ANNUAL REPORT

FISCAL YEAR 1984

**MINNESOTA
HIGHER
EDUCATION
FACILITIES
AUTHORITY**

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

MINNESOTA HIGHER EDUCATION
Facilities Authority

November 1, 1984

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

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

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

The Minnesota Higher Education Facilities Authority is pleased to send its Annual Report for Fiscal Year 1984.

The Authority has had 38 issues (including refunded and retired issues) totalling $119,835,000 of which $96,980,000 is outstanding as of May 31, 1984. The Authority has recently approved a formal application from the College of St. Benedict to finance the construction of a new library and a new gymnasium as well as the purchase of a telephone system and an academic computer. The college wishes to have financing completed before the start of construction in the spring of 1985.

The Authority has been successful in financing projects at 11 different institutions in fiscal year 1984. Hamline University received $1,970,000 in bond proceeds to finance the renovation of four student resident halls and one dining facility. The Authority also financed projects at 10 institutions through a closed pool bond issue ($18,520,000). Already in fiscal year 1985, the Authority has financed a project for St. Mary's College to construct a theater/recital hall facility ($2,825,000).

The Authority has also prepared a new application manual simplifying wherever possible the requirements of the application process. The Authority has also sought and received a favorable opinion from the Attorney General permitting it to enter into loan agreements with colleges rather than lease back arrangements the Authority has used in the past. Many colleges found it difficult to get approval from their boards of trustees to deed over the property and the project to the Authority and then take a lease on the project for the duration of the bond issue. Also the purchase of equipment lends itself to Authority financing through the loan agreement process. The college officials responded quite favorably to these new agreements.

The 1984 Legislature has added three additional members to the Authority, bringing the total to 10 members. Although there has been a major changeover of members on the Authority in the past two years, the change has produced greater diversity of representation.

The Authority has made a great effort to better communicate and cooperate with the representatives of the private colleges and universities, with the Governor and his staff, with members of the Legislature and their staff, with the Higher Education Coordinating Board and its staff. Indeed, regular conferences and meetings are being scheduled with each of these groups to assure an on-going cooperative and working relationship with them.

The Authority has prepared guidelines for its Authority members to avoid conflicts of interest. The new members were particularly grateful for the guidelines documents as well as the thorough discussion of the potential conflicts of interest that members of the Authority might face.

The Authority has faced a number of policy questions and issues, some of which were worked out and others are still being seriously discussed. The staff of the Higher Education Coordinating Board, following a 1983 Legislative mandate, prepared a report concerning the Fiscal Year 1983 Annual Report of the Authority. Although Authority members took exception to an early draft of the report, they later accepted a revised report developed in cooperation with executive directors of the two agencies. It is hoped that both boards have a better understanding of and a desire to cooperate with each in the future.

Authority members have found it difficult to come to a consensus on how to deal with problems that may result if there are competing authorities issuing college tax-exempt bonds. This remains an open agenda item until a consensus can be reached.

The Private College Council has shown particular interest in the activities of the Authority this past year. Its representatives have indicated on numerous occasions that its work is greatly appreciated. However, a number of concerns have been voiced and suggestions have been made to improve the effectiveness of the Authority. Our members have taken these quite seriously and are studying our best to respond to them.

It has been a memorable year. We hope that the Authority has served well the higher education community and the great State of Minnesota.

Respectfully submitted,

Earl R. Herring
Chairman

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

1984 ANNUAL REPORT

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MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Earl R. Herring, Chairman, Expert in Higher Education.
Vice President for Administrative Affairs, Moorhead State University.
Term expires January, 1985.

Kathryn Jarvinen, General Member.
Nurse Manager of Medical Services, Community Memorial Hospital, Winona.
Term expires January, 1985.

David A. Longanecker, Ex-officio Member.
Executive Director, Minnesota Higher Education Coordinating Board.

Carlos Lopez, Jr., Expert in Construction.
President, Cal-Mech, Inc., St. Paul. Term expires January, 1987.

John A. McHugh, Vice Chairman, General Member.
Attorney, Larkin, Hoffman, Daly & Lindgren, Ltd., Minneapolis. Term expires January, 1988.

Larry Osnes, Ex-officio, Non-voting Member.
President, Minnesota Private College Council.

Peter H. Seed, Expert in Municipal Finance.
Attorney, Briggs & Morgan, St. Paul. Term expires January, 1986.

Emily Anne Staples, Secretary, General Member.
Director of Development, Spring Hill Center, Wayzata. Term expires January, 1987.

Catherine M. Warrick, General Member.
Executive Director, Chrysalis - A Center for Women, Minneapolis.
Term expires January, 1988.

Dr. Joseph E. LaBelle, Executive Director

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

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

LEGAL ADVISOR:
Darrell Davis, Special Assistant Attorney General, 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 has consisted 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 and is designated as the Secretary of the Authority. Under legislation adopted by the 1984 Legislature, two additional members were appointed by the Governor with the advice and consent of the Senate, and the President of the Minnesota Private College Council is a member ex officio without voting rights.

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. The Authority has had 38 issues (including refunded and retired issues) totaling $119,835,000 of which $96,980,000 was outstanding as of May 31, 1984. 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 the 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.

The Authority can issue tax-exempt revenue bonds to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes.

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. 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, are paid by the institution. The fees of bond counsel and the financial advisor usually are paid from bond proceeds.

THE AUTHORITY LOAN PROGRAM
PARTICIPATING COLLEGES AND THEIR PROJECTS

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.

Bond issues through the Authority include:

> Bond Series A for $2,200,000. The proceeds were used for the construction of a student housing facility to house 312 students.
>
> Bond Series I for $1,600,000. The proceeds were used for the construction of a two-rink artificial ice center.
>
> Bond Series 1983-A (pooled issue). Augsburg's share of $773,563, which accounted for 4.91% of the total amount of the issue, was used for improvements to Memorial Hall and the Science Building.

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 168-acre site in Arden Hills, a northern suburb of St. Paul.

