2,290,000	5,225,217	7,515,217
1986	2,480,000	5,054,011	7,534,011
1987	2,695,000	4,863,548	7,558,548
1988	12,275,000	4,270,722	16,545,722
Thereafter	53,695,000	34,493,532	88,188,532
	$82,970,000	$59,482,069	$142,452,069

Continued

4. Revenue Bonds Payable:

Revenue bonds payable at June 30, 1983 consist of the following serial and term bonds:

Original Principal Amount		Interest Rates	Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%	Dec 1, 1975 to Dec 1, 2012	$ 2,100,000	$ (21,436)	$ 2,078,564
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,495,000	(15,937)	1,479,063
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jan 1, 1976 to Jan 1, 1998	475,000	(4,947)	470,053
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	385,000	(4,085)	380,915
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	700,000	(6,193)	693,807
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	1,255,000	(12,660)	1,242,340
8,450,000	Series G (Minneapolis Society of Fine Arts)	6.4%	Aug 1, 1976 to Aug 1, 1983	2,010,000	(707)	2,009,293
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	275,000	(4,379)	270,621
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	1,220,000	(12,937)	1,207,063
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	335,000	(6,302)	328,698
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	585,000	(3,542)	581,458
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	1,755,000	(37,743)	1,717,257
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	570,000	(8,837)	561,163
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	1,145,000	(19,224)	1,125,776
4,000,000	Series O (Carleton College)	7.0%	Nov 1, 2000	4,000,000	(52,693)	3,947,307
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%	Apr 1, 1976 to Oct 1, 1989	1,540,000	(17,386)	1,522,614
800,000	Series Q (Concordia College)	4.0% to 6.375%	Apr 1, 1978 to Apr 1, 1994	645,000	(9,498)	635,502
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%	Oct 1, 1976 to Oct 1, 1994	5,310,000	(91,456)	5,218,544
1,695,000	Series 1976-1 (College of St. Theresa)	5.875% to 7.1%	Apr 1, 1978 to Apr 1, 1991	1,245,000	(19,119)	1,225,881
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%	Apr 1, 1979 to Apr 1, 2002	1,175,000		1,175,000
795,000	Series R (College of St. Catherine)	4.0% to 6.625%	May 1, 1977 to May 1, 1997	630,000	(10,797)	619,203
2,070,000	Series S (Golden Valley Lutheran College)	6.5%	Apr 1, 1979 to Apr 1, 1997	1,765,000	(28,860)	1,736,140
2,385,000	Series T (Carleton College)	5.625%	Mar 1, 2007	2,385,000		2,385,000
685,000	Series U (College of St. Thomas)	4.4% to 5.9%	Apr 1, 1980 to Apr 1, 2000	630,000	(9,782)	620,218
2,360,000	Series W (Bethel College)	6.4% to 7.0%	Apr 1, 1979 to Apr 1, 2001	2,150,000		2,150,000
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%	Apr 1, 1980 to Apr 1, 1999	1,740,000	(19,026)	1,720,974
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%	Apr 1, 1981 to Apr 1, 2010	5,095,000	(84,499)	5,010,501
6,500,000	Series Z (Concordia College)	6.0% to 6.7%	Apr 1, 1983 to Apr 1, 2006	6,400,000	(152,827)	6,247,173
6,000,000	Series AA (Hamline University)	7.25% to 7.75%	Jun 1, 1982 to Jun 1, 2008	5,850,000	(148,639)	5,701,361
1,160,000	Series BB (College of St. Scholastica)	6.00% to 7.50%	May 1, 1982 to May 1, 1993	1,060,000	(20,754)	1,039,246
5,980,000	Series CC (College of St. Thomas)	7.95%	Nov 20, 1983	5,980,000		5,980,000
6,110,000	Series 1982-1 (College of St. Thomas)	8.50% to 11.00%	Jul 1, 1984 to Jul 1, 1993	6,110,000	(129,651)	5,980,349
2,500,000	Series DD (College of St. Thomas)	8.50% to 11.00%	Jul 1, 1984 to Jul 1, 1993	2,500,000	(53,049)	2,446,951
9,400,000	Series EE (Carleton College)	7.00%	Dec 7, 1987	9,400,000	(174,363)	9,225,637
3,055,000	Series FF (Concordia College)	5.00% to 8.80%	Oct 1, 1984 to Oct 1, 2003	3,055,000	(82,030)	2,972,970
$96,520,000				$82,970,000	$(1,263,358)	$81,706,642

Continued

4. Revenue Bonds Payable, continued:

Aggregate principal and interest are due on the revenue bonds equal to the future minimum lease payments to be received under financing leases as shown in Note 3. Under the terms of the related mortgage trust indentures, each bond issue is collateralized by a) all assets financed by the bond issue except for Series 1982-1, DD and FF which are insured by the American Municipal Bond Acceptance Corporation (AMBAC); b) all rights and revenues under the lease between the Authority and the institution (except Authority fees); c) a security interest in the assets of the General Bond Reserve Fund, except for Series CC which has an escrow account in the amount of $5,805,500, and Series EE which must maintain $9,400,000 in qualified investment in the Construction Account and Debt Service Reserve Account combined, and Series DD, 1982-1 and FF which are insured by AMBAC; and d) restricted assets in the General Operating Fund pertaining to each issue including a debt service reserve for all issues except Series O and T which have $4,400,000 and $2,625,000, respectively, of Carleton College investment securities pledged as collateral for their debt service reserves (see Note 1).

5. Workmen's Compensation Claim:

As a result of a ruling from the workmen's compensation court in December 1979, the Authority is liable for workmen's compensation and future medical expenses for a work related disability of a former employee. The amount of workmen's compensation and medical expenses in 1983 and 1982 amounted to $15,367 and $19,089, respectively. The amount of future potential payments, which cannot be determined at June 30, 1983, will be expensed as incurred in future years.

6. Commitments:

The Authority has a lease commitment to pay, from the General Operating Fund, monthly rentals of $800 through November 1983 and monthly amounts ranging from $875 to $925 for four years after that. Rentals charged to expense in 1983 and 1982 amounted to $9,028 and $8,625, respectively.

MINNESOTA
HIGHER EDUCATION
COORDINATING BOARD

SUITE 400
CAPITOL SQUARE
550 CEDAR STREET
SAINT PAUL 55101

(612) 296-9665

OFFICE OF THE EXECUTIVE DIRECTOR

AGENDA ITEM V-D

MEMORANDUM

TO: HIGHER EDUCATION COORDINATING BOARD

FROM: DAVID A. LONGANECKER, ACTING EXECUTIVE DIRECTOR *DAL*

DATE: APRIL 11, 1984

SUBJECT: REVIEW AND COMMENT ON FISCAL YEAR 1983 ANNUAL REPORT OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

The Laws of Minnesota 1983, Chapter 258, Sections 52-55 require that the Coordinating Board review and comment upon the annual report of the Minnesota Higher Education Facilities Authority, and that the Coordinating Board make recommendations that it deems necessary to the governor and legislature.

Attached is a copy of the Authority's annual report for Fiscal Year 1983 and a review and comment of the report prepared by Coordinating Board staff. The review and comment is presented in three parts. The introduction provides a brief description and background on the Authority. It also describes recent legislative changes that affect the relationship between the Authority and the Coordinating Board. The second part reviews briefly the highlights of the Authority's annual report. The final part comments on four issues that relate to the report and recent developments affecting the Authority.

The first comment addresses the recent growth in the Authority's accumulated unrestricted fund balance, which now contains funds sufficient to operate the agency for two full years. The second comment addresses the impact that pending federal legislation could have on tax-exempt bonding through the Authority. The third comment addresses public policy concerns raised by the activities of other authorities to compete with the Facilities Authority. And the final comment examines the implications of the "pooled-financing" concept that was initially used by the Authority this past year.

Based on these comments and upon my involvement as a member of the Authority, I therefore recommend THAT:

- o The Coordinating Board accept the review and comment report and transmit it to the governor, and Minnesota Legislature.

  Rationale: The Coordinating Board is required by statute to review and comment on the annual report of the Facilities Authority.

- The Higher Education Coordinating Board urge the Facilities Authority to include in an advisory capacity, representation from the institutions it serves.

  Rationale: The institutions must feel that their interests are well understood and well represented by the Authority. The Authority could ensure community representation by creating ad hoc membership to the Authority or by seeking statutory changes to broaden membership. There are currently six members appointed by the governor and the executive director of the Coordinating Board. Pending bills in the 1984 Legislature would ensure a broader membership by adding two members, and requiring that two of the eight reside outside the metropolitan area. Also, the bills would add the chief executive officer of the Private College Council as an advisory non-voting member.

- The Higher Education Coordinating Board submit legislation to the 1985 Legislature restricting the use of tax-exempt funds for financing private post-secondary educational facilities projects to the Higher Education Facilities Authority.

  Rationale: The proliferation of authorities to provide essentially the same service represents unnecessary duplication. Particularly in light of the pressures that will face educational institutions and their communities in the future, the long-term public interest may not coincide with the short-term interest of a local community. State oversight and coordination will be needed to preserve the public interest, and this is best served if one agency has responsibility for coordinating the delivery of this service.

DAL:lm

[redacted]

COORDINATION THROUGH PLANNING AND RESEARCH

MHECB

MINNESOTA HIGHER EDUCATION COORDINATING BOARD

MINNESOTA HIGHER EDUCATION COORDINATING BOARD

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REVIEW AND COMMENT ON
FISCAL YEAR 1983 ANNUAL REPORT OF THE
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Prepared by the Staff of the
Minnesota Higher Education Coordinating Board

April 11, 1984

CONTENTS

CHAPTER I. INTRODUCTION

The Minnesota Higher Education Facilities Authority is required annually to make a report of its activities, receipts and expenditures to the Higher Education Coordinating Board. The Coordinating Board is to review and comment upon the report and make recommendations that it deems necessary to the governor and legislature. This paper provides background on the Authority and reviews and comments on the Authority's Fiscal Year 1983 report.

BACKGROUND

The Authority was created in 1971 to assist non-profit, non-sectarian colleges, universities and professional schools that need loans for new construction, remodeling, or refinancing of indebtedness of existing buildings.[1] Although the statutes do not limit funding to the private sector, no public institution has applied for funding. In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in constructing facilities used solely for non-sectarian purposes. The decision has been interpreted by the Authority's bond counsel to confirm the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

Membership consists of six members appointed by the governor with the advice and consent of the Senate and the executive director of the Coordinating Board, or the director's designee. At least one member is to be a person having skills, knowledge and experience in state and municipal finance; at least one is

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1 Minnesota Statutes, Section 136A.25-136A.42 (1982, 1983 Supplement).

to have background in the building construction field, and at least one member is to be a trustee, director, officer, or employee of a higher education institution. Members serve four-year terms.

The Authority operates as a quasi-public agency outside the purview of state government; the Authority, however, uses the state payroll system to facilitate administration of benefits for its employees in the same manner as unclassified Higher Education Coordinating Board employees. Joe LaBelle has been executive director since inception of the Authority.

Originally the authority was given the power to issue tax-exempt revenue bonds in a total not to exceed $45 million. The 1973 Legislature increased this limit to $62 million of principal outstanding at any one time. The 1978 Legislature raised the limit to $100 million, and the 1983 Legislature increased it to $150 million. As of November 22, 1983, the Authority had financed 37 projects with bond issues totaling $117,010,000, and total amount outstanding $103,460,000. The Authority's bonds are not obligations of the state; they are payable only from specified revenues and collateral.

The funds received from 31 of the 37 issues were used for construction projects, funds from three issues were used to refinance other debts, funds from one issue were used partially for construction and partially for refinancing other debts, funds from one issue were used to refinance an earlier Authority project, and the final issue was a pool project in which 10 different institutions had projects included in one bond issue.

Projects for which the Authority may issue bonds include buildings or facilities for use as student housing, academic buildings, parking facilities, and other structures useful for the instruction of students or for conducting research in the operation of a higher education institution.

The Authority acts as the agency for eligible institutions by securing loans for them at lower interest rates than might be directly available for the schools. The institution then signs a lease with the Authority to pay rent in the amount needed to repay the Authority's debt.

The Authority operates entirely on fees collected for administering projects financed through it. In its early years, however, the Authority relied on the state's general fund for its payroll costs. The negative cash balance with the Department of Finance was eliminated in Fiscal Year 1979.

RECENT LEGISLATIVE CHANGES

Until this year, the Facilities Authority had been required to submit an annual report to the Coordinating Board, and the Board had been required to include it in its biennial report to the governor and the legislature.

During 1982 and 1983 the Coordinating Board attempted to clarify the relationship between it and the Authority. In February 1983 the Coordinating Board adopted a motion stating that the annual report of the Authority be forwarded to the governor and legislature without comment and that the statutes be amended to clarify the Board's role with the Authority. The Board also authorized its staff to pursue a statutory technical change allowing the executive director to appoint a designee to attend Authority meetings in the event he is unable to do so.

The 1983 Legislature approved several changes including a mandate for the Coordinating Board to review and comment on the Authority's annual report and make necessary recommendations.[2]

Subsequent sections of this paper review and comment upon the Authority's 1983 annual report which has been transmitted to Governor Rudy Perpich, the legislature, and the Coordinating Board.

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2 Laws of Minnesota 1983, Chapter 258, Sections 52-55.

CHAPTER II. REVIEW

The Authority's annual report for Fiscal Year 1983 consists of two major parts: a description of the Authority and its activities and a financial report for the years ended June 30, 1983 and 1982. These two parts are preceded by a letter of transmittal from the chairman of the Authority to Governor Rudy Perpich, members of the Minnesota Legislature, and members of the Coordinating Board.

LETTER OF TRANSMITTAL

In his letter of transmittal, the Authority's chairman, Herbert Stellner, Jr., describes the role of the Authority and summarizes four projects financed in Fiscal Year 1983 and two projects that have been financed in Fiscal Year 1984.

The chairman also expresses concern with pending legislation in Congress that could affect tax-exempt bonding and the potential abuses of tax-exempt financing in the local market. He concludes by indicating that the Authority wants to consider ways of improving its effectiveness in meeting the needs of the private higher educational community.