Bond issues through the Authority include:

> Bond Series B for $1,935,000. The proceeds were used to construct and furnish a student housing facility to accommodate 480 students.
>
> Refunding Series 1975-1 for $6,460,000. The proceeds were used to help repay the outstanding debt incurred in the construction of the library and food service building, the cultural arts building, and academic classrooms.
>
> Bond Series W for $2,360,000. The proceeds were used to construct two housing residences to house approximately 282 students, with one apartment for house parents.

CARLETON COLLEGE

Carleton is a Minnesota nonprofit, coeducational, residential, liberal arts college located in Northfield, Minnesota. It was founded by the Congregational Church (now the United Church of Christ) and was chartered in December, 1866. It is now non-sectarian and independent.

Bond issues through the Authority include:

Bond Series O for $4,000,000. The proceeds were used to construct and equip a three-story chemistry and geology building, and to help pay for the renovation of Burton Hall, the oldest of Carleton's dormitories.

Bond Series T for $2,385,000. The proceeds were used to remodel two academic buildings - one for five humanities departments and one for four social science departments - and the Sayles Hill Gymnasium was remodeled to provide an adequate college center for campus.

Bond Series Two-E for $9,400,000. The proceeds were used to construct an addition to and remodel the library building, and also to remodel two residence halls for energy conservation and general improvement.

Bond Series 1983-A (pooled issue). Carleton's share of $2,415,235, which accounted for 15.34% of the total issue amount, was used for improvements to academic buildings, dormitories and athletic facilities, energy conservation, and purchase of a computer.

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.

Bond issues through the Authority include:

Bond Series F for $1,610,000. The proceeds were used to construct furnished student housing, to construct an indoor swimming pool addition to the Physical Education Building, to remodel and improve the Home Economics Department facility, and to remodel and improve the dining facility in St. Gertrude Hall.

Bond Series J for $370,000. The proceeds were used for the construction, equipment, and furnishing of a campus center.

Bond Series N for $1,450,000. The proceeds were used to construct, furnish, and equip a student residence facility to house 200 students and two faculty residents.

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.

Bond issues through the Authority include:

> Bond Series M for $690,000. The proceeds were used to construct the Fairview Apartments student housing residences with 13 one-bedroom apartments and 23 two-bedroom apartments.
>
> Bond Series R for $795,000. The proceeds were used to construct, furnish, and equip a student housing facility to accommodate 118 students.

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.

Bond issues through the Authority include:

> Bond Series D for $520,000. The proceeds were used to construct six four-plexes to house a total of 96 students. The apartments are furnished.
>
> Bond Series H for $340,000. The proceeds were used to fund the Pine Apartments Building, which can house a total of 46 students.
>
> Bond Series Two-B for $1,160,000. The proceeds were used to repay interim financing used for the construction of a multi-purpose recreation building and related outdoor facilities. Financing through the Authority was delayed because of a mortgage on the property used for the project.
>
> Bond Series 1983-A (pooled issue). St. Scholastica's share of the pooled issue was 3.60% of the total, or $566,205, which was used for improvements to campus buildings and facilities, energy conservation and purchase of a computer.

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 origination of the college can be traced 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.

The bond issue through the Authority is:

> Refunding Series 1976-1 for $1,695,000. The proceeds were used to refinance the outstanding debts on the construction and remodeling of Mary A. Molloy Library, Maria Hall Student Residence, the Service Center, dining hall and kitchen of Lourdes Hall.

COLLEGE OF ST. THOMAS

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

Bond issues through the Authority include:

> Bond Series K for $800,000. The proceeds were used to construct, equip, and furnish a 23-apartment faculty residence.
>
> Bond Series U for $685,000. The proceeds were used to construct a student residential addition to the student union (Murray Hall) to help meet the residency requirements of female students.
>
> Bond Series X for $1,800,000. The proceeds were used to construct a five-story dormitory to house approximately 140 students.
>
> Bond Series Two-C for $5,980,000. Proceeds were used to construct and equip a physical education and activities building and to construct and equip new physical plant headquarters.
>
> Refunding Series 1982-1 for $6,110,000. The proceeds were used to refund in advance of maturity the Series Two-C bonds. The Series Two-C bonds were discharged but the principal thereof was not paid until November 20, 1983, which was the maturity date for the Series Two-C bonds.
>
> Bond Series Two-D for $2,500,000. The proceeds were used to acquire grounds for, construct an addition to, and remodel the Daniel C. Gainey Conference Center in Owatonna, Minnesota.
>
> Bond Series 1983-A (pooled issue). St. Thomas' share of the pooled issue was $2,745,073, or 17.44% of the total, and was used for building construction and improvement, and acquisition

of equipment on the St. Paul campus and the Gainey Conference Center in Owatonna.

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.

Bond issues through the Authority include:

Bond Series Q for $800,000. The proceeds were used to construct, finance, and equip a student apartment building which can accommodate a maximum of 126 students.

Bond Series Z for $6,500,000. The proceeds were used to construct, equip, and furnish an academic building for the biology and home economics departments.

Bond Series Two-F for $3,055,000. The proceeds were used to make improvements to Brown Hall, a student residence for approximately 270 students.

Bond Series 1983-A (pooled issue). Concordia's share of the proceeds was $2,048,867, or 13.02% of the total, and was used for improvements to student residence and food facility buildings.

GOLDEN VALLEY LUTHERAN COLLEGE

Golden Valley Lutheran College is a coeducational, two-year, liberal arts college. It is a nonprofit, non-sectarian institution, although it has a strong Lutheran orientation. The college was established in 1967 by the Lutheran Bible Institute of Minneapolis (LBI). The title to the Golden Valley Lutheran College campus is in the name of LBI.

The bond issue through the Authority is:

Bond Series S for $2,070,000. The proceeds were used to construct, furnish, and equip a student residence that can accommodate up to 202 students, and also to refund part of an existing first lien mortgage on the campus.

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 name in 1876 to honor the Swedish king who defended Protestantism during the Thirty Years War. It is affiliated with the Lutheran Church in America.

Bond issues through the Authority include:

> Bond Series E for $1,030,000. Proceeds were used to remodel the old library building into a science classroom, and also to construct a new administration building.
>
> Bond Series 1983-A (pooled issue). Gustavus' share of the proceeds was 20.48%, or $3,223,178, and was used to construct physical education/health facilities.

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.

Bond issues through the Authority include:

> Bond Series Two-A for $6,000,000. The proceeds were used to construct a two-and-a-half story law building.
>
> Bond Series Two-G for $1,970,000. The proceeds were used for renovating, refurbishing, and repairing Sorin Hall dining room and kitchen and four residences on campus.

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.

Bond issues through the Authority include:

> Bond Series G for $8,450,000. The proceeds were used for the construction of a new technical academic building with apurtenant equipment, furnishings, utilities and site improvements.
>
> Bond Series 1983-A (pooled issue). The college's share was 2.56%, or $402,897, and was used to purchase equipment.

NORTHWESTERN COLLEGE OF CHIROPRACTIC

The college was founded in 1941 and offers a six-year pre-professional

and professional program for a Doctor of Chiropractic degree. Incoming students must have completed two academic years of college coursework to gain admission to Northwestern. It is located in Bloomington, Minnesota, and is coeducational.

The bond issue through the Authority is:

Bond Series 1983-A (pooled issue). Northwestern's share was 5.32% of the total, or $838,026, which was used for financing the downpayment for the purchase of and remodeling of an academic building.

ST. JOHN'S UNIVERSITY

Founded in 1857, St. John's University, located in Collegeville, Minnesota, is operated by the Benedictine monks of St. John's Abbey. The university is in close cooperation with the College of St. Benedict, a Benedictine women's college located in St. Joseph, Minnesota. This cooperation has enabled both colleges to offer coeducational programs. St. John's offers a four-year liberal arts program leading to either a Bachelor of Arts degree or a Bachelor of Science degree.

The bond issue through the Authority is:

Bond Series 1983-A (pooled issue). St. John's share of the proceeds was $2,148,785, or 13.65% of the total. It was used for improvements to the main auditorium on campus.

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 a 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.

Bond issues through the Authority include:

Bond Series C for $595,000. The proceeds were used to construct a student residence to house 108 students and two faculty members.

Refunding Series 1976-2 for $1,300,000. The proceeds were used to refinance part of the outstanding debt incurred for the construction of the college center.

Bond Series 1983-A (pooled issue). St. Mary's share was $580,172, or 3.69%, which was used for improvement of campus buildings and energy conservation.

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.

The bond issue through the Authority is:

Bond Series L for $2,280,000. The proceeds were used to construct an academic building with classrooms, offices, laboratories, and a library.

ST. OLAF COLLEGE

St. Olaf College is a four-year liberal arts college located in Northfield, Minnesota. It was founded in 1874, but was operated as an academy until 1886. The name was changed to St. Olaf College in 1889. It is related to the American Lutheran Church.

Bond issues through the Authority include:

Bond Series P for $2,350,000. The proceeds were used to help pay for a 63,200 square foot music hall.

Bond Series Y for $5,245,000. The proceeds were used to construct a three-story student residence which houses 232 students.

NEW BOND ISSUES FOR FISCAL YEAR 1984

BOND SERIES AND COLLEGE	AMOUNT OF ISSUE	NET INTEREST COST	DATE	FINAL MATURITY
Series Two-G, Hamline University	1,970,000	9.963500%	08/24/83	2001
Series 1983-A, (pooled)Augsburg College, Carleton 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, St. Mary's College	18,520,000	8.417000%	11/22/83	1991
TOTAL AMOUNT OF NEW BOND ISSUES:	20,490,000			

BOND ISSUES
1972 TO 1984

BOND SERIES AND COLLEGE	AMOUNT OF ISSUE	NET INTEREST COST	DATE	FINAL MATURITY
Series A, Augsburg College	2,200,000	5.592960%	12/01/72	2012
Series B, Bethel College	1,935,000	5.459212%	12/01/72	1997
Series C, St. Mary's College	595,000	5.480850%	01/01/73	1998
Series D, College of St. Scholastica	520,000	5.953800%	03/01/73	1997
Series E, Gustavus Adolphus College	1,030,000	5.35440%	03/01/73	1993
Series F, College of St. Benedict	1,610,000	5.727000%	03/01/73	1998
Series G, Minneapolis College of Art & Design	8,450,000	6.668900%	08/01/73	1984
Series H, College of St. Scholastica	340,000	6.404600%	06/01/74	1999
Series I, Augsburg College	1,600,000	6.201100%	05/01/74	1995
Series J, College of St. Benedict	370,000	6.782600%	07/01/74	2002
Series K, College of St. Thomas	800,000	6.586700%	12/01/74	1994
Series L, St. Mary's Junior College	2,280,000	8.261730%	04/10/75	1994
Series M, College of St. Catherine	690,000	7.997284%	05/01/74	1996
Series N, College of St. Benedict	1,450,000	8.320200%	05/01/74	1994
Series O, Carleton College	4,000,000	7.000000%	11/01/75	2000
Series P, St. Olaf College	2,350,000	7.011879%	10/01/75	1989
Series 1975-1 Refunding, Bethel College	6,460,000	8.433100%	12/01/75	1994
Series 1976-1 Refunding, College of St. Teresa	1,695,000	7.100675%	04/01/76	1991