ACTIVITIES OF THE AUTHORITY

In this section the Authority describes its mandate and operation. An overview is provided of the 16 colleges that have participated in the loan program. A description is provided for each of the 35 projects financed by the program between 1972 and June 30, 1983.

Four projects were financed in Fiscal Year 1983 totaling $21,065,000, the largest amount ever funded by the Authority in one year.

Two of the projects involved the College of St. Thomas. The College received financing for constructing the Daniel C. Gainey Conference Center in Owatonna ($2,500,000), and the college refinanced debt on its new physical education and activities building located on its main campus ($6,110,000). Carleton College received bond proceeds ($9,400,000) for the renovation and expansion of its library facilities and renovation of two student resident facilities. Concordia College, Moorhead, received financing for improvements to a student residence facility ($3,055,000).

Two additional financing projects were completed during the first part of Fiscal Year 1984, and they are noted in the letter of transmittal. Hamline University received financing for the renovation of four student residence halls and a dining facility ($1,970,000). The second project was the Authority's first closed pool bond issue. Ten institutions, each with several projects, were provided financing through a single bond issue ($18,520,000).

In the 18-month period, July 1, 1982, through December 31, 1983, the Authority had a significant increase in its bonding activity. The six projects, including the pooled project, totaled $41,555,000, or 36 percent of the total dollar amount of all bonding activity by the Authority since its inception. The high level of activity during this period may have been due to improved economic conditions that resulted in lower interest rates. The higher interest rates during the preceding years of economic recession had restrained borrowing.

The remainder of this section of the Authority's report focuses on the General Bond Reserve Fund. The Authority's policy is to require that the amount of each bond series include a sum equal to about one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. The section includes a statement of contributions and earnings for the General Bond Reserve Fund for the 1983 Fiscal Year, a security analysis, reserve earnings allocation reports for Fiscal Years 1982 and 1983, and series reserve accounts. The fund balance of the General Bond Reserve Fund increased from $666,436 at the start of Fiscal Year 1982 to $895,212 at the end of the year, an increase of 34 percent; the fund balance increased to $1,164,242 by the end of Fiscal Year 1983, an increase of 30 percent.

FINANCIAL REPORT

The final section of the Authority's report contains the Fiscal Year 1983 audit report prepared by Coopers and Lybrand. The audit report shows the overall operation broken into the General Operating Fund with a unrestricted and restricted category and the General Bond Reserve Fund. The Restricted category of the General Operating Fund and the General Bond Reserve Fund pertain to the financial reporting of outstanding bond issues, while the unrestricted category of the General Operating Fund is a reporting of the administration and operation of the Authority. The General Operating Unrestricted Fund Balance increased from $125,588 to $248,350 in Fiscal Year 1983, an increase of 98 percent.

CHAPTER III. COMMENT

While the Authority's Fiscal Year 1983 report provides a comprehensive overview of its activities and its financial status, several issues merit comment.

ACCUMULATION OF UNRESTRICTED FUNDS

An item of interest in the financial reports is the amount of unrestricted funds being accumulated in the General Operating Fund--the fund used entirely for the administration and operation of the Authority. In Fiscal Year 1983, revenues were almost twice the amount of expenses ($246,673 versus $123,911) and the accumulated unrestricted fund balance at the end of the year was $248,350, which at the current rate of expenditures, is approximately a two-year supply of funds.

PENDING FEDERAL LEGISLATION ON TAX-EXEMPT BONDING

While the transmittal letter refers to pending federal legislation on tax-exempt financing, the report itself does not address this issue.

As part of its effort to reduce the federal deficit, Congress during the past year has been attempting to minimize the revenue loss created by the proliferation of tax-exempt bonding. Pending legislation would restrict the amount of tax-exempt bonds that states can issue for various purposes, including student loans. Bonds issued by facilities authorities now are excluded from pending legislation. Authorities issuing tax-exempt bonds for educational facilities, however, have been cited in testimony leading to the proposed legislation. A continued perception of abuse in tax-exempt bonding ultimately could lead to the inclusion of facilities authorities and thus limit the financing available in this manner for assisting higher education institutions in construction projects.

MULTIPLE BONDING AUTHORITIES

Another issue referred to in the transmittal letter but not discussed in the report is the growth in competition among various bonding authorities. During the past year, for example, the St. Paul Housing and Redevelopment Authority issued $18,220,000 million in bonds to provide loans to St. Paul educational institutions to finance the cost of equipment and/or the cost of construction projects.[3] Under present law, any local bonding authority could become involved in this type of activity.

There are divergent opinions about why multiple authorities providing essentially equivalent services have evolved and whether such duplication should continue to be allowed. In Minnesota two explanations may explain why an alternative to the Facilities Authority developed. Both have serious implications for public policy.

First, some post-secondary institutions that are potential users of the Facilities Authority have indicated that they do not perceive the Agency to be responsive to their needs. They have complained that the Facilities Authority does not aggressively pursue their interests and that it imposes onerous fees and conditions upon them when they do pursue financing through the Authority.

Second, many public and private entities profit from the sale of tax-exempt bonds, thus creating an environment in which competition is almost certain to evolve. In Minnesota, the St. Paul Housing and Redevelopment Authority developed a product that looked attractive to educational institutions. It appeared that the interest rate to borrowers would be highly competitive with rates

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3 Educational Equipment Revenue Bonds of 1983, Housing and Redevelopment Authority of St. Paul, Official Statement, July 12, 1983.

available through Facilities Authority financing, and this was coupled with borrowing conditions that appeared less onerous than those imposed by the Facilities Authority.

Why then should the development of multiple authorities be of public concern? First, there is the issue of whether the Facilities Authority is serving the needs of its clients. As a public agency, the Facilities Authority has an obligation to serve its purposes well. It is important not only to provide good service, but also to be perceived as doing so. In some instances, this is difficult to achieve. The Facilities Authority also must protect the public interest, bondholders, and the Agency's fiscal integrity, and these responsibilities may conflict on occasion with the specific interests and needs of prospective clients. Nonetheless, the Facilities Authority must sustain its obligation to satisfy the community it was created to serve.

The recognition that the Facilities Authority exists not only to serve post-secondary institutions, but also to protect the state's legitimate interests, helps define a second public policy issue--that is, whose purposes are served by having multiple authorities? Quite clearly, the educational institutions benefit. Competition almost always helps the consumer. The state, however, loses much because it no longer exercises any effective oversight and review in the construction of higher education facilities. If the state authority legitimately rejects a proposed project because it is not deemed to be in the state's best interest, the institution simply can take the project to a local bonding authority for financing. This could become a particularly critical problem as declining enrollments create serious economic perils for specific educational institutions and thus also for their local communities. The long term public interest may not coincide with the short-term crises of the local community. In the absence of state oversight and coordination, therefore, the presence of competing authorities may not be in the public interest.

A third public policy issue involves the effect that the proliferation of multiple authorities could have on federal oversight. Tax-exempt funding for post-secondary capital needs has long been recognized federally to serve a strong public purpose. Furthermore, such use of tax-exempt funds has historically been held in check at the state level. Minnesota, for example, limits through state statute the amount of bonding allowed through the Facilities Authority. For these reasons, tax-exempt financing for educational facilities financing has been exempt from recent federal efforts to reduce the amount of tax-exempt bonding. The creation of multiple competing authorities could bring this area under federal scrutiny as well, thus jeopardizing the future availability of this funding source.

IMPLICATIONS OF THE POOLED BONDING CONCEPT

A final issue meriting comment is the use of pooled bond sales--in particular the closed pool concept compared to the open pooled approach.

Under the pooled approach, several projects can be financed with a single bond sale. An important advantage of the pooled concept is that institutions requesting only modest amounts can save underwriting discount and issuance costs; this occurs because each project does not have to be financed separately.

As indicated earlier, the Facilities Authority in November 1983 issued tax-exempt revenue bonds for higher education institutions using the closed pool concept. That is, the Authority knew the specific projects that would be financed by the issue and could determine exactly where the money was and how it would flow to pay off the bonds.

This type of pooled bond sale produces a more fiscally responsible program than the open pooled concept in which the participating institutions submit their project applications after the bonds have been issued; thus, the cash flow is based upon assumptions rather than fact. A potential problem with the open pooled concept is that projects or the need for them have not been determined, and the resources from the bond issue can be arbitraged extensively. That is, revenue from tax-exempt bonds is invested in taxable securities by a tax-exempt organization, and a profit is made by the issuing authority without a public purpose being served. Taxing authorities are the losers in this situation as the difference between tax-exempt and taxable securities is the amount of money that would be paid in taxes. The open pooled concept was used for the St. Paul program.

HUMAN RIGHTS STATEMENT

The Minnesota Higher Education Coordinating Board has committed itself to the policy that there shall be no discrimination on the basis of race, creed, color, sex, age, handicap or national origin in its programs, activities or employment policies as required by Title IX of the Education Amendments of 1972, Rehabilitation Act of 1973, and other applicable laws, regulations and executive orders.

Inquiries regarding compliance may be directed to Office of Personnel and Affirmative Action, Minnesota Higher Education Coordinating Board, 400 Capitol Square, 550 Cedar Street, St. Paul, MN 55101, (612) 296-3974.

Minnesota Higher Education
Coordinating Board
Suite 400, Capitol Square Building
550 Cedar Street
St. Paul, Minnesota 55101
612/296-3974

ANNUAL REPORT

FISCAL YEAR 1983

MINNESOTA
HIGHER
EDUCATION
FACILITIES
AUTHORITY

Suite 278, Metro Square, 7th & Robert Streets, Saint Paul, Minnesota 55101

MINNESOTA HIGHER EDUCATION
Facilities Authority

November 22, 1983

The Honorable Rudy Perpich, Governor
Members of the Legislature
State Capitol
St. Paul, Minnesota 55155

Members, Minnesota Higher
Education Coordinating Board
Suite 400, Capitol Square Building
St. Paul, Minnesota 55101

Dear Governor Perpich, Members of the Legislature, and Members of the Higher Education Coordinating Board:

The Minnesota Higher Education Facilities Authority is pleased to send its Annual Report for Fiscal Year 1983.

The Minnesota Higher Education Facilities Authority is an independent agency created by Chapter 868, Laws of Minnesota, 1971 (Section 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education of the State in the construction and financing of projects. The Authority has power to issue revenue bonds in a total amount not to exceed $150 million of outstanding bonds. Bonds issued by the Authority can be payable only from the rental revenues and other income, charges, and moneys pledged for their payment. They do not in any manner constitute a debt or pledge of the faith and credit of the State of Minnesota.

Educational institutions of the State of Minnesota eligible for assistance by the Authority are non-sectarian, non-profit educational institutions authorized to provide a program of education beyond the high school level. Although the statutes do not limit funding to the private sector, no public institution has applied for funding to the Authority.

The Authority is financed solely from fees paid by the institutions. No state appropriations have ever been made to fund the Authority. Also, funds from series reserve accounts and from the General Bond Reserve Account of the Authority cannot be used and have not been used to pay operating expenses of the Authority.

The Authority has been successful in financing four projects in Fiscal Year 1983. The College of St. Thomas received financing for constructing the Daniel C. Gainey Conference Center in Owatonna, Minnesota ($2,500,000) and the college has also refinanced debt on their new physical education and activities building located on its main campus ($6,110,000). Carleton College received financing for the renovation and expansion of their library facilities and the renovation of two student residence facilities ($9,400,000). Concordia College (Moorhead) received funds for major improvements to a student residence facility ($3,055,000). The total of the bonds issued for

these projects was $21,065,000. This is the largest amount ever funded by the Authority in any one year.

The Authority has also been successful in financing two projects in Fiscal Year 1984. Hamline University received $1,970,000 in bond proceeds to finance the renovation of four student residence halls and one dining facility. The Authority also issued its first closed pool bond issue. This is the first time it has been done in the country that several institutions (10), each with multiple projects, were financed with a single bond issue ($18,520,000). Although this pooled issue was quite complex, the market responded quite favorably with a coupon rate of 7.992%. It is estimated that the net effective rate of the loans to the institutions, when a distribution of the balance in the Residual Fund is made at the end of the program, will be approximately 8.81%. This program may be expected to continue to be a model for other states to emulate.

The Authority, as of November 22, 1983, has financed 37 projects totalling $113,955,000. The total amount of bonds outstanding is $103,460,000.

Members of the Authority are quite concerned with pending legislation in the Congress that will affect tax-exempt bonding. However, these pending bills in their present form will not affect the Facilities Authority in financing projects for the private colleges, universities and professional schools. Excesses of the past as well as of the present have brought down the ire of members of Congress on abuses of tax-exempt financing. The Authority also sees potential abuses of tax-exempt financing in the local market. Unseemly competition among bonding authorities in Minnesota for financing college improvements can only lead to abuses and overall ineffectiveness. The Legislature has created a state agency to help the private college sector with capital improvements. It seems unwise to allow any and every local bonding authority to do what can be most effectively done by a statewide agency, for which the Legislature and the Administration maintain oversight and review, and that can assure equal access at competitive rates for institutions within the state.

The Authority members welcome a dialogue among all parties. The Authority is proceeding to hold a conference with private college presidents, key members of the Legislature, and members of the Authority to discuss ways of improving the effectiveness of the Authority to meet the needs of the private higher educational community.

Members of the Authority are happy to serve the higher educational institutions, and look forward to be of continued service to the higher education community and to the State of Minnesota.

Respectfully submitted,

Herbert M. Stellner, Jr.
Chairman

TABLE OF CONTENTS

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Earl R. Herring, Vice Chairman Vice President for Administrative Affairs Moorhead State University Expert - Higher Education	January 1, 1985
Clyde R. Ingle Executive Director, Minnesota Higher Education Coordinating Board Ex-officio member	Indeterminate
Carlos Lopez, Jr. President - Cal-Mech, Inc. St. Paul, Minnesota Expert - Construction	January 1, 1987
Leonard J. Rogge, Secretary Retired General	January 2, 1984
Peter H. Seed Member, Briggs and Morgan, Professional Association of Lawyers, St. Paul, Minnesota Expert - Municipal Finance	January 4, 1986
Emily Anne Staples Director of Development Spring Hill Center, Wayzata, Minnesota General	January 1, 1987
Herbert M. Stellner, Jr., Chairman Senior Vice-President, Marquette Bank and Trust Rochester, Minnesota General	January 2,1984

Dr. Joseph E. LaBelle, Executive Director

BOND COUNSEL
Faegre and Benson
(John S. Holten)
Minneapolis, Minnesota

FISCAL ADVISORS
Springsted, Inc.
(Osmon R. Springsted)
St. Paul, Minnesota

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate and a seventh member who is the Executive Director of the Minnesota Higher Education Coordinating Board or his designee.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $150 million. With the Bonds the Authority has had 37 issues totaling $117,010,000, of which $95,030,000 was outstanding as of November 23, 1983. Bonds issued by the Authority can be payable only from the rentals, revenues and other income, charges and moneys pledged for their payments. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority include nonprofit educational institutions authorized to provide a program of education beyond the high school level. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities and other structures or facilities required or useful for the instruction of students, or conducting of research in the operation of an institution of higher education.