Series Q, Concordia College	800,000	6.216100%	05/01/76	1994
Series R, College of St. Catherine	795,000	6.498330%	08/01/76	1997
Series S, Golden Valley Lutheran College	2,070,000	6.686180%	04/01/77	1997
Series 1976-2 Refunding, St. Mary's College	1,300,000	6.386100%	04/01/77	2002
Series T, Carleton College	2,385,000	5.622440%	12/01/77	2007
Series U, College of St. Thomas	685,000	5.827600%	01/01/78	2000
Series W, Bethel College	2,360,000	6.869600%	08/01/78	2001
Series X, College of St. Thomas	1,800,000	6.477010%	09/01/78	1999
Series Y, St. Olaf College	5,145,000	6.595373%	06/01/79	2010
Series Z, Concordia College	6,500,000	6.756100%	08/01/79	2006
Series Two-A, Hamline University	6,000,000	7.798970%	11/01/79	2008
Series Two-B, College of St. Scholastica	1,160,000	7.579000%	07/01/80	1993
Series Two-C, College of St. Thomas	5,980,000	7.950000%	11/20/80	1983
Series 1982-1 Refunding, College of St. Thomas	6,110,000	10.473000%	07/01/82	1993
Series Two-D, College of St. Thomas	2,500,000	10.671000%	07/01/82	1993
Series Two-E, Carleton College	9,400,000	7.419000%	12/01/82	1987
Series Two-F, Concordia College	3,055,000	8.567000%	03/01/83	2003
Series Two-G, Hamline University	1,970,000	9.963500%	08/24/83	2001
Series 1983-A, (pooled) various	18,520,000	8.417000%	11/22/83	1991
TOTAL	117,010,000			

GENERAL BOND RESERVE ACCOUNT

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain Bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. The Authority, at the June 5, 1984, meeting, decided that there would be no requirement to contribute to the General Bond Reserve unless the Authority and a college wish to have a bond issue secured by that reserve.

GENERAL BOND RESERVE FUND
STATEMENT OF CONTRIBUTIONS AND EARNINGS
FOR THE YEAR ENDED JUNE 30, 1984

BOND SERIES AND COLLEGE	AMOUNT OF BOND	ORIGINAL INVESTMENT	DATE INVESTED
Series A, Augsburg	2,200,000	31,744	01/08/73
Series B, Bethel	1,935,000	34,082	01/08/73
Series C, St. Mary's	595,000	9,000	01/08/73
Series D, St. Scholastica	520,000	8,643	03/13/73
Series E, Gustavus Adolphus	1,030,000	19,308	03/13/73
Series F, St. Benedict	1,610,000	21,304	03/13/73
Series H, St. Scholastica	340,000	6,000	06/12/74
Series I, Augsburg	1,600,000	30,000	05/08/74
Series J, St. Benedict	370,000	7,000	07/11/74
Series K, St. Thomas	800,000	14,000	01/17/75
Series L, St. Mary's Junior	2,280,000	47,667	04/29/75
Series M, St. Catherine	690,000	12,000	05/15/75
Series N, St. Benedict	1,450,000	28,000	05/20/75
Series O, Carleton	4,000,000	80,000	12/02/75
Series P, St. Olaf	2,350,000	53,426	11/07/75
Series 1975-1, Bethel	6,460,000	138,000	01/06/76
Series 1976-1, St. Teresa	1,695,000	40,000	04/06/76
Series Q, Concordia	800,000	17,000	05/27/76

Series S, Golden Valley	2,070,000	39,000	04/04/77
Series 1976-2, St. Mary's	1,300,000	22,800	05/02/77
Series T, Carleton	2,360,000	30,000	12/29/77
Series U, St. Thomas	685,000	11,200	01/23/78
Series W, Bethel	2,360,000	40,000	08/07/78
Series X, St. Thomas	1,800,000	28,000	09/18/78
Series Y, St. Olaf	5,245,000	84,000	06/01/79
Series Z, Concordia	6,500,000	120,000	08/20/79
Series Two-A, Hamline	6,000,000	100,000	11/13/79
Series 1982-1, St. Thomas	6,110,000	201,633	08/30/82
Series Two-D, St. Thomas	2,500,000	82,488	08/30/82
Series Two-E, Carleton	9,400,000	115,000	12/17/82
Series Two-F, Concordia	3,055,000	63,560	03/31/83
Series Two-G, Hamline	1,970,000	42,500	08/24/83
TOTAL INVESTMENTS:		1,577,355	
ACCUMULATED EARNINGS:		268,012	
TOTAL INVESTMENTS AND EARNINGS:		1,845,367	

GENERAL BOND RESERVE FUND
SECURITY ANALYSIS
CURRENT VALUE 6/30/84

TYPE	MATURITY DATE	FACE AMOUNT	COUPON	PRIOR INTEREST PAYMENT	CURRENT ACCRUED INTEREST	CURRENT BID PRICE	CURRENT MARKET VALUE	TOTAL
FNMA	03/10/92	50,000	7.000%	03/10/84	1,069.44	67.62500	33,812.50	34,881.94
FNMA	04/10/85	60,000	13.750%	04/10/84	1,833.33	101.12500	60,675.00	62,508.33
FNMA	09/10/86	70,000	13.250%	03/10/84	2,834.03	99.56250	69,693.75	72,527.78
FNMA	03/10/87	80,000	11.550%	03/10/84	2,823.33	95.56250	76,450.00	79,273.33
FFCB	03/04/85	42,000	13.200%	03/04/84	1,786.40	100.65625	42,275.63	44,062.03
FFCB	06/02/86	50,000	15.100%	06/02/84	587.22	102.65625	51,328.13	51,915.35
FFCB	03/02/87	140,000	12.400%	03/02/84	5,690.22	97.65625	136,718.75	142,408.97
FFCB	07/20/87	35,000	10.625%	01/20/84	1,652.78	92.59375	32,407.81	34,060.59
FFCB	12/01/87	200,000	10.300%	06/01/84	1,659.44	91.12500	182,250.00	183,909.44
FFCB	01/20/86	157,000	10.900%	01/20/84	7,605.78	96.87500	152,093.75	159,699.53
FFCB	03/01/88	247,000	11.350%	12/01/83	16,275.58	93.40625	230,713.44	246,989.02
FFCB	12/03/84	225,000	10.100%	03/01/84	7,511.88	99.25000	223,312.50	230,824.38
FFCB	12/03/84	10,000	10.100%	03/01/84	333.86	99.25000	9,925.00	10,258.86
FFCB	11/01/84	165,000	10.500%	05/01/84	2,839.38	99.71875	164,535.94	167,375.32
FFCB	12/03/84	40,000	11.450%	06/01/84	368.94	99.93750	39,975.00	40,343.94
T-NOTE	03/31/85	80,000	9.625%	03/31/84	1,914.48	98.28125	78,625.00	80,539.48
T-NOTE	04/30/85	65,000	9.500%	04/30/84	1,023.57	97.96875	63,679.69	64,703.26
T-NOTE	05/15/86	135,000	9.375%	05/15/84	1,582.03	93.93750	126,815.63	128,397.66
T-NOTE	12/31/85	75,000	10.875%	06/30/84	0.00	97.34375	73,007.81	73,007.81
T-NOTE	02/15/87	45,000	10.875%	02/15/84	1,828.43	94.68750	42,609.38	44,437.81
T-NOTE	03/31/86	110,000	11.500%	04/02/84	3,076.09	97.53125	107,284.38	110,360.47
T-BILL	08/09/84	50,000	0.000%	00/00/00	0.00	98.94000	49,470.00	49,470.00
T-BILL	03/21/85	500,000	0.000%	00/00/00	0.00	91.99200	459,960.00	459,960.00
TOTALS		$2,631,000			$64,296.21		$2,507,619.09	$2,571,915.30