Although the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

It has been the general policy of the Authority that a project for which bonds are issued by the Authority becomes the property of the Authority for as long as such bonds remain outstanding. Thereafter it may be subject to repurchase options. A project which is owned by the Authority is leased by the Authority to the institution for operation and the revenues which are the primary security for the bonds are

provided according to the terms of the lease between the Authority and the institution. The Authority has made exceptions to taking title to the project and property and entering into a mortgage trust indenture in the following issues: Series Two-C, Series Two-D, Series Two-E, Series Two-F, Series Two-G, and Refunding Series 1982-1 and Series 1983-A. The Authority, with respect to all other bond issues, has entered into a mortgage trust indenture with a trustee who administers the funds which, together with land, buildings or other pledged properties, are security for the payment of the bonds, except the funds of the General Bond Reserve Account which are under the exclusive supervision of the Authority. The Authority anticipates that the nature of the security for future issues will vary depending upon circumstances of the financing.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement and remodeling projects.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The Authority is financed solely from fees paid by the institutions; it has no taxing power. With the exception of Series 1983-A, at the time of issuance, and usually from bond proceeds, the Authority is paid a percentage, currently .35%, of the principal amount of the issue. Thereafter, commencing as of the date of issue and payable at the beginning of each year thereafter during the life of the bonds, the Authority receives an annual fee, currently .2%, of the original principal amount of the issue for its original term, regardless of whether the issue is prepaid, unless the Authority waives its rights to such payment.

Bond issuance costs, including fees of bond counsel, the financial advisor and trustee, and the underwriter's discount, are usually paid by the institution from bond proceeds. In the instance of Series 1983-A, such costs and the fee of the Authority were paid from bond proceeds and were prorated to each participating institution as part of its loan.

As a general policy, the Authority requires that the proceeds of each issue include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum, 80% is deposited with the trustee in a series reserve account; the remaining 20% is deposited by the

Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such deposit has been made. However, Series Two-C, Series Two-D, Series Two-E, Series Two-F, Series Two-G, Refunding Series 1982-1, and Series 1983-A are not secured by the General Bond Reserve Account, but in each instance, except for Series Two-C and Series 1983-A, a contribution was made to the General Bond Reserve Account.

OVERVIEW OF THE COLLEGES PARTICIPATING IN THE FACILITIES AUTHORITY LOAN PROGRAM

AUGSBURG COLLEGE

Founded in 1869, Augsburg College is a private four-year liberal arts college located in Minneapolis. It is one of eleven senior colleges affiliated with and supported in part by the American Lutheran Church.

BETHEL COLLEGE

Founded in Chicago in 1871, Bethel is a nonprofit, coeducational, residential, four-year liberal arts college owned and operated by the Baptist General Conference. In 1972, the College moved its former St. Paul campus to a new 168-acre site, exclusive of 62-acre Lake Valentine on the campus, in Arden Hills, a northern suburb of St. Paul.

CARLETON COLLEGE

Carleton is a Minnesota nonprofit, coeducational, residential, liberal arts college located in Northfield, Minnesota. Carleton was founded by the Congregational Church (now United Church of Christ) and was chartered in December of 1866. It is now non-sectarian and independent. The College's grounds comprise 900 acres, including the 90-acre main campus, 400-acre arboretum, a virgin prairie, a forest tract, and open land. There are 46 buildings on the campus.

COLLEGE OF ST. BENEDICT

The College of St. Benedict is an accredited, private, four-year liberal arts college for women located in St. Joseph, Minnesota. The College traces its beginning to 1863 when the Sisters of St. Benedict transferred their St. Cloud School for Girls to St. Benedict's Academy in St. Joseph. College courses were first offered in 1913, and the name, The College of St. Benedict, was adopted in 1927. The College is separately incorporated.

COLLEGE OF ST. CATHERINE

The College of St. Catherine was founded in 1905 by the Sisters of St. Joseph of Carondelet. It is one of the largest women's colleges in the United States. Its campus covers more than 100 acres midway between downtown St. Paul and downtown Minneapolis. The College takes part in a local five-college policy of non-tuition student exchange.

COLLEGE OF ST. SCHOLASTICA

The College of St. Scholastica is a four-year liberal arts college which was founded by the Benedictine Sisters Benevolent Association in 1906. In 1962, it was incorporated as a separate entity. Formerly a women's college, it became coeducational in 1968. It is located in Duluth, Minnesota.

COLLEGE OF ST. TERESA

The College of St. Teresa is a nonprofit, women's, residential, four-year, liberal arts college located in Winona, Minnesota. The origin of the College can be traced back to 1894 when the Winona Seminary was opened by the Sisters of the Third Order Regular of the Congregation of Our Lady of Lourdes of St. Francis. The first college-level courses were opened in 1909 and the name was changed to the College of St. Teresa in 1912.

COLLEGE OF ST. THOMAS

The College of St. Thomas was founded in 1885 by Archbishop John Ireland. Its 45-acre campus is located midway between downtown St. Paul and downtown Minneapolis. The College serves approximately 5,000 students in both baccalaureate and graduate programs.

CONCORDIA COLLEGE (MOORHEAD)

Concordia College, founded in 1891, is a nonprofit, four-year, coeducational, liberal arts college. The College is owned and operated by the Concordia College Corporation, members of which are the congregations of the American Lutheran Church of northern Minnesota, North Dakota, and Montana east of the continental divide. The 120-acre campus is located within the residential section of Moorhead, Minnesota. Its facilities include 30 major buildings, half of which have been built since 1955.

GOLDEN VALLEY LUTHERAN COLLEGE

Golden Valley Lutheran College is a coeducational, two-year, liberal arts college. It is a non-profit, non-sectarian institution, although it has a strong Lutheran orientation. The College was established in 1967 by the Lutheran Bible Institute of Minneapolis (LBI). LBI was established as a Bible college in 1919 in St. Paul and moved to Minneapolis in 1929. In 1961, LBI moved to Golden Valley. Title to the Golden Valley Lutheran College campus is in the name of LBI.

GUSTAVUS ADOLPHUS COLLEGE

Gustavus Adolphus is a private, coeducational, fully accredited liberal arts college located in St. Peter, Minnesota. It was founded in 1862 by Eric Norelius, an immigrant Swedish Lutheran pastor and was given its present name in 1876 in honor of the Swedish king who defended Protestantism during the Thirty Years War. It is affiliated with the Lutheran Church in America.

HAMLINE UNIVERSITY

Founded in 1854, Hamline University, located in St. Paul, was the first college in Minnesota. It is operated by the Trustees of the Hamline University of Minnesota, a Minnesota nonprofit corporation. The Hamline University School of Law merged with the Trustees of the Hamline University of Minnesota in 1976. It is affiliated with the Methodist Church in Minnesota and is coeducational.

MINNEAPOLIS COLLEGE OF ART AND DESIGN

Founded in 1886, the Minneapolis College of Art and Design is a four-year accredited educational institution. It is operated by the Minneapolis Society of Fine Arts, a nonprofit organization founded in 1883, which also operates the Minneapolis Institute of Arts.

ST. MARY'S COLLEGE

Located in Winona, Minnesota, St. Mary's is a nonprofit, non-sectarian, residential, four-year, coeducational liberal arts college. It was founded in 1913 by the Second Bishop of Winona. Originally a men's school, the College was operated by diocesan clergy until it came under the administration of the Brothers of the Christian Schools in 1933. It is now operated as a separate corporation and has been coeducational since 1969.

ST. MARY'S JUNIOR COLLEGE

St. Mary's Junior College is a two-year institution that was founded in 1964. It was established to meet the needs of the community in the area of health care personnel. It is located in Minneapolis and is operated by the Sisters of St. Joseph of Carondelet.

ST. OLAF COLLEGE

St. Olaf College is a four-year liberal arts college. Its 350-acre campus is located in Northfield, Minnesota, 40 miles south of the Twin Cities. The College owns approximately 1,175 acres of open space, now used for farming, adjoining the campus. The College was founded in 1874, but was operated as an academy until 1886. The name was changed to St. Olaf College is 1889. It is related to the American Lutheran Church.

PROJECT DESCRIPTIONS

BOND SERIES A, $2,200,000, AUGSBURG COLLEGE

The College used the bond proceeds for the construction of an apartment-type student housing facility to accommodate 312 students. The building had full occupancy with the opening of the fall term in 1973. Moveable furnishings, except for common areas, are provided by the tenants.

BOND SERIES B, $1,935,000, BETHEL COLLEGE

The College constructed and furnished townhouse-type student housing to accommodate approximately 480 students. Students occupied the facilities in January, 1974. The units are of frame construction with partial brick exterior. Each unit has three bedrooms, living room, bath and storage, and houses six students.

BOND SERIES C, $595,000, ST. MARY'S COLLEGE

St. Mary's College constructed six frame buildings having 28 apartments for the accommodation of 108 students and two faculty members. The units are on a site at the edge of the main campus.

BOND SERIES D, $520,000, COLLEGE OF ST. SCHOLASTICA

St. Scholastica used bond proceeds for the construction of six fourplexes to house four students per apartment for a total of 96 students. Each apartment has two bedrooms, a living room, kitchen and bath. Furnishings include carpeting, stove, refrigerator, kitchen table, love seat, coffee table, draperies, eight chairs and bedroom furniture of two beds, a chest, desk and built-in shelving in each of the two bedrooms.

BOND SERIES E, $1,030,000, GUSTAVUS ADOLPHUS COLLEGE

Gustavus Adolphus used $300,000 of the bond proceeds to remodel the old library building into a science classroom. The rest of the proceeds were used for construction of a new administration building.

BOND SERIES F, $1,610,000, COLLEGE OF ST. BENEDICT

Bond proceeds were used to construct two-bedroom, furnished apartments with kitchens. Each apartment houses four students. The College also constructed an indoor swimming pool addition to the Physical Education Building, and remodeled and improved the Home Economics Department facility. It also remodeled and improved the dining facility in St. Gertrude Hall.

BOND SERIES G, $8,450,000, MINNEAPOLIS COLLEGE OF ART AND DESIGN

The bonds were issued for the construction of a new technical academic building with apurtenant equipment, furnishings, utilities and site improvements. The project includes a pedestrian bridge and furnishings and equipment for the existing college building. The new facilities allowed the College to expand to 600 students and to enlarge the scope of its program for a Bachelor of Fine Arts Degree.

BOND SERIES H, $340,000, COLLEGE OF ST. SCHOLASTICA

Bond proceeds were used to fund the Pine Apartment Building at the College. The three-story brick and spancrete building has 11 four-student apartments. Each apartment has its own kitchen, bathroom, two bedrooms, living room, and balcony area. An additional unit accommodates two students. The building also has laundry facilities.

BOND SERIES I, $1,600,000, AUGSBURG COLLEGE

Bond proceeds were used to construct a two-rink, artificial ice, Ice Center on an area adjacent to the campus. The facility includes moderate spectator capacity, dressing rooms, offices, a service shop and a concession area. It is used for physical education programs of the College, including intramural and intercollegiate competition, and is available for rental to other colleges and to junior hockey organizations.

BOND SERIES J, $370,000, COLLEGE OF ST. BENEDICT

St. Benedict used bond proceeds to construct, equip, and furnish a campus center that includes a bookstore, snack bar, post office, student government office and recreational lounge space.

BOND SERIES K, $800,000, COLLEGE OF ST. THOMAS

The bonds were issued for the construction, equipping and furnishing of a faculty residence with 23 apartments, two guest rooms, a conference room, a lunch meeting room, an exercise room and five garage stalls.

BOND SERIES L, $2,280,000, ST. MARY'S JUNIOR COLLEGE

Bond proceeds were used to construct an academic building with classrooms, laboratories, administrative offices, and a library.

BOND SERIES M, $690,000, COLLEGE OF ST CATHERINE

The College used the proceeds to construct Fairview Apartments, consisting of 13 one-bedroom units and 23 two-bedroom units. Each apartment has a living room, dining area and kitchen. There are two laundry rooms in the building. The construction is of brick veneer on a wood frame with a concrete block fire wall in the middle of the building.

BOND SERIES N, $1,450,000, COLLEGE OF ST. BENEDICT

Bond Series N was issued to construct, furnish and equip a new student residence facility for the College. The apartment-type facility houses 200 students and two faculty residents.

BOND SERIES O, $4,000,000, CARLETON COLLEGE

Bond proceeds were used to construct, furnish and equip a new three-story chemistry and geology building containing classrooms, lecture halls, seminar rooms, offices, a computer room, a science library, and laboratories. The Seeley G. Mudd Fund of California provided an additional $1,035,000 for this building. The rest of the bond proceeds were used to help pay for the renovation of Burton Hall, the oldest and second largest of Carleton's dormitory halls. A new kitchen and conversion of existing kitchen space to a cafeteria-style serving facility was accomplished in Burton Hall.

BOND SERIES P, $2,350,000, ST. OLAF COLLEGE

The proceeds were used by St. Olaf to help pay for construction of a new 63,200 square foot music hall, including two large instrumental rehearsal halls, a choral rehearsal hall, a 400-seat recital hall, a new music library, classrooms, offices, and practice and teaching studios.

REFUNDING SERIES 1975-1, $6,460,000, BETHEL COLLEGE

Bethel used the proceeds to help repay the outstanding 8% $6,000,000 direct obligation notes issued by the Baptist General Conference, which were used to construct four new buildings on the campus. The bond proceeds helped to repay the loan used for the following buildings: library and food service, cultural arts, academic classroom.

REFUNDING SERIES 1976-1, $1,695,000, COLLEGE OF ST. TERESA

The proceeds were used to refinance the outstanding debt originally incurred to construct and remodel the following facilities: Mary A. Molloy Library, Maria Hall Student Residence, the Service Center, dining hall and kitchen of Lourdes Hall.

BOND SERIES Q, $800,000, CONCORDIA COLLEGE

Concordia used the bond proceeds to construct, finance, and equip a student apartment building on campus. The building has 33 units

and can accommodate a maximum of 126 students. Each unit is air conditioned and contains bedrooms, a kitchen, living room, and bathroom. A 67-car parking lot adjoins the building.

BOND SERIES R, $795,000, COLLEGE OF ST. CATHERINE

Proceeds were used to construct, furnish and equip an apartment-dormitory complex consisting of 36 units to house 118 students. The three-floor structure is of wood frame construction with a brick veneer exterior. There are 13 one-bedroom, one-bath units; 12 two-bedroom, two-bath units; and 11 two-bedroom, one-bath units. Each apartment has a living room, dining area, and kitchen, and each unit has air-conditioning. There are two laundry facilities in the building.

BOND SERIES S, $2,070,000, GOLDEN VALLEY LUTHERAN COLLEGE

The College used $1,246,000 to construct, furnish and equip a residence hall on campus. The three-story concrete building has 101 sleeping units that accommodate two students each. There is one bath to every two bedrooms and one living room to every eight bedrooms. There are also two one-bedroom, residence head apartments, an activity room, a lobby and service space. Roughly $439,000 of the proceeds were used to refund part of an existing first lien mortgage on the campus. The mortgagee, Minnesota Federal Savings and Loan Association, St. Paul, has released its first mortgage on all of the campus land and buildings except the Administration Building.

REFUNDING SERIES 1976-2, $1,300,000, ST. MARY'S COLLEGE

St. Mary's used the proceeds to refinance part of the outstanding debt incurred for the construction of a three-story College Center. The Center, originally built in 1968, houses a bookstore, post office, game room, several meeting rooms, snack bar, general lounge, Presidential Reception Room, music room, offices, and food service facilities.

BOND SERIES T, $2,385,000, CARLETON COLLEGE

Carleton used bond proceeds to remodel three building on campus. Leighton Hall was remodeled to bring together offices and classrooms for five humanities departments and to provide more adequate, grouped offices for three major, closely-related, administrative units. Sayles Hill Gymnasium was remodeled to provide an adequate college center for the campus, including a post office, bookstore, snack bar, social assembly area, game rooms, and a central information/switchboard station. Willis Hall was remodeled to provide coordinated offices and classrooms for four social science departments.

BOND SERIES U, $685,000, COLLEGE OF ST. THOMAS

The bond proceeds were used to construct a two-floor, 90 student residential facility addition to the college's student union (Murray Hall) to help meet the residency requirements of women students. Each unit accommodates three students and has toilet facilities.

BOND SERIES W, $2,360,000, BETHEL COLLEGE

Bethel used the proceeds to finance two housing residences of two-and-a-half story brick veneer construction, each of which includes lounge and recreation areas. The two buildings together house roughly 282 students. There is also an apartment for house parents.

BOND SERIES X, $1,800,000, COLLEGE OF ST. THOMAS

Bond Series X financed the construction of a five-story dormitory on campus, with 35 apartments housing four students each, plus a manager's apartment for the handicapped. Each unit contains one bedroom with two bunk beds, a living room and bath. The concrete and brick building also has an activities room, study areas, and laundry facilities.

BOND SERIES Y, $5,245,000, ST. OLAF COLLEGE

St. Olaf used the proceeds for the construction and related costs of a three-story residence hall on campus which houses 232 students. It replaces Ytterboe Hall, which housed 219 students.

BOND SERIES Z, $6,500,000, CONCORDIA COLLEGE

Concordia used $5,000,000 for the construction of an academic building to provide laboratory, classroom, support space and offices for the biology and home economics departments of the college, with necessary equipment, furnishings, and site improvements.

BOND SERIES TWO-A, $6,000,000, HAMLINE UNIVERSITY

Hamline used bond proceeds for their two-and-a-half story law building located approximately in the center of the campus. The building has a capacity for 500 students and features three 90-seat classrooms, one 50-seat classroom, two 30-seat seminar rooms, a glass-enclosed 75-seat moot courtroom, administration and faculty offices, two lounges, and the law library. An additional floor can be added if the need arises.

BOND SERIES TWO-B, $1,160,000, COLLEGE OF ST. SCHOLASTICA

In 1979, the College used interim financing to pay for completed construction of a multi-purpose recreation building and related outdoor facilities. This issue allowed them to pay back their bank loan and reimburse the College funds used for the financing. Financing through the Authority was delayed because the property on which the project is located had to have clear title from a United States Government mortgage.

BOND SERIES TWO-C, $5,980,000, COLLEGE OF ST. THOMAS

Bond proceeds were used to construct and equip a new physical education and activities building to be attached to the present physical education and athletic building (O'Shaughnessy Hall). Concurrently with the construction of the new building, renovations were made to O'Shaughnessy Hall. Also, part of the bond proceeds went to pay for construction and equipping of new physical plant headquarters.

REFUNDING SERIES 1982-1, $6,110,000, COLLEGE OF ST. THOMAS

The proceeds were used mainly to refund in advance of maturity the Series Two-C bonds, due November 20, 1983. The Series Two-C Bonds were discharged but the principal thereof will not be paid prior to maturity. The Two-C Bonds were issued for the construction and equipping of a new physical education and activities building, renovation of the existing physical education and athletic building, and construction and equipping of a new physical plant headquarters, all on the St. Paul campus.

BOND SERIES TWO-D, $2,500,000, COLLEGE OF ST. THOMAS

St. Thomas used the bond proceeds to acquire grounds for, construct an addition to and remodel the former Daniel C. Gainey residence in Owatonna, Minnesota. Approximately 21 surrounding acres were purchased. The project has been named the Daniel C. Gainey Conference Center and is used by the College for general educational purposes. There are 35 rooms including a conference room and dining facilities accommodating approximately 75 persons.

BOND SERIES TWO-E, $9,400,000, CARLETON COLLEGE

The College used the proceeds to construct an addition to and remodel the College library building and remodel Margaret Evans Residence Hall and Davis Residence Hall. The Library has been expanded to contain 900 study and research spaces, capacity for 25 years' growth of the collection, new technological equipment and facilities for collection preservation, and energy conservation. Margaret Evans Residence Hall has been remodeled for energy conservation and general improvement. Davis Residence Hall has also been remodeled for energy conservation and general improvement.

BOND SERIES TWO-F, $3,055,000, CONCORDIA COLLEGE

Concordia has used bond proceeds to fund the cost of constructing improvements to Brown Hall, a student hall for roughly 270 students, with appurtenant equipment, furnishings and site improvements.

NEW BOND ISSUES FOR FISCAL YEAR 1983

BOND SERIES	DATE	FINAL MATURITY	AVERAGE MATURITY	NET INTEREST COST	AMOUNT
Refunding Revenue Bonds, Series 1982-1 (College of St. Thomas)	7/1/82	1993	7.26	10.473	$6,110,000
Revenue Bonds, Series Two-D (College of St. Thomas)	7/1/82	1993	7.26	10.671	$2,500,000
First Mortgage Revenue Bonds, Series Two-E (Carleton College)	12/1/82	1987	5.00	7.419	$9,400,000
Revenue Bonds, Series Two-F (Concordia College)	3/1/83	2003	13.48	8.567	$3,055,000
		TOTAL AMOUNT OF NEW BOND ISSUES			$21,065,000

BOND ISSUES
1972 TO 1983

COLLEGE	BOND SERIES	TYPE OF BOND	DATE	FINAL MATURITY	AVERAGE MATURITY	NET INTEREST COST	AMOUNT
AUGSBURG	A	FIRST MORTGAGE REVENUE	12/01/72	2012	29.534 yrs	5.592960%	2,200,000
BETHEL	B	FIRST MORTGAGE REVENUE	12/01/72	1997	16.31 yrs	5.459212%	1,935,000
ST. MARY'S	C	FIRST MORTGAGE REVENUE	1/01/73	1998	16.52 yrs	5.480850%	595,000
ST. SCHOLASTICA	D	FIRST MORTGAGE REVENUE	3/01/73	1997	15.16 yrs	5.953800%	520,000
GUSTAVUS ADOLPHUS	E	FIRST MORTGAGE REVENUE	3/01/73	1993	12.98 yrs	5.354400%	1,030,000
ST. BENEDICT	F	FIRST MORTGAGE REVENUE	3/01/73	1998	16.15 yrs	5.727000%	1,610,000
MPLS. SOCIETY	G	FIRST MORTGAGE REVENUE	8/01/73	1984	7.07 yrs	6.668900%	8,450,000
ST. SCHOLASTICA	H	FIRST MORTGAGE REVENUE	6/01/74	1999	16.43 yrs	6.404600%	340,000
AUGSBURG	I	FIRST MORTGAGE REVENUE	5/01/74	1995	14.037 yrs	6.201100%	1,600,000
ST. BENEDICT	J	FIRST MORTGAGE REVENUE	7/01/74	2002	19.77 yrs	6.782600%	370,000
ST. THOMAS	K	FIRST MORTGAGE REVENUE	12/01/74	1994	12.15 yrs	6.586700%	800,000
ST. MARY'S JUNIOR	L	FIRST MORTGAGE REVENUE	4/01/75	1994	12.64 yrs	8.261730%	2,280,000
ST. CATHERINE	M	FIRST MORTGAGE REVENUE	5/01/75	1996	14.51 yrs	7.997284%	690,000
ST. BENEDICT	N	FIRST MORTGAGE REVENUE	5/01/75	1994	13.26 yrs	8.320200%	1,450,000
CARLETON	O	FIRST MORTGAGE REVENUE	11/01/75	2000	25.00 yrs	7.000000%	4,000,000
ST. OLAF	P	FIRST MORTGAGE REVENUE	10/01/75	1989	9.25 yrs	7.011879%	2,350,000
BETHEL	1975-1-REFUND.	FIRST MORTGAGE REVENUE	12/01/75	1994	12.89 yrs	8.433100%	6,460,000
ST. TERESA	1976-1-REFUND.	FIRST MORTGAGE REVENUE	4/01/76	1991	10.38 yrs	7.100675%	1,695,000
CONCORDIA	Q	FIRST MORTGAGE REVENUE	5/01/76	1994	12.40 yrs	6.216100%	800,000
ST. CATHERINE	R	FIRST MORTGAGE REVENUE	8/01/76	1997	12.98 yrs	6.498330%	795,000
GOLDEN VALLEY	S	FIRST MORTGAGE REVENUE	4/01/77	1997	13.43 yrs	6.686180%	2,070,000
ST. MARY'S	1976-2-REFUND.	MORTGAGE REVENUE	4/01/77	2002	16.68 yrs	6.386100%	1,300,000
CARLETON	T	FIRST MORTGAGE REVENUE	12/01/78	2007	29.25 yrs	5.622440%	2,385,000
ST. THOMAS	U	MORTGAGE REVENUE	1/01/78	2000	15.51 yrs	5.827600%	685,000
BETHEL	W	FIRST MORTGAGE REVENUE	8/01/78	2001	15.54 yrs	6.869600%	2,360,000
ST. THOMAS	X	FIRST MORTGAGE REVENUE	9/01/78	1999	15.51 yrs	6.477010%	1,800,000
ST. OLAF	Y	FIRST MORTGAGE REVENUE	6/01/79	2010	22.66 yrs	6.595373%	5,245,000
CONCORDIA	Z	FIRST MORTGAGE REVENUE	8/01/79	2006	19.84 yrs	6.756100%	6,500,000
HAMLINE	TWO-A	FIRST MORTGAGE REVENUE	11/01/79	2008	20.80 yrs	7.798970%	6,000,000
ST. SCHOLASTICA	TWO-B	FIRST MORTGAGE REVENUE	7/01/80	1993	9.325 yrs	7.579000%	1,160,000
ST. THOMAS	TWO-C	FIRST MORTGAGE REVENUE	11/20/80	1983	3.00 yrs	7.950000%	5,980,000
ST. THOMAS	1982-1-REFUND.	REVENUE	7/01/82	1993	7.26 yrs	10.473000%	6,110,000
ST. THOMAS	TWO-D	REVENUE	7/01/82	1993	7.26 yrs	10.671000%	2,500,000
CARLETON	TWO-E	FIRST MORTGAGE REVENUE	12/01/82	1987	5.00 yrs	7.419000%	9,400,000
CONCORDIA	TWO-F	REVENUE	3/01/83	2003	13.48 yrs	8.567000%	3,055,000
						TOTAL	96,520,000

GENERAL BOND RESERVE FUND

As a general policy, the Authority requires that the amount of each bond series include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum, 80% is deposited with the trustee in a Series Reserve Account; the remaining 20% is deposited by the Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such a deposit has been made. No moneys from this fund can be used to pay operating expenses of the Authority.

No contribution to the General Bond Reserve Account will be required if an issue is three years or less and is not secured by the General Bond Reserve Account. Also, no contribution is required for a pooled bond issue. A contribution will be required for any other issue whether or not the issue is secured by the General Bond Reserve Account. If the final maturity of an issue is ten years or more, a contribution of 20% of probable average annual debt service will be made to the General Bond Reserve Account. If the issue is a term issue probable average annual debt service will be calculated upon the basis of the Authority's estimated average annual debt service for the issue if the issue were amortized with level annual debt service. The amount of the percentage of probable average annual debt service will be as follows for bonds having the maturity indicated: 0-3 years - 0%; over 3 to 4 years - 2%; over 4 to 5 years - 5%; over 5 to 6 years - 8%; over 6 to 7 years - 11%; over 7 to 8 years - 14%; over 8 to 9 years - 17%; over 9 years - 20%. No issue for which a contribution of less than 20% has been made will be secured by the General Bond Reserve Account. All contributions together with contributions for other bonds unsecured by the General Bond Reserve Account will be placed in a subaccount of the General Bond Reserve Account to form a pool to which resort will be made for advances from the General Bond Reserve Account pursuant to the General Bond Reserve Resolution only after all other funds in the General Bond Reserve Account have been exhausted.