GENERAL BOND RESERVE FUND - SUB-ACCOUNTS
SECURITY ANALYSIS
CURRENT VALUE 6/30/84

TYPE	MATURITY DATE	FACE AMOUNT	COUPON	PRIOR INTEREST PAYMENT	CURRENT ACCRUED INTEREST	CURRENT BID PRICE	CURRENT MARKET VALUE	TOTAL
SERIES R SUB-ACCOUNT								
T-NOTE	11/30/84	25,000	9.875%	05/31/84	202.36	99.40625	24,851.56	25,053.92
SLG	11/30/84	1,600	7.280%	05/31/84	9.55	100.00000	1,600.00	1,609.55
SLG	11/30/84	1,300	7.280%	12/21/83	49.65	100.00000	1,300.00	1,349.65
SLG	11/30/84	1,100	7.280%	06/01/84	6.35	100.00000	1,100.00	1,106.35
TOTALS		$29,000			$267.91		$28,851.56	$29,119.47
SERIES BB SUB-ACCOUNT								
T-NOTE	11/30/84	40,000	9.875%	05/31/84	323.77	99.40625	39,762.50	40,086.27
SLG	11/30/84	2,700	8.500%	05/31/84	18.81	100.00000	2,700.00	2,718.81
SLG	11/30/84	2,100	8.500%	12/21/83	93.64	100.00000	2,100.00	2,193.64
SLG	11/30/84	1,900	8.500%	06/01/84	12.80	100.00000	1,900.00	1,912.80
TOTALS		$46,700			$449.02		$46,462.50	$46,911.52
TOTALS FOR SUB-ACCOUNTS		$75,700			$716.93		$75,314.06	$76,030.99
TOTALS FOR GENERAL BOND RESERVE		$2,631,000			$64,296.21		$2,507,619.09	$2,571,915.30
GRAND TOTALS		$2,706,700			$65,013.14		$2,582,933.15	$2,647,946.29

GENERAL BOND RESERVE
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/84

BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/84	-----AT COST---------- SHARE OF EARNINGS	INVESTED AND EARNED 6/30/84	-----AT MARKET--------- SHARE OF EARNINGS	INVESTED AND EARNED 6/30/84
A	75,058.23	8,147.57	83,205.80	5,503.92	80,562.15
B	80,557.42	8,764.00	89,321.42	5,920.34	86,477.76
C	21,254.30	2,304.90	23,559.20	1,557.03	22,811.33
D	20,279.74	2,197.70	22,477.44	1,484.61	21,764.35
E	45,310.33	4,931.42	50,241.75	3,331.32	48,641.65
F	50,005.37	5,440.65	55,446.02	3,675.32	53,680.69
H	12,754.64	1,393.66	14,148.30	941.46	13,696.10
I	64,173.53	6,968.32	71,141.85	4,707.30	68,880.83
J	14,783.95	1,608.07	16,392.02	1,086.30	15,870.25
K	28,368.05	3,082.14	31,450.19	2,082.08	30,450.13
L	93,923.50	10,211.26	104,134.76	6,898.01	100,821.51
M	23,641.52	2,572.92	26,214.44	1,738.08	25,379.60
N	55,158.48	6,003.47	61,161.95	4,055.52	59,214.00
O	151,523.35	16,482.75	168,006.10	11,134.58	162,657.93
P	101,768.20	11,068.90	112,837.10	7,477.37	109,245.57
Q	31,324.21	3,403.75	34,727.96	2,299.34	33,623.55
1975-1	260,062.36	28,275.30	288,337.66	19,100.73	279,163.09
1976-1	74,152.66	8,067.17	82,219.83	5,449.61	79,602.27
S	68,010.11	7,397.14	75,407.25	4,996.98	73,007.09
1976-2	39,536.80	4,288.20	43,825.00	2,896.80	42,433.60
T	50,018.09	5,440.65	55.458.74	3,675.32	53,693.41
U	18,568.58	2,010.09	20,578.67	1,357.88	19,926.46
W	63,659.94	6,914.71	70,574.65	4,671.09	68,331.03
X	44,019.26	4,797.42	48,816.68	3,240.80	47,260.06
Y	124,549.35	13,534.62	138,083.97	9,143.03	133,692.38
Z	175,923.10	19,109.27	195,032.37	12,908.87	188,831.97
AA	143,857.60	15,625.11	159,482.71	10,555.22	154,412.82
1982-1	220,218.52	23,933.49	244,152.01	16,167.77	236,386.29
DD	90,098.83	9,782.44	99,881.27	6,608.33	96,707.16
EE	121,793.40	13,239.80	135,033.20	8,943.87	130,737.27
FF	65,309.47	7,102.32	72,411.79	4,797.83	70,107.30
GG	42,500.00	3,912.98	46,412.98	2,643.33	45,143.33
TOTALS	1,577,354.58	268,012.19	2,740,175.08	181,050.04	2,653,212.93