Funds in the General Bond Reserve are invested and/or reinvested in direct obligations of the United States of America or in certificates of deposit or time deposits secured by direct obligations of the United States of America, or in such other securities, if any, as the Authority may lawfully purchase and hold for investment purposes and which are then eligible for investment of public funds of the State of Minnesota or of municipalities of the State. These securities are the following: certificates of deposit of banks or trust companies having a combined capital and surplus of at least $25,000,000; securities issued by the following agencies of the United States: Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, Banks for Cooperatives, Federal National Mortgage

Association. The Authority covenants that investment of funds shall be limited as to amount and yield of investment in such a manner that no part of any common fund bonds shall be deemed "arbitrage bonds" under Section 103(d) (1) of the Internal Revenue Code of 1954 and regulations thereunder. Interest earned on authorized investments in the General Bond Reserve may be and is intended to be accumulated until rebated to the several institutions of higher education at the respective times when the particular bond series issued has been fully paid. The interest income and the original contribution will be rebated to the college to the extent the original contribution and accumulated interest income was not needed to prevent default on bonds secured by the General Bond Reserve Account.

GENERAL BOND RESERVE FUND
STATEMENT OF CONTRIBUTIONS AND EARNINGS
FOR THE YEAR ENDED JUNE 30, 1983

COLLEGE	BOND SERIES	TYPE OF BOND	AMOUNT OF BOND	DATE INVESTED	ORIGINAL INVESTMENT
AUGSBURG	A	FIRST MORTGAGE REVENUE	2,200,000	1/08/73	31,744
BETHEL	B	FIRST MORTGAGE REVENUE	1,935,000	1/08/73	34,082
ST. MARY'S	C	FIRST MORTGAGE REVENUE	595,000	1/08/73	9,000
ST. SCHOLASTICA	D	FIRST MORTGAGE REVENUE	520,000	3/13/73	8,643
GUSTAVUS ADOLPHUS	E	FIRST MORTGAGE REVENUE	1,030,000	3/13/73	19,308
ST. BENEDICT	F	FIRST MORTGAGE REVENUE	1,610,000	3/13/73	21,304
MPLS SOCIETY	G	FIRST MORTGAGE REVENUE	8,450,000	9/13/73	220,000
ST. SCHOLASTICA	H	FIRST MORTGAGE REVENUE	340,000	6/12/74	6,000
AUGSBURG	I	FIRST MORTGAGE REVENUE	1,600,000	5/08/74	30,000
ST. BENEDICT	J	FIRST MORTGAGE REVENUE	370,000	7/11/74	7,000
ST. THOMAS	K	FIRST MORTGAGE REVENUE	800,000	1/17/75	14,000
ST. MARY'S JUNIOR	L	FIRST MORTGAGE REVENUE	2,280,000	4/29/75	47,667
ST. CATHERINE	M	FIRST MORTGAGE REVENUE	690,000	5/15/75	12,000
ST. BENEDICT	N	FIRST MORTGAGE REVENUE	1,450,000	5/20/75	28,000
CARLETON	O	FIRST MORTGAGE REVENUE	4,000,000	12/02/75	80,000
ST. OLAF	P	FIRST MORTGAGE REVENUE	2,350,000	11/07/75	53,426
BETHEL	1975-1-REFUNDING	FIRST MORTGAGE REVENUE	6,460,000	1/06/76	138,000
ST. TERESA	1976-1-REFUNDING	FIRST MORTGAGE REVENUE	1,695,000	4/06/76	40,000
CONCORDIA	Q	FIRST MORTGAGE REVENUE	800,000	5/27/76	17,000
ST. CATHERINE	R	FIRST MORTGAGE REVENUE	795,000	9/02/76	15,000
GOLDEN VALLEY	S	FIRST MORTGAGE REVENUE	2,070,000	4/04/77	39,000
ST. MARY'S	1976-2-REFUNDING	MORTGAGE REVENUE	1,300,000	5/02/77	22,800
CARLETON	T	FIRST MORTGAGE REVENUE	2,360,000	12/29/77	30,000
ST. THOMAS	U	MORTGAGE REVENUE	685,000	1/23/78	11,200
BETHEL	W	FIRST MORTGAGE REVENUE	2,360,000	8/07/78	40,000
ST. THOMAS	X	FIRST MORTGAGE REVENUE	1,800,000	9/18/78	28,000
ST. OLAF	Y	FIRST MORTGAGE REVENUE	5,245,000	6/01/79	84,000
CONCORDIA	Z	FIRST MORTGAGE REVENUE	6,500,000	8/20/79	120,000
HAMLINE	TWO-A	FIRST MORTGAGE REVENUE	6,000,000	11/13/79	100,000
ST. SCHOLASTICA	TWO-B	FIRST MORTGAGE REVENUE	1,160,000	7/18/80	32,000
ST. THOMAS	1982-1-REFUNDING	REVENUE	6,110,000	8/30/82	201,633
ST. THOMAS	TWO-D	REVENUE	2,500,000	8/30/82	82,488
CARLETON	TWO-E	FIRST MORTGAGE REVENUE	9,400,000	12/17/82	115,000
CONCORDIA	TWO-F	REVENUE	3,055,000	3/31/83	63,560
					1,801,855
ADD: ACCUMULATED FUND EARNINGS					1,164,242
TOTAL ORIGINAL INVESTMENTS AND ACCUMULATED FUND EARNINGS AS OF 6/30/83					2,966,097

GENERAL BOND RESERVE FUND
SECURITY ANALYSIS
CURRENT VALUE 6/30/83

TYPE	MATURITY DATE	FACE AMOUNT	COUPON	PRIOR INTEREST PAYMENT	CURRENT ACCRUED INTEREST	CURRENT BID PRICE	CURRENT MARKET VALUE	TOTAL
FNMA	3/10/92	50,000	7.000%	3/10/83	1,069.44	77.00000	38,500.00	39,569.44
FNMA	9/12/83	30,000	8.500%	3/12/83	765.00	99.68750	29,906.25	30,671.25
FNMA	9/12/83	30,000	8.500%	3/12/83	765.00	99.68750	29,906.25	30,671.25
FNMA	4/10/85	60,000	13.750%	4/10/83	1,833.33	105.12500	63,075.00	64,908.33
FNMA	9/10/86	70,000	13.250%	3/10/83	2,834.03	105.93750	74,156.25	76,990.28
FLB	7/20/83	150,000	8.650%	1/20/83	5,766.67	99.84375	149,765.63	155,532.30
FFCB	3/04/85	42,000	13.200%	3/04/83	1,786.40	104.59375	43,929.38	45,715.78
FFCB	4/23/84	105,000	15.500%	4/23/83	3,028.96	107.43750	112,809.38	115,838.34
FFCB	6/02/86	50,000	15.100%	6/02/83	587.22	110.12500	55,062.50	55,649.72
FFCB	3/02/87	140,000	12.400%	3/02/83	5,690.22	103.87500	145,425.00	151,115.22
FFCB	7/01/83	250,000	10.250%	10/01/82	19,147.57	100.00000	250,000.00	269,147.57
FFCB	7/20/87	35,000	10.625%	1/20/83	1,652.78	99.12500	34,693.75	36,346.53
FFCB	8/01/83	130,000	9.200%	11/01/82	7,940.11	99.96875	129,959.38	137,899.49
FECB	9/01/83	90,000	8.550%	3/01/83	2,543.63	99.81250	89,831.25	92,374.88
FFCB	12/01/87	200,000	10.300%	6/01/83	1,659.44	98.31250	196,625.00	198,284.44
FFCB	12/01/83	200,000	9.000%	6/01/83	1,450.00	99.75000	199,500.00	200,950.00
FFCB	3/01/84	210,000	9.050%	6/01/83	1,530.96	99.68750	209,343.75	210,874.71
T-NOTE	2/15/84	32,000	7.250%	2/15/83	865.19	98.62500	31,560.00	32,425.19
T-NOTE	12/31/83	70,000	13.000%	6/30/83	0.00	101.59375	71,115.63	71,115.63
T-NOTE	3/31/85	80,000	9.625%	3/31/83	1,914.48	99.12500	79,300.00	81,214.48
T-NOTE	4/30/85	65,000	9.500%	5/02/83	990.01	98.93750	64,309.38	65,299.39
T-NOTE	5/15/86	135,000	9.375%	5/16/83	1,547.64	97.53125	131,667.19	133,214.83
REPO	7/01/83	140,000	8.000%	6/30/83	0.00	100.00000	140,000.00	140,000.00
TOTALS		2,364,000			65,368.08		2,370,440.97	2,435,809.05

GENERAL BOND RESERVE FUND - SUB-ACCOUNTS
SECURITY ANALYSIS
CURRENT VALUE 6/30/83

TYPE	MATURITY DATE	FACE AMOUNT	COUPON	PRIOR INTEREST PAYMENT	CURRENT ACCRUED INTEREST	CURRENT BID PRICE	CURRENT MARKET VALUE	TOTAL
SERIES G SUB-ACCOUNT								
T-BILL	7/14/83	110,000	0.000%	0/00/00	0.00	99.66439	109,630.83	109,630.83
T-BILL	7/28/83	240,000	0.000%	0/00/00	0.00	99.35522	238,452.53	238,452.53
SLG	7/29/83	117,400	7.200%	4/26/83	1,534.73	100.00000	117,400.00	118,934.73
TOTALS		467,400			1,534.73		465,483.36	467,018.09
SERIES R SUB-ACCOUNT								
T-NOTE	11/30/84	25,000	9.875%	5/31/83	202.36	99.75000	24,937.50	25,139.86
SLG	11/30/84	1,600	7.280%	6/17/83	4.14	100.00000	1,600.00	1,604.14
TOTALS		26,600			206.50		26,537.50	26,744.00
SERIES BB SUB-ACCOUNT								
T-NOTE	11/30/84	40,000	9.875%	5/31/83	323.77	99.75000	39,900.00	40,223.77
SLG	11/30/84	2,700	8.500%	6/17/83	8.15	100.00000	2,700.00	2,708.15
TOTALS		42,700			331.92		42,600.00	42,931.92
TOTALS FOR ALL THREE SUB-ACCOUNTS		536,700			2,073.15		534,620.86	536,694.01
TOTALS FOR GENERAL BOND RESERVE		2,364,000			65,368.08		2,370,440.97	2,435,809.05
GRAND TOTALS, ALL ACCOUNTS		2,900,700			67,441.23		2,905,061.83	2,972,503.06

GENERAL BOND RESERVE
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/83

					-----AT COST----------		-----AT MARKET------	
BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/82	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83
A	67,583.22	365	72,478.56	3.29	7,475.01	75,058.23	7,729.85	75,313.07
B	72,537.12	365	77,791.30	3.53	8,020.30	80,557.42	8,293.73	80,830.85
C	19,141.30	365	20,527.79	0.93	2,113.00	21,254.30	2,185.03	21,326.33
D	18,257.63	365	19,580.11	0.89	2,022.11	20,279.74	2,091.05	20,348.68
E	40,788.97	365	43,743.49	1.99	4,521.36	45,310.33	4,675.50	45,464.47
F	45,029.61	365	48,291.30	2.19	4,975.76	50,005.37	5,145.40	50,175.01
H	11,482.30	365	12,314.01	0.56	1,272.34	12,754.64	1,315.72	12,798.02
I	57,789.10	365	61,975.01	2.81	6,384.43	64,173.53	6,602.09	64,391.19
J	13,307.12	365	14,271.01	0.65	1,476.83	14,783.95	1,527.17	14,834.29
K	25,550.72	365	27,401.47	1.24	2,817.33	28,368.05	2,913.38	28,464.10
L	84,562.70	365	90,687.94	4.12	9,360.80	93,923.50	9,679.93	94,242.63
M	21,278.60	365	22,819.90	1.04	2,362.92	23,641.52	2,443.48	23,722.08
N	49,660.15	365	53,257.25	2.42	5,498.33	55,158.48	5,685.79	55,345.94
O	136,437.01	365	146,319.73	6.64	15,086.34	151,523.35	15,600.67	152,037.68
P	91,634.91	365	98,272.42	4.46	10,133.29	101,768.20	10,478.76	102,113.67
Q	28,211.52	365	30,255.00	1.37	3,112.69	31,324.21	3,218.81	31,430.33
1975-1	234,115.69	365	251,073.70	11.40	25,946.67	260,062.36	26,831.31	260,947.00
1976-1	66,768.53	365	71,604.86	3.25	7,384.13	74,152.66	7,635.87	74,404.40
S	61,239.44	365	65,675.28	2.98	6,770.67	68,010.11	7,001.51	68,240.95
1976-2	35,606.17	365	38,185.28	1.73	3,930.63	39,536.80	4,064.63	39,670.80
T	45,042.33	365	48,304.94	2.19	4,975.76	50,018.09	5,145.40	50,187.73
U	16,728.23	365	17,939.93	0.81	1,840.35	18,568.58	1,903.09	18,631.32
W	57,320.95	365	61,472.95	2.79	6,338.99	63,659.94	6,555.10	63,876.05
X	39,634.23	365	42,505.11	1.93	4,385.03	44,019.26	4,534.53	44,168.76
Y	112,144.02	365	120,267.09	5.46	12,405.33	124,549.35	12,828.26	124,972.28
Z	158,405.68	365	169,879.68	7.71	17,517.42	175,923.10	18,114.63	176,520.31
AA	129,521.02	365	138,902.81	6.31	14,336.56	143,857.60	14,825.34	144,346.38
1982-1	201,633.25	304	180,099.94	8.18	18,585.27	220,218.52	19,218.90	220,852.15
DD	82,487.50	304	73,678.29	3.35	7,611.33	90,098.83	7,870.82	90,358.32
EE	115,000.00	195	65,888.60	2.99	6,793.40	121,793.40	7,025.00	122,025.00
FF	63,560.00	91	16,994.29	0.77	1,749.47	65,309.47	1,809.11	65,369.11
TOTALS	2,202,459.04		2,202,459.04	99.98	227,203.85	2,429,662.89	234,949.86	2,437,408.90

GENERAL BOND RESERVE - SUB-ACCOUNTS
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/83

BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/82	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	------AT COST---------- SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83	-----AT MARKET------ SHARE OF EARNINGS	INVESTED AND EARNED 6/30/83
G	430,995.32	365	430,995.32	100.00	36,021.46	467,016.78	35,979.35	466,974.67
R	24,494.22	365	24,494.22	100.00	2,114.39	26,608.61	2,051.89	26,546.11
BB	39,117.98	365	39,117.98	100.00	3,670.30	42,788.28	3,570.30	42,688.28
TOTALS FOR THREE SUBACCOUNTS	494,607.52		494,607.52		41,806.15	536,413.67	41,601.54	536,209.06
TOTALS FOR GENERAL BOND RESERVE	2,202,459.04		2,202,459.04		227,203.85	2,429,662.89	234,949.86	2,437,408.90
GRAND TOTALS	2,697,066.56		2,697,066.56		269,010.00	2,966,076.56	276,551.40	2,973,617.96

GENERAL BOND RESERVE

RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/82

BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/81	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	-----AT COST---------- SHARE OF EARNINGS	INVESTED AND EARNED 6/30/82	-----AT MARKET------ SHARE OF EARNINGS	INVESTED AND EARNED 6/30/82
A	60,642.21	365	60,642.21	3.75	7,279.92	67,922.13	5,461.92	66,104.13
B	65,096.36	365	65,096.36	4.02	7,804.07	72,900.43	5,855.17	70,951.53
C	17,179.31	365	17,179.31	1.06	2,057.79	19,237.10	1,543.90	18,723.21
D	16,388.18	365	16,388.18	1.01	1,960.72	18,348.90	1,471.08	17,859.26
E	36,605.85	365	36,605.85	2.26	4,387.36	40,993.21	3,291.71	39,897.56
F	40,402.27	365	40,402.27	2.50	4,853.28	45,255.55	3,641.28	44,043.55
H	10,297.70	365	10,297.70	0.64	1,242.44	11,540.14	932.17	11,229.87
I	51,866.10	365	51,866.10	3.20	6,212.20	58,078.30	4,660.84	56,526.94
J	11,937.43	365	11,937.43	0.74	1,436.57	13,374.00	1,077.82	13,015.25
K	22,922.39	365	22,922.39	1.42	2,756.66	25,679.05	2,068.25	24,990.64
L	75,881.81	365	75,881.81	4.69	9,104.75	84,986.56	6,831.04	82,712.85
M	19,094.50	365	19,094.50	1.18	2,290.75	21,385.25	1,718.68	20,813.18
N	44,570.08	365	44,570.08	2.75	5,338.61	49,908.69	4,005.41	48,575.49
O	122,425.42	365	122,425.42	7.57	14,695.73	137,121.15	11,025.79	133,451.71
P	82,232.15	365	82,232.15	5.08	9,861.86	92,094.01	7,399.08	89,631.23
Q	25,324.06	365	25,324.06	1.56	3,028.45	28,352.51	2,272.16	27,596.22
1975-1	210,090.52	365	210,090.52	12.98	25,198.21	235,288.73	18,905.48	228,996.00
1976-1	59,920.07	365	59,920.07	3.70	7,182.85	67,102.92	5,389.09	65,309.16
R	21,976.95	365	21,976.95	1.36	2,640.18	24,617.13	1,980.85	23,957.80
S	54,946.26	365	54,946.26	3.40	6,600.46	61,546.72	4,952.14	59,898.40
1976-2	31,959.83	365	31,959.83	1.97	3,824.38	35,784.21	2,869.33	34,829.16
T	40,414.99	365	40,414.99	2.50	4,853.28	45,268.27	3,641.28	44,056.27
U	15,006.86	365	15,006.86	0.93	1,805.42	16,812.28	1,354.56	16,361.42
W	51,434.97	365	51,434.97	3.18	6,173.37	57,608.34	4,631.70	56,066.67
X	35,562.17	365	35,562.17	2.20	4,270.88	39,833.05	3,204.32	38,766.49
Y	100,631.20	365	100,631.20	6.22	12,074.96	112,706.16	9,059.50	109,690.70
Z	142,154.46	365	142,154.46	8.78	17,044.71	159,199.17	12,788.17	154,942.63
AA	116,231.32	365	116,231.32	7.18	13,938.62	130,169.94	10,457.75	126,689.07
BB	35,101.45	365	35,101.45	2.17	4,212.65	39,314.10	3,160.63	38,262.08
TOTALS	1,618,296.87		1,618,296.87	100.00	194,131.13	1,812,428.00	145,651.10	1,763,947.97
SERIES G SUB-ACCOUNT	387,312.57	365	387,312.57	100.00	34,645.24	421,957.81	22,865.55	410,178.12
GRAND TOTALS	$2,005,609.44		$2,005,609.44	100.00	$228,776.37	$2,234,385.81	$168,516.65	$2,174,126.09

SERIES RESERVE ACCOUNTS CONTRIBUTIONS

COLLEGE	BOND SERIES	TYPE OF BOND	AMOUNT OF BOND	INITIAL SERIES RESERVE
AUGSBURG	A	FIRST MORTGAGE REVENUE	2,200,000	126,474
BETHEL	B	FIRST MORTGAGE REVENUE	1,935,000	136,328
ST. MARY'S	C	FIRST MORTGAGE REVENUE	595,000	36,000
ST. SCHOLASTICA	D	FIRST MORTGAGE REVENUE	520,000	34,574
GUSTAVUS ADOLPHUS	E	FIRST MORTGAGE REVENUE	1,030,000	77,232
ST. BENEDICT	F	FIRST MORTGAGE REVENUE	1,610,000	85,216
MPLS. SOCIETY	G	FIRST MORTGAGE REVENUE	8,450,000	880,000
ST. SCHOLASTICA	H	FIRST MORTGAGE REVENUE	340,000	24,000
AUGSBURG	I	FIRST MORTGAGE REVENUE	1,600,000	120,000
ST. BENEDICT	J	FIRST MORTGAGE REVENUE	370,000	28,000
ST. THOMAS	K	FIRST MORTGAGE REVENUE	800,000	56,000
ST. MARY'S JUNIOR	L	FIRST MORTGAGE REVENUE	2,280,000	190,668
ST. CATHERINE	M	FIRST MORTGAGE REVENUE	690,000	48,000
ST. BENEDICT	N	FIRST MORTGAGE REVENUE	1,450,000	112,000
CARLETON	O	FIRST MORTGAGE REVENUE	4,000,000	0
ST. OLAF	P	FIRST MORTGAGE REVENUE	2,350,000	213,703
BETHEL	1975-1-REFUNDING	FIRST MORTGAGE REVENUE	6,460,000	552,000
ST. TERESA	1976-1-REFUNDING	FIRST MORTGAGE REVENUE	1,695,000	160,000
CONCORDIA	Q	FIRST MORTGAGE REVENUE	800,000	68,000
ST. CATHERINE	R	FIRST MORTGAGE REVENUE	795,000	60,000
GOLDEN VALLEY	S	FIRST MORTGAGE REVENUE	2,070,000	156,000
ST. MARY'S	1976-2-REFUNDING	MORTGAGE REVENUE	1,300,000	91,200
CARLETON	T	FIRST MORTGAGE REVENUE	2,385,000	0
ST. THOMAS	U	MORTGAGE REVENUE	685,000	44,800
BETHEL	W	FIRST MORTGAGE REVENUE	2,360,000	160,000
ST. THOMAS	X	FIRST MORTGAGE REVENUE	1,800,000	112,000
ST. OLAF	Y	FIRST MORTGAGE REVENUE	5,245,000	336,000
CONCORDIA	Z	FIRST MORTGAGE REVENUE	6,500,000	480,000
HAMLINE	TWO-A	FIRST MORTGAGE REVENUE	6,000,000	400,000
ST. SCHOLASTICA	TWO-B	FIRST MORTGAGE REVENUE	1,160,000	128,000
ST. THOMAS	1982-1-REFUNDING	REVENUE	6,110,000	893,800
ST. THOMAS	TWO-D	REVENUE	2,500,000	365,000
CARLETON	TWO-E	FIRST MORTGAGE REVENUE	9,400,000	0
CONCORDIA	TWO-F	REVENUE	3,055,000	320,850
		TOTAL OF ALL ISSUES AS OF JUNE 30, 1983	90,540,000	6,495,845

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS

for the years ended June 30, 1983 and 1982

C O N T E N T S

Coopers
&Lybrand

certified public accountants

To the Executive Director and Chairman of the Board of
the Minnesota Higher Education Facilities Authority:

We have examined the balance sheets comprising the various funds of the Minnesota Higher Education Facilities Authority as of June 30, 1983 and 1982, and the related statements of revenues and expenses and changes in fund balance and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds of the Minnesota Higher Education Facilities Authority at June 30, 1983 and 1982 and the results of their operations and changes in their financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

St. Paul, Minnesota
August 19, 1983

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1983 and 1982

ASSETS	General Operating Fund 1983	General Operating Fund 1982	General Bond Reserve Fund (Note 4) 1983	General Bond Reserve Fund (Note 4) 1982
Unrestricted:				
Cash (including short-term investments of $215,000 in 1983 and $104,998 in 1982)	$ 233,056	$ 115,534		
Furniture and equipment (less accumulated depreciation of $8,854 in 1983 and $8,043 in 1982)	5,634	1,742		
Other	11,164	9,781		
	249,854	127,057		
Restricted:				
Cash			$ 5,679	$ 39,939
Investments, at cost			2,897,520	2,130,637
Accrued interest receivable			67,462	66,650
Financing leases (Note 3):				
Rentals receivable	54,540,561	52,594,400		
Cash (including certificates of deposit and short-term investment funds of $2,828,548 in 1983 and $1,006,178 in 1982)	3,141,682	1,107,576		
Investments, at cost	23,735,154	9,201,514		
Accrued interest receivable	451,820	194,161		
Reserve deposits to General Bond Reserve Fund	1,339,174	1,339,174		
	83,208,391	64,436,825		
Total assets	$83,458,245	$64,563,882	$2,970,661	$2,237,226

Continued

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1983 and 1982, Continued

LIABILITIES AND FUND BALANCE	General Operating Fund 1983	General Operating Fund 1982	General Bond Reserve Fund (Note 4) 1983	General Bond Reserve Fund (Note 4) 1982
Accounts payable, operations	$ 1,504	$ 1,469		
Payable from restricted assets:				
Revenue bonds payable (less unamortized discount of $1,263,358 in 1983 and $910,509 in 1982) (Note 4)	81,706,642	63,454,491		
Accrued interest payable	1,501,749	982,334		
Accounts payable			$ 4,564	$ 2,840
Reserve deposits from colleges			462,681	
Reserve deposits from restricted assets of General Operating Fund			1,339,174	1,339,174
	83,208,391	64,436,825	1,806,419	1,342,014
Total liabilities	83,209,895	64,438,294	1,806,419	1,342,014
Fund balance:				
Unappropriated	248,350	125,588		
Appropriated (Note 1)			1,164,242	895,212
Total fund balance	248,350	125,588	1,164,242	895,212
Total liabilities and fund balance	$83,458,245	$64,563,882	$2,970,661	$2,237,226

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE

for the years ended June 30, 1983 and 1982

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
REVENUES	1983	1982	1983	1982	1983	1982
Application fees	$ 2,000	$ 4,000				
Bond issuance fees	73,727					
Annual administrative fees	151,064	121,154				
Investment income	19,882	17,803	$2,028,615	$1,272,043	$ 274,512	$232,634
Revenues from institutions to finance interest expense and bond issuance costs (Note 1)			3,959,554	3,293,058		
Total revenues	246,673	142,957	5,988,169	4,565,101	274,512	232,634
EXPENSES						
Payroll, payroll taxes and employee benefits (Note 5)	85,672	112,081				
Rent expense	9,028	8,625				
Legal, audit and consulting expense	11,413	18,616			4,244	3,653
Other general and administrative expenses	17,798	13,006			1,238	205
Interest expense			5,598,813	4,561,957		
Bond issuance costs			376,324			
Loss on sale of investments			13,032	3,144		
Total expenses	123,911	152,328	5,988,169	4,565,101	5,482	3,858
Excess (deficit) of revenues over expenses	122,762	(9,371)			269,030	228,776
Fund balance, beginning of year	125,588	134,959			895,212	666,436
Fund balance, end of year	$248,350	$125,588	-	-	$1,164,242	$895,212

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended June 30, 1983 and 1982

	General Operating Fund 1983	General Operating Fund 1982	General Bond Reserve Fund 1983	General Bond Reserve Fund 1982
Cash provided:				
Operations:				
Excess (deficit) of revenues over expenses	$ 122,762	$ (9,371)	$269,030	$228,776
Add (deduct) items not affecting cash:				
Depreciation	811	916		
Amortization of bond discount	139,508	92,841		
Increase (decrease) in accrued interest payable	519,415	(44,946)		
(Increase) in accrued interest receivable	(257,659)	(34,545)	(812)	(20,682)
Increase (decrease) in accounts payable	35	(17,540)	1,724	(648)
Cash provided by operations	524,872	(12,645)	269,942	207,446
Deposit to escrow	5,805,500			
Reserve deposits from colleges			462,681	
Proceeds from revenue bonds issued	20,572,643			
Collections of financing lease rentals receivable	2,782,854	2,016,145		
Total cash provided	29,685,869	2,003,500	732,623	207,446
Cash applied:				
Construction of property under lease	10,534,515	490,895		
Net increase in funds invested	14,533,640	475,474	766,883	172,779
Redemption of revenue bonds	2,460,000	2,240,000		
Purchase of fixed assets	4,703	890		
Other	1,383	1,284		
Total cash applied	27,534,241	3,208,543	766,883	172,779
Increase (decrease) in cash	2,151,628	(1,205,043)	(34,260)	34,667
Unrestricted cash and temporary investments, beginning of year	115,534	143,703		
Restricted cash, beginning of year	1,107,576	2,284,450	39,939	5,272
Cash and temporary investments, end of year	$ 3,374,738	$ 1,223,110	$ 5,679	$ 39,939
Unrestricted cash and temporary investments, end of year	233,056	115,534		
Restricted cash and temporary investments, end of year	3,141,682	1,107,576	5,679	39,939
Cash and temporary investments, end of year	$ 3,374,738	$ 1,223,110	$ 5,679	$ 39,939

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Authorizing Legislation and Funds:

AUTHORIZING LEGISLATION:

The Minnesota Higher Education Facilities Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority is authorized to have a maximum of $150 million of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

FUNDS:

The following describes the funds maintained by the Authority, all of which conform with the authorizing legislation, bond resolutions and mortgage indentures:

General Operating Fund:

The unrestricted revenue of the General Operating Fund consists principally of the following fees paid by the participating institutions:

Bond issuance fees - .35% of original bond principal.