GENERAL BOND RESERVE - SUB-ACCOUNTS
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/84

		-----AT COST----------		-----AT MARKET---------	
BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/84	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/84	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/84
R	26,608.61	2,485.87	29,094.48	2,337.43	28,946.04
BB	42,788.28	4,130.60	46,918.88	3,893.10	46,681.38
TOTALS FOR SUB-ACCOUNTS	69,396.89	6,616.47	76,013.36	6,230.53	75,627.42
TOTALS FOR GENERAL BOND RESERVE	1,577,354.58	268,012.19	2,740,175.08	181,050.04	2,653,212.93
GRAND TOTALS	1,646,751.47	274,628.66	2,816.188.44	187,280.57	2,728,840.35

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS

for the years ended June 30, 1984 and 1983

CONTENTS

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.

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.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS

for the years ended June 30, 1985 and 1984

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, 1985 and 1984, 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 financial statements referred to above present fairly the financial position of the various funds of the Minnesota Higher Education Facilities Authority as of June 30, 1985 and 1984 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 30, 1985

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1985 and 1984

ASSETS	General Operating Fund 1985	General Operating Fund 1984	General Bond Reserve Fund (Note 4) 1985	General Bond Reserve Fund (Note 4) 1984
Unrestricted:				
Cash (including short-term investments of $674,209 in 1985 and $529,984 in 1984)	$ 714,846	$ 552,577		
Furniture and equipment (less accumulated depreciation of $10,318 in 1985 and $9,523 in 1984)	5,439	4,965		
Other	19,832	22,737		
	740,117	580,279		
Restricted:				
Cash			$ 92,944	$ 81,995
Investments, at cost			2,567,428	2,670,281
Accrued interest receivable			83,213	65,013
Financing agreements (Note 3):				
Rentals receivable, financing leases	44,882,159	52,577,619		
Promissory notes receivable	18,394,332	7,786,630		
Cash (including certificates of deposit and short-term investment funds of $441,541 in 1985 and $4,928,528 in 1984)	910,807	5,124,600		
Investments, at cost	29,052,799	26,984,986		
Accrued interest receivable	371,395	600,894		
Reserve deposits to General Bond Reserve Fund	1,119,174	1,119,174		
	94,730,666	94,193,903		
Total assets	$95,470,783	$94,774,182	$2,743,585	$2,817,289

Continued

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1985 and 1984, Continued

LIABILITIES AND FUND BALANCE	General Operating Fund 1985	General Operating Fund 1984	General Bond Reserve Fund (Note 4) 1985	General Bond Reserve Fund (Note 4) 1984
Accounts payable, operations	$ 9,498	$ 8,701		
Unearned annual administrative fees	232,505	170,844		
	242,003	179,545		
Payable from restricted assets:				
Revenue bonds payable (less unamortized discount of $1,258,048 in 1985 and $1,478,187 in 1984) (Note 4)	93,261,952	92,446,813		
Accrued interest payable	1,468,714	1,747,090		
Accounts payable			$ 3,884	$ 3,064
Reserve deposits from colleges			221,060	505,181
Reserve deposits from restricted assets of General Operating Fund			1,119,174	1,119,174
	94,730,666	94,193,903	1,344,118	1,627,419
Total liabilities	94,972,669	94,373,448	1,344,118	1,627,419
Fund balance:				
Unappropriated	498,114	400,734		
Appropriated (Note 1)			1,399,467	1,189,870
Total fund balance	498,114	400,734	1,399,467	1,189,870
Total liabilities and fund balance	$95,470,783	$94,774,182	$2,743,585	$2,817,289

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, 1985 and 1984

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
	1985	1984	1985	1984	1985	1984
Revenues:						
Annual administrative fees	$182,495	$178,819				
Bond issuance fees	9,885	71,715				
Application fees	2,000	1,000				
Investment income	58,636	42,958	$3,054,676	$2,999,085	$ 272,905	$ 282,182
Revenues from institutions to finance interest expense and bond issuance costs (Note 1)			4,546,813	4,607,026		
Miscellaneous income					1,000	
Total revenues	253,016	294,492	7,601,489	7,606,111	273,905	282,182
Expenses:						
Payroll, payroll taxes and employee benefits (Note 5)	105,482	101,102				
Rent expense	10,937	10,125				
Legal, audit and consulting expense	19,100	12,136			3,075	3,010
Other general and administrative expenses	20,117	18,745			604	327
Interest expense			7,179,507	6,822,607		
Bond issuance costs			421,982	783,504		
Total expenses	155,636	142,108	7,601,489	7,606,111	3,679	3,337
Excess of revenues over expenses	97,380	152,384			270,226	278,845
Fund balance, beginning of year	400,734	248,350			1,189,870	1,164,242
Distribution of pro rata share of fund earnings upon final redemption of Series DD and 1985-1 bonds in 1985 and series GG bonds in 1984					(60,629)	(253,217)
Fund balance, end of year	$498,114	$400,734	-	-	$1,399,467	$1,189,870

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended June 30, 1985 and 1984