Annual administrative fees - .2% of original bond principal until repayment (.125% of the original bond principal for applications received prior to August 12, 1975).

General and administrative expenses of the Authority are paid from unrestricted assets. Assets in the General Bond Reserve Fund and assets arising from the capitalized financing lease activities in this fund, including debt service reserves, are appropriated for the purposes specified in the mortgage trust indentures and cannot be used to pay the operating expenses of the Authority.

The restricted assets of the General Operating Fund consist of capitalized financing leases. Separate trust accounts are maintained to account for the proceeds of each bond issue, to receive rental payments and to accumulate the required reserves and sinking funds stipulated in the related mortgage trust indentures.

Continued

1. Authorizing Legislation and Funds, continued:

FUNDS, continued:

General Operating Fund, continued:

Proceeds of the bonds are held by a trustee and invested in specified securities until withdrawn for payment of construction costs or debt service.

Under the terms of the net lease agreements, the participating institutions lease the projects from the Authority over the life of the bond issue. The lease agreements define rental payments as the amount required to provide sufficient revenues to fund debt service, principal redemptions and other related expenses.

Rental payments to be received from the participating institutions are reduced by the amount of income earned on the investments in the required reserves (other than the General Bond Reserve) and sinking funds stipulated in the mortgage trust indenture.

Upon retirement of a bond issue, any remaining assets in the related trust accounts will be rebated to the participating institution.

General Bond Reserve Fund:

A specified portion of the proceeds from each issuance of Authority bonds (except Series CC which did not contribute and DD, 1982-1, EE and FF which contributed out of institution funds) is deposited in the General Bond Reserve Fund. Monies in the fund are invested in United States obligations and certificates of deposit. The investments and the earnings thereon are pledged as collateral for repayment of all revenue bonds outstanding except Series CC, DD, 1982-1, EE and FF (see Note 4). Upon repayment of its bonds, a participating institution will be rebated its share of the fund consisting of the institution's original deposit adjusted for a proportionate share of fund earnings and charges for collateral payments, if any, to date.

2. Accounting Policies:

The following is a summary of the significant accounting policies applied in the preparation of these financial statements.

BASIS OF ACCOUNTING:

The Authority follows the accrual basis of accounting.

Continued

2. Accounting Policies, continued:

INVESTMENTS:

Investments are stated at cost adjusted for amortization of purchase discount or premium, if any.

BOND DISCOUNTS:

Bond discounts are amortized under the interest method over the term of the related bond series.

FURNITURE AND EQUIPMENT:

Office furniture and equipment is stated at cost and depreciated on the straight-line method over the estimated useful life of the asset.

ISSUANCE COSTS:

The costs of issuing the bonds, which are insignificant in amount, are expensed as incurred.

LEASE ACCOUNTING:

Lease contracts have been accounted for as direct financing leases in accordance with Statement No. 13 of the Financial Accounting Standards Board (FASB). The net investment is comprised of the total lease payments receivable under the contract less unearned income. The unearned finance income is recognized as revenue over the lease term as interest expense is recognized. This method approximates a constant rate of return on the net investment in the contract. Since the participating institutions have the option to acquire the project from the Authority at the expiration of the lease for a nominal fee, the estimated residual value of the property under lease at the end of the lease term is not included in the net investment. The income received from an institution from the sale of a project, which is insignificant in amount, will be recognized as income in the year received.

3. Financing Leases:

The annual rental payments required under the leases are sufficient to fund debt service, principal redemptions (Note 4) and other related expenses. The term of each lease agreement corresponds to the maturity of the related bond issue. At the expiration of the lease the institution has the option to acquire the project from the Authority for a specified nominal fee.

Continued

3. Financing Leases, continued:

The Authority's net investment in finance leases consists of the following at June 30, 1983 and 1982:

	1983	1982
Aggregate payments to be received from the participating institutions and from income earned on the investments in the required reserves and sinking funds stipulated in the mortgage trust indentures	$142,452,069	$116,135,322
Unearned income	(59,243,678)	(51,698,497)
	$ 83,208,391	$ 64,436,825

At June 30, 1983 future minimum lease payments to be received under financing leases, including income earned on the investments as noted above, approximates:

	Principal	Interest	Total
1984	$ 9,535,000	$ 5,575,039	$ 15,110,039
1985	2,290,000	5,225,217	7,515,217
1986	2,480,000	5,054,011	7,534,011
1987	2,695,000	4,863,548	7,558,548
1988	12,275,000	4,270,722	16,545,722
Thereafter	53,695,000	34,493,532	88,188,532
	$82,970,000	$59,482,069	$142,452,069

Continued

4. Revenue Bonds Payable:

Revenue bonds payable at June 30, 1983 consist of the following serial and term bonds:

Original Principal Amount		Interest Rates	Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%	Dec 1, 1975 to Dec 1, 2012	$ 2,100,000	$ (21,436)	$ 2,078,564
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,495,000	(15,937)	1,479,063
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jan 1, 1976 to Jan 1, 1998	475,000	(4,947)	470,053
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	385,000	(4,085)	380,915
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	700,000	(6,193)	693,807
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	1,255,000	(12,660)	1,242,340
8,450,000	Series G (Minneapolis Society of Fine Arts)	6.4%	Aug 1, 1976 to Aug 1, 1983	2,010,000	(707)	2,009,293
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	275,000	(4,379)	270,621
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	1,220,000	(12,937)	1,207,063
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	335,000	(6,302)	328,698
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	585,000	(3,542)	581,458
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	1,755,000	(37,743)	1,717,257
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	570,000	(8,837)	561,163
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	1,145,000	(19,224)	1,125,776
4,000,000	Series O (Carleton College)	7.0%	Nov 1, 2000	4,000,000	(52,693)	3,947,307
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%	Apr 1, 1976 to Oct 1, 1989	1,540,000	(17,386)	1,522,614
800,000	Series Q (Concordia College)	4.0% to 6.375%	Apr 1, 1978 to Apr 1, 1994	645,000	(9,498)	635,502
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%	Oct 1, 1976 to Oct 1, 1994	5,310,000	(91,456)	5,218,544
1,695,000	Series 1976-1 (College of St. Theresa)	5.875% to 7.1%	Apr 1, 1978 to Apr 1, 1991	1,245,000	(19,119)	1,225,881
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%	Apr 1, 1979 to Apr 1, 2002	1,175,000		1,175,000
795,000	Series R (College of St. Catherine)	4.0% to 6.625%	May 1, 1977 to May 1, 1997	630,000	(10,797)	619,203
2,070,000	Series S (Golden Valley Lutheran College)	6.5%	Apr 1, 1979 to Apr 1, 1997	1,765,000	(28,860)	1,736,140
2,385,000	Series T (Carleton College)	5.625%	Mar 1, 2007	2,385,000		2,385,000
685,000	Series U (College of St. Thomas)	4.4% to 5.9%	Apr 1, 1980 to Apr 1, 2000	630,000	(9,782)	620,218
2,360,000	Series W (Bethel College)	6.4% to 7.0%	Apr 1, 1979 to Apr 1, 2001	2,150,000		2,150,000
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%	Apr 1, 1980 to Apr 1, 1999	1,740,000	(19,026)	1,720,974
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%	Apr 1, 1981 to Apr 1, 2010	5,095,000	(84,499)	5,010,501
6,500,000	Series Z (Concordia College)	6.0% to 6.7%	Apr 1, 1983 to Apr 1, 2006	6,400,000	(152,827)	6,247,173
6,000,000	Series AA (Hamline University)	7.25% to 7.75%	Jun 1, 1982 to Jun 1, 2008	5,850,000	(148,639)	5,701,361
1,160,000	Series BB (College of St. Scholastica)	6.00% to 7.50%	May 1, 1982 to May 1, 1993	1,060,000	(20,754)	1,039,246
5,980,000	Series CC (College of St. Thomas)	7.95%	Nov 20, 1983	5,980,000		5,980,000
6,110,000	Series 1982-1 (College of St. Thomas)	8.50% to 11.00%	Jul 1, 1984 to Jul 1, 1993	6,110,000	(129,651)	5,980,349
2,500,000	Series DD (College of St. Thomas)	8.50% to 11.00%	Jul 1, 1984 to Jul 1, 1993	2,500,000	(53,049)	2,446,951
9,400,000	Series EE (Carleton College)	7.00%	Dec 7, 1987	9,400,000	(174,363)	9,225,637
3,055,000	Series FF (Concordia College)	5.00% to 8.80%	Oct 1, 1984 to Oct 1, 2003	3,055,000	(82,030)	2,972,970
$96,520,000				$82,970,000	$(1,263,358)	$81,706,642

Continued

4. Revenue Bonds Payable, continued:

Aggregate principal and interest are due on the revenue bonds equal to the future minimum lease payments to be received under financing leases as shown in Note 3. Under the terms of the related mortgage trust indentures, each bond issue is collateralized by a) all assets financed by the bond issue except for Series 1982-1, DD and FF which are insured by the American Municipal Bond Acceptance Corporation (AMBAC); b) all rights and revenues under the lease between the Authority and the institution (except Authority fees); c) a security interest in the assets of the General Bond Reserve Fund, except for Series CC which has an escrow account in the amount of $5,805,500, and Series EE which must maintain $9,400,000 in qualified investment in the Construction Account and Debt Service Reserve Account combined, and Series DD, 1982-1 and FF which are insured by AMBAC; and d) restricted assets in the General Operating Fund pertaining to each issue including a debt service reserve for all issues except Series O and T which have $4,400,000 and $2,625,000, respectively, of Carleton College investment securities pledged as collateral for their debt service reserves (see Note 1).

5. Workmen's Compensation Claim:

As a result of a ruling from the workmen's compensation court in December 1979, the Authority is liable for workmen's compensation and future medical expenses for a work related disability of a former employee. The amount of workmen's compensation and medical expenses in 1983 and 1982 amounted to $15,367 and $19,089, respectively. The amount of future potential payments, which cannot be determined at June 30, 1983, will be expensed as incurred in future years.

6. Commitments:

The Authority has a lease commitment to pay, from the General Operating Fund, monthly rentals of $800 through November 1983 and monthly amounts ranging from $875 to $925 for four years after that. Rentals charged to expense in 1983 and 1982 amounted to $9,028 and $8,625, respectively.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS

for the years ended June 30, 1984 and 1983

Coopers & Lybrand

Certified Public Accountants

C O N T E N T S

Coopers & Lybrand

certified public accountants

To the Executive Director and Chairman of the Board of
the Minnesota Higher Education Facilities Authority:

We have examined the balance sheets comprising the various funds of the Minnesota Higher Education Facilities Authority as of June 30, 1984 and 1983, and the related statements of revenues and expenses and changes in fund balance and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds of the Minnesota Higher Education Facilities Authority at June 30, 1984 and 1983 and the results of their operations and changes in their financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

St. Paul, Minnesota
August 31, 1984

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1984 and 1983

ASSETS	General Operating Fund 1984	General Operating Fund 1983	General Bond Reserve Fund (Note 4) 1984	General Bond Reserve Fund (Note 4) 1983
Unrestricted:				
Cash (including short-term investments of $529,984 in 1984 and $215,000 in 1983)	$ 552,577	$ 233,056		
Furniture and equipment (less accumulated depreciation of $9,523 in 1984 and $8,854 in 1983)	4,965	5,634		
Other	22,737	11,164		
	580,279	249,854		
Restricted:				
Cash			$ 81,995	$ 5,679
Investments, at cost			2,670,281	2,897,520
Accrued interest receivable			65,013	67,462
Financing agreements (Note 3):				
Rentals receivable, financing leases	52,577,619	54,540,561		
Promissory notes receivable	7,786,630			
Cash (including certificates of deposit and short-term investment funds of $4,928,528 in 1984 and $2,828,548 in 1983)	5,124,600	3,141,682		
Investments, at cost	26,984,986	23,735,154		
Accrued interest receivable	600,894	451,820		
Reserve deposits to General Bond Reserve Fund	1,119,174	1,339,174		
	94,193,903	83,208,391		
Total assets	$94,774,182	$83,458,245	$2,817,289	$2,970,661

Continued

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1984 and 1983, Continued

LIABILITIES AND FUND BALANCE	General Operating Fund 1984	General Operating Fund 1983	General Bond Reserve Fund (Note 4) 1984	General Bond Reserve Fund (Note 4) 1983
Accounts payable, operations	$ 8,701	$ 1,504		
Unearned annual administrative fees	170,844			
	179,545	1,504		
Payable from restricted assets:				
Revenue bonds payable (less unamortized discount of $1,478,187 in 1984 and $1,263,358 in 1983) (Note 4)	92,446,813	81,706,642		
Accrued interest payable	1,747,090	1,501,749		
Accounts payable			$ 3,064	$ 4,564
Reserve deposits from colleges			505,181	462,681
Reserve deposits from restricted assets of General Operating Fund			1,119,174	1,339,174
	94,193,903	83,208,391	1,627,419	1,806,419
Total liabilities	94,373,448	83,209,895	1,627,419	1,806,419
Fund balance:				
Unappropriated	400,734	248,350		
Appropriated (Note 1)			1,189,870	1,164,242
Total fund balance	400,734	248,350	1,189,870	1,164,242
Total liabilities and fund balance	$94,774,182	$83,458,245	$2,817,289	$2,970,661