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
	1985	1984	1985	1984	1985	1984
Cash provided:						
Operations:						
Excess of revenues over expenses	$ 97,380	$152,384			$270,226	$278,845
Add (deduct) items not affecting cash:						
Depreciation	795	669				
Increase (decrease) in accrued interest payable			$ (278,377)	$ 245,341		
(Increase) decrease in accrued interest receivable			229,499	196,369	(18,200)	2,449
Amortization of bond discount						
Increase (decrease) in accounts payable	798	7,197	337,987	(149,074)	820	(1,500)
Prepaid administrative fees received	61,661	170,844				
Cash provided by operations	160,634	331,094	289,109	292,636	252,846	279,794
Reserve deposits and earnings from General Bond Reserve				473,217		
Reserve deposits from colleges						42,500
Proceeds from revenue bonds issued			10,762,152	20,078,802		
Collections of financing lease rentals receivable			1,978,283	2,180,922		
Other	2,904					
Total cash provided	163,538	331,094	13,029,544	23,025,577	252,846	322,294
Cash applied:						
Funds disbursed to institutions			4,890,524	8,257,827		
Net increase (decrease) in funds invested			2,067,813	3,249,832	(102,853)	(227,239)
Redemption of revenue bonds			10,285,000	9,535,000		
Purchase of fixed assets	1,269					
Other		11,573				
Reserve deposits and earnings to colleges					344,750	
Reserve deposits and earnings to General Operating Fund						473,217
Total cash applied	1,269	11,573	17,243,337	21,042,659	241,897	245,978
Increase (decrease) in cash and short-term investments	162,269	319,521	(4,213,793)	1,982,918	10,949	76,316
Cash and short-term investments, beginning of year	552,577	233,056	5,124,600	3,141,682	81,995	5,679
Cash and short-term investments, end of year	$714,846	$552,577	$ 910,807	$ 5,124,600	$ 92,944	$ 81,995

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

NOTES TO FINANCIAL STATEMENTS

1. <u>Authorizing Legislation and Funds</u>:

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.

<u>General Operating Fund</u>

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 (after October 1985, no bond issuance fees are charged).
>
> 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, 1983-A, HH and 1985-1 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, 1985:

	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	$107,750,689	$ 45,675,015	$153,425,704
Net assets held in trust	(18,312,841)	(12,930,668)	(31,243,509)
Unearned income	(44,555,689)	(14,350,015)	(58,905,704)
	$ 44,882,159	$ 18,394,332	$ 63,276,491

At June 30, 1985 future minimum payments to be received under financing agreements, including income earned on the investments as noted above, approximates:

	Principal	Interest	Total
1986	$ 2,200,000	$ 6,693,480	$ 8,893,480
1987	4,985,000	6,408,721	11,393,721
1988	14,745,000	5,666,188	20,411,188
1989	6,510,000	4,993,274	11,503,274
1990	6,475,000	4,532,196	11,007,196
Thereafter	59,605,000	30,611,845	90,216,845
	$94,520,000	$58,905,704	$153,425,704

Continued

4. Revenue Bonds Payable:

Revenue bonds payable at June 30, 1985 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	$ 2,060,000	$ (19,329)	$ 2,040,671
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,360,000	(12,332)	1,347,668
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jan 1, 1976 to Jan 1, 1998	435,000	(3,837)	431,163
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	345,000	(3,128)	341,872
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	595,000	(4,194)	590,806
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	1,140,000	(9,858)	1,130,142
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	255,000	(3,519)	251,481
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	1,080,000	(9,587)	1,070,413
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	320,000	(5,321)	314,679
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	515,000	(2,538)	512,462
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	1,555,000	(27,193)	1,527,807
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	520,000	(6,854)	513,146
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	1,030,000	(14,334)	1,015,666
4,000,000	Series O (Carleton College)	7.0%	Nov 1, 2000	4,000,000	(46,613)	3,953,387
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%	Apr 1, 1976 to Oct 1, 1989	1,230,000	(9,825)	1,220,175
800,000	Series Q (Concordia College)	4.0% to 6.375%	Apr 1, 1978 to Apr 1, 1994	575,000	(6,974)	568,026
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%	Oct 1, 1976 to Oct 1, 1994	4,790,000	(67,382)	4,722,618
1,695,000	Series 1976-1 (College of St. Theresa)	5.875% to 7.1%	Apr 1, 1978 to Apr 1, 1991	1,150,000	(12,243)	1,137,757
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%	Apr 1, 1979 to Apr 1, 2002	1,110,000		1,110,000
795,000	Series R (College of St. Catherine)	4.0% to 6.625%	May 1, 1977 to May 1, 1997	575,000	(8,381)	566,619
2,070,000	Series S (Golden Valley Lutheran College)	6.5%	Apr 1, 1979 to Apr 1, 1997	1,610,000	(22,500)	1,587,500
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	590,000	(8,093)	581,907
2,360,000	Series W (Bethel College)	6.4% to 7.0%	Apr 1, 1979 to Apr 1, 2001	2,050,000		2,050,000
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%	Apr 1, 1980 to Apr 1, 1999	1,710,000	(15,807)	1,694,193
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%	Apr 1, 1981 to Apr 1, 2010	4,980,000	(75,714)	4,904,286
6,500,000	Series Z (Concordia College)	6.0% to 6.7%	Apr 1, 1983 to Apr 1, 2006	6,200,000	(134,398)	6,065,602
6,000,000	Series AA (Hamline University)	7.25% to 7.75%	Jun 1, 1982 to Jun 1, 2008	5,700,000	(132,007)	5,567,993
1,160,000	Series BB (College of St. Scholastica)	6.0% to 7.5%	May 1, 1982 to May 1, 1993	950,000	(15,091)	934,909
9,400,000	Series EE (Carleton College)	7.0%	Dec 7, 1987	9,400,000	(95,403)	9,304,597
3,055,000	Series FF (Concordia College)	5.0% to 8.8%	Oct 1, 1984 to Oct 1, 2003	2,980,000	(70,219)	2,909,781
1,970,000	Series GG (Hamline University)	6.5% to 10.25%	May 1, 1985 to May 1, 1996	1,925,000	(40,438)	1,884,562
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 8.5%	Oct 1, 1986 to Oct 1, 1991	18,520,000	(260,929)	18,259,071
2,825,000	Series HH (College of St. Mary's)	Variable	Oct 1, 1987 to Oct 1, 2004	2,825,000	(20,392)	2,804,608
8,055,000	Series 1985-1 (College of St. Thomas)	5.25% to 8.2%	Jul 1, 1985 to Jul 1, 1993	8,055,000	(93,615)	7,961,385
$104,850,000				$94,520,000	$(1,258,048)	$93,261,952

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, 1983-A, HH and 1985-1.
- 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, 1985, are as follows:

.. Series O	$4,008,781
.. Series T	3,416,684
.. Series GG	1,518,000
.. Series 1983-A	2,588,494

- Irrevocable letters of credit for series 1983-A and HH of $1,662,593 and $2,825,000, respectively.

5. Commitments:

The Authority has a lease commitment to pay, from the General Operating Fund, monthly rentals of $925 per month through November 1987. Rentals charged to expense in 1985 and 1984 amounted to $10,937 and $10,125, respectively.

6. Refunding of Debt:

In May 1985, the Authority issued bond Series 1985-1 with a face value of $8,055,000 for the purpose of refunding Series 1982-1 and DD. A portion of the proceeds of the refunding issue was deposited with a trustee with instructions to purchase certain

Continued

6. Refunding of Debt, continued:

investments, the principal of and interest on which will be sufficient to pay the principal, interest and call premium of the bonds being refunded. At June 30, 1985, $8,674,402 was escrowed with the trustee for the payment of the outstanding defeased principal of $8,055,000. The last payment on the defeased debt is due July 1, 1994.

7. Collectability of Series S Rentals Receivable:

The Board of Regents of Golden Valley Lutheran College has made a decision to close the school and campus. The college utilized the series reserve to meet the Series S March 1985 principal and interest obligations and is expected to utilize the reserve for the October 1985 payments. The rental receivable related to Series S is $1,490,505 and the related revenue bond principal outstanding is $1,610,000 at June 30, 1985. Management of the Authority believes that no losses will be incurred related to Series S.

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REVIEW AND COMMENT ON
FISCAL YEAR 1985 ANNUAL REPORT OF THE
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Prepared by the Staff of the
Minnesota Higher Education Coordinating Board

March 19, 1986

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CHAPTER I. INTRODUCTION

This paper serves two purposes. First, it reviews the Fiscal Year 1985 annual report of the Minnesota Higher Education Facilities Authority (Authority), as required by law. Second, it comments on the Authority's annual report and addresses major policy issues facing the Authority in Fiscal Year 1985 and at present.

BACKGROUND

To understand the context within which the Authority operates requires some understanding of how the Authority has evolved and how it fits within state government.

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. In the opinion of the Authority's bond counsel, this decision confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

Membership consists of eight members appointed by the governor with the advice and consent of the Senate, the executive director of the Coordinating Board (or the director's designee), and the president of the Minnesota Private College Council in an advisory non-voting capacity. At least two members must reside outside the Twin Cities seven county metropolitan area; at least one member is to be a person having

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[1] Minnesota Statutes, Section 136A.25-136A.42 (1984).

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skills, knowkledge and experience in state and municipal finance; at least one is to have a favorable reputation for skills, knowledge and experience 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 is a state agency, but operates independently from state government; the Authority, however, uses the state payroll system to facilitate administration of benefits for its employees. Dr. Joseph 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 1, 1985, the Authority had financed 48 projects with 39 bond issues totaling $127,890,000, of which $94,520,000 was outstanding as of June 30, 1985. The Authority's bonds are not obligations of the state; they are payable only from specified revenues and collateral.

The funds received from 32 of the 39 issues were used for construction projects, funds from three issues were used to refinance prior debt for facilities, funds from one issue were used partially for construction and partially for refinancing prior debt, funds from two issues were used to refinance earlier Authority projects, and the final issue was a pool project in which 10 institutions funded 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.

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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 or loan agreement with the Authority to repay the Authority's debt.

The Authority operates entirely on fees collected for administering projects financed through it. The Authority has never received a direct state appropriation. Although it borrowed state funds to meet payroll costs in its early years, the negative cash balance with the Department of Finance was eliminated in Fiscal Year 1979.

Under legislation adopted in 1983, the Coordinating Board is required to review and comment on the Authority's annual report and make necessary recommendations. Subsequent sections of this paper review and comment upon the Authority's 1985 annual report which has been transmitted to Governor Rudy Perpich, the legislature, and the Coordinating Board, and address issues pertinent to the Authority's current activities.

CHAPTER II. REVIEW OF THE AUTHORITY'S ANNUAL REPORT FOR FISCAL YEAR 1985

The Authority's annual report for Fiscal Year 1985 consists of two major parts: a description of the Authority and its activities and a financial report for the years ending June 30, 1985 and 1984. 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, Earl R. Herring, summarizes two projects financed in Fiscal Year 1985 and four projects that the Authority has received formal applications for in Fiscal Year 1986. The chairman describes policy changes made by the Authority in the fee structure it charges participating colleges. The Authority no longer charges a bond issuance fee, and it rebates to the college the $1,000 application fee at the closing of a successful bond issue. The Authority now also rebates a pro rata share of any excess funds it has accumulated during a year to all colleges with outstanding bond issues of the Authority.

The chairman expresses regret at the closing of Golden Valley Lutheran College which has $1.6 million in Authority-financed bonds outstanding and has defaulted on its April 1985 principal and interest payments and its October 1985 interest payments. The college is seeking a buyer for the campus to pay its obligations. The chairman also describes the uncertainty of federal legislation regarding the use of tax-exempt financing for college construction. He states that, until this proposed legislation is resolved, it would effectively stop all tax-exempt financing for college construction.

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ACTIVITIES OF THE AUTHORITY

In this section the Authority describes its mandate and operation. An overview is provided of the 18 colleges that have participated in the loan program. A description is provided for each of the 48 projects financed by the program between 1972 and June 30, 1985.

Two projects were financed in Fiscal Year 1985 totaling $10,880,000. One of the Fiscal Year 1985 projects involved St. Mary's College. It received financing for the construction of a theater/recital hall ($2,825,000). The second project involved the College of St. Thomas. The proceeds from this issue were used for the advance refunding of two previous bond issues ($8,055,000).

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 1985 fiscal year, a security analysis, and reserve earnings allocation reports for Fiscal Year 1985.

FINANCIAL REPORT

The final section of the Authority's report contains the Report on Examinations of Financial Statements for Fiscal Years 1984 and 1985 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 Authority's administrative operation