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE

for the years ended June 30, 1984 and 1983

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
REVENUES	1984	1983	1984	1983	1984	1983
Annual administrative fees	$178,819	$151,064				
Bond issuance fees	71,715	73,727				
Application fees	1,000	2,000				
Investment income	42,958	19,882	$2,999,085	$2,028,615	$ 282,182	$ 274,512
Revenues from institutions to finance interest expense and bond issuance costs (Note 1)			4,607,026	3,959,554		
Total revenues	294,492	246,673	7,606,111	5,988,169	282,182	274,512
EXPENSES						
Payroll, payroll taxes and employee benefits (Note 5)	101,102	85,672				
Rent expense	10,125	9,028				
Legal, audit and consulting expense	12,136	11,413			3,010	4,244
Other general and administrative expenses	18,745	17,798			327	1,238
Interest expense			6,822,607	5,598,813		
Bond issuance costs			783,504	376,324		
Loss on sale of investments				13,032		
Total expenses	142,108	123,911	7,606,111	5,988,169	3,337	5,482
Excess of revenues over expenses	152,384	122,762			278,845	269,030
Fund balance, beginning of year	248,350	125,588			1,164,242	895,212
Distribution of pro rata share of fund earnings upon final redemption of Series GG bonds					(253,217)	
Fund balance, end of year	$400,734	$248,350	-	-	$1,189,870	$1,164,242

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended June 30, 1984 and 1983

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
	1984	1983	1984	1983	1984	1983
Cash provided:						
Operations:						
Excess of revenues over expenses	$152,384	$122,762			$278,845	$269,030
Add (deduct) items not affecting cash:						
Depreciation	669	811				
Increase in accrued interest payable			$ 245,341	$ 139,508		
(Increase) decrease in accrued interest receivable			196,369	519,415	2,449	(812)
Increase (decrease) in accounts payable	7,197	35	(149,074)	(257,659)	(1,500)	1,724
Prepaid administrative fees received	170,844					
Cash provided by operations	331,094	123,608	292,636	401,264	279,794	269,942
Reserve deposits and earnings from General Bond Reserve			473,217			
Deposit to escrow				5,805,500		
Reserve deposits from colleges					42,500	462,681
Proceeds from revenue bonds issued			20,078,802	20,572,643		
Collections of financing lease rentals receivable			2,180,922	2,782,854		
Total cash provided	331,094	123,608	23,025,577	29,562,261	322,294	732,623
Cash applied:						
Funds disbursed to institutions			8,257,827	10,534,515		
Net increase in funds invested			3,249,832	14,533,640	(227,239)	766,883
Redemption of revenue bonds			9,535,000	2,460,000		
Purchase of fixed assets		4,703				
Other	11,573	1,383				
Reserve deposits and earnings to General Operating Fund					473,217	
Total cash applied	11,573	6,086	21,042,659	27,528,155	245,978	766,883
Increase (decrease) in cash and short-term investments	319,521	117,522	1,982,918	2,034,106	76,316	(34,260)
Cash and short-term investments, beginning of year	233,056	115,534	3,141,682	1,107,576	5,679	39,939
Cash and temporary investments, end of year	$552,577	$233,056	$ 5,124,600	$ 3,141,682	$ 81,995	$ 5,679

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Authorizing Legislation and Funds:

AUTHORIZING LEGISLATION:

The Minnesota Higher Education Facilities Authority is a state agency created to assist nonprofit institutions of higher education in financing the construction of educational facilities. The Authority is authorized to have a maximum of $150 million of revenue bonds outstanding. Bonds issued by the Authority are payable only from specified revenues and collateral and do not constitute a debt of the State of Minnesota.

FUNDS:

The following describes the funds maintained by the Authority, all of which conform with the authorizing legislation, bond resolutions and trust indentures:

General Operating Fund:

The unrestricted revenues of the General Operating Fund consist principally of the following fees paid by the participating institutions:

Bond issuance fees - .35% of original bond principal.

Annual administrative fees - .2% of original bond principal until repayment (.125% of the original bond principal for applications received prior to August 12, 1975).

General and administrative expenses of the Authority are paid from unrestricted assets. Assets arising from the financing activities, including debt service reserves, and assets in the General Bond Reserve Fund are appropriated for the purposes specified in the trust indentures and cannot be used to pay the operating expenses of the Authority.

The restricted assets of the General Operating Fund consist of capitalized financing leases and promissory notes receivable. Separate trust accounts are maintained to account for the proceeds of each bond issue, to receive rental and loan payments and to accumulate the required reserves and sinking funds stipulated in the related trust indentures.

Continued

1. Authorizing Legislation and Funds, continued:

FUNDS, continued:

General Operating Fund, continued:

Proceeds of the bonds are held by a trustee and invested in specified securities until withdrawn for payment of construction costs or debt service.

Under the terms of each net lease or loan agreement, the participating institution leases the project from the Authority or makes loan repayments over the life of the bond issue. The agreements define rental and loan payments as the amount required to provide sufficient revenues to fund debt service, principal redemptions and other related expenses.

Rental and loan payments to be received from the participating institutions are reduced by the amount of income earned on the investments in the required reserves (other than the General Bond Reserve) and sinking funds stipulated in the trust indentures.

Upon retirement of a bond issue, any remaining assets in the related trust accounts are rebated to the participating institution.

General Bond Reserve Fund:

A specified portion of the proceeds from certain issuances of Authority bonds is deposited in the General Bond Reserve Fund. Monies in the fund are invested in United States obligations and certificates of deposit. The investments and the earnings thereon are pledged as collateral for repayment of all related revenue bonds outstanding. Upon repayment of its bonds, a participating institution is rebated its share of the fund consisting of the institution's original deposit adjusted for a proportionate share of fund earnings and charges for collateral payments, if any, to date.

2. Accounting Policies:

The following is a summary of the significant accounting policies applied in the preparation of these financial statements.

BASIS OF ACCOUNTING:

The Authority follows the accrual basis of accounting.

Continued

2. Accounting Policies, continued:

INVESTMENTS:

Investments are stated at cost adjusted for amortization of purchase discount or premium, if any.

BOND DISCOUNTS:

Bond discounts are amortized under the interest method over the term of the related bond series.

FURNITURE AND EQUIPMENT:

Office furniture and equipment is stated at cost and depreciated on the straight-line method over the estimated useful lives of the assets.

ISSUANCE COSTS:

Bond issuance costs are expensed as incurred.

ACCOUNTING FOR FINANCING AGREEMENTS:

Lease agreements have been accounted for as direct financing leases in accordance with Statement No. 13 of the Financial Accounting Standards Board (FASB). The net investment is comprised of the total lease payments receivable under the contract less unearned income. The unearned finance income is recognized as revenue over the lease term as interest expense is recognized. This method approximates a constant rate of return on the net investment in the contract. Since the participating institutions have the option to acquire the project from the Authority at the expiration of the lease for a nominal amount, the estimated residual value of the property under lease at the end of the lease term is not included in the net investment. Loan agreements are accounted for substantially the same as lease agreements.

3. Financing Agreements:

The annual payments required under financing agreements are sufficient to fund debt service, principal redemptions and other related expenses. The term of each agreement corresponds to the maturity of the related bond issue. All agreements are recorded as financing leases except Series GG and 1983-A which are recorded as promissory notes receivable.

Continued

3. Financing Agreements, continued:

The Authority's net investment in finance agreements consists of the following at June 30, 1984:

	Financing Leases	Promissory Notes	Total
Aggregate payments to be received from the participating institutions and from income earned on the investments in the required reserves and sinking funds stipulated in the trust indentures	$132,762,580	$30,738,676	$163,501,256
Net assets held in trust	(20,857,381)	(12,703,370)	(33,560,751)
Unearned income	(59,327,580)	(10,248,676)	(69,576,256)
	$ 52,577,619	$ 7,786,630	$ 60,364,249

At June 30, 1984 future minimum payments to be received under financing agreements, including income earned on the investments as noted above, approximates:

	Principal	Interest	Total
1985	$ 2,335,000	$ 6,877,618	$ 9,212,618
1986	2,530,000	6,703,392	9,233,392
1987	4,925,000	6,399,033	11,324,033
1988	14,655,000	5,639,000	20,294,000
1989	6,415,000	4,948,786	11,363,786
Thereafter	63,065,000	39,008,427	102,073,427
	$93,925,000	$69,576,256	$163,501,256

Continued

4. Revenue Bonds Payable:

Revenue bonds payable at June 30, 1984 consist of the following serial and term bonds:

Original Principal Amount		Interest Rates	Maturity Dates	Principal Outstanding	Unamortized Discount	Principal Less Unamortized Discount
$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%	Dec 1, 1975 to Dec 1, 2012	$ 2,080,000	$ (20,378)	$ 2,059,622
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,430,000	(14,097)	1,415,903
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jan 1, 1976 to Jan 1, 1998	455,000	(4,381)	450,619
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	365,000	(3,594)	361,406
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	650,000	(5,157)	644,843
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	1,200,000	(11,229)	1,188,771
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	265,000	(3,941)	261,059
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	1,150,000	(11,213)	1,138,787
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	330,000	(5,804)	324,196
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	550,000	(3,025)	546,975
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	1,660,000	(32,317)	1,627,683
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	545,000	(7,824)	537,176
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	1,090,000	(16,716)	1,073,284
4,000,000	Series O (Carleton College)	7.0%	Nov 1, 2000	4,000,000	(49,653)	3,950,347
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%	Apr 1, 1976 to Oct 1, 1989	1,390,000	(13,404)	1,376,596
800,000	Series Q (Concordia College)	4.0% to 6.375%	Apr 1, 1978 to Apr 1, 1994	610,000	(8,205)	601,795
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%	Oct 1, 1976 to Oct 1, 1994	5,060,000	(79,114)	4,980,886
1,695,000	Series 1976-1 (College of St. Theresa)	5.875% to 7.1%	Apr 1, 1978 to Apr 1, 1991	605,000	(9,566)	595,434
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%	Apr 1, 1979 to Apr 1, 2002	1,690,000	(25,610)	1,664,390
795,000	Series R (College of St. Catherine)	4.0% to 6.625%	May 1, 1977 to May 1, 1997	1,150,000	(15,552)	1,134,448
2,070,000	Series S (Golden Valley Lutheran College)	6.5%	Apr 1, 1979 to Apr 1, 1997	1,145,000		1,145,000
2,385,000	Series T (Carleton College)	5.625%	Mar 1, 2007	2,385,000		2,385,000
685,000	Series U (College of St. Thomas)	4.4% to 5.9%	Apr 1, 1980 to Apr 1, 2000	610,000	(8,926)	601,074
2,360,000	Series W (Bethel College)	6.4% to 7.0%	Apr 1, 1979 to Apr 1, 2001	2,100,000		2,100,000
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%	Apr 1, 1980 to Apr 1, 1999	1,730,000	(17,411)	1,712,589
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%	Apr 1, 1981 to Apr 1, 2010	5,040,000	(80,081)	4,959,919
6,500,000	Series Z (Concordia College)	6.0% to 6.7%	Apr 1, 1983 to Apr 1, 2006	6,300,000	(143,546)	6,156,454
6,000,000	Series AA (Hamline University)	7.25% to 7.75%	Jun 1, 1982 to Jun 1, 2008	5,775,000	(140,269)	5,634,731
1,160,000	Series BB (College of St. Scholastica)	6.00% to 7.50%	May 1, 1982 to May 1, 1993	1,010,000	(17,858)	992,142
6,110,000	Series 1982-1 (College of St. Thomas)	8.50% to 11.00%	Jul 1, 1984 to Jul 1, 1993	6,110,000	(109,607)	6,000,393
2,500,000	Series DD (College of St. Thomas)	8.50% to 11.00%	Jul 1, 1984 to Jul 1, 1993	2,500,000	(44,848)	2,455,152
9,400,000	Series EE (Carleton College)	7.00%	Dec 7, 1987	9,400,000	(134,883)	9,265,117
3,055,000	Series FF (Concordia College)	5.00% to 8.80%	Oct 1, 1984 to Oct 1, 2003	3,055,000	(76,091)	2,978,909
1,970,000	Series GG (Hamline University)	6.50% to 10.25%	May 1, 1985 to May 1, 1996	1,970,000	(44,003)	1,925,997
18,520,000	Series 1983-A (Pooled Revenue Bonds: Augsburg College, Carlton College, College of St. Scholastica, College of St. Thomas, Concordia College, Gustavus Adolphus College, Minneapolis College of Art and Design, Northwestern College of Chiropractic, St. John's University, and St. Mary's College)	6.75% to 8.50%	Oct 1, 1986 to Oct 1, 1991	18,520,000	(319,884)	18,200,116
$102,580,000				$93,925,000	$(1,478,187)	$92,446,813

Continued

4. Revenue Bonds Payable, continued:

Aggregate principal and interest are due on the revenue bonds equal to the future minimum payments to be received under financing agreements as shown in Note 3. Under the terms of the related trust indentures, each bond issue is collateralized as follows:

- All assets financed by the bond issue except Series 1982-1, DD, FF, GG and 1983-A which are insured by the American Municipal Bond Assurance Corporation (AMBAC);
- All rights and revenues (except Authority fees) under the financing agreement between the Authority and the institution;
- A security interest in the assets of the General Bond Reserve Fund, except Series 1982-1, DD, EE, FF, GG, and 1983-A.
- Restricted assets in the General Operating Fund pertaining to each issue including a debt service reserve for all issues except series O and T.
- Investments pledged as collateral by the institutions and not included in restricted assets of the General Operating Fund, with a market value not less than the following amounts as of June 30, 1984, as follows:
  - Series O: $4,400,000
  - Series T: 2,625,000
  - Series GG: 1,190,900
  - Series 1983-A: 2,237,692
- Irrevocable letters of credit for series 1983-A of $1,662,593.

5. Workmen's Compensation Claim:

As a result of a ruling from the workmen's compensation court in December 1979, the Authority is liable for workmen's compensation and future medical expenses for a work related disability of a former employee. The amount of workmen's compensation and medical expenses in 1984 and 1983 amounted to $17,910 and $15,367, respectively. The amount of future potential payments, which cannot be determined at June 30, 1984, will be expensed as incurred in future years.

6. Commitments:

The Authority has a lease commitment to pay, from the General Operating Fund, monthly rentals of $875 through November 1984 and $925 per month through November 1987. Rentals charged to expense in 1984 and 1983 amounted to $10,125 and $9,028, respectively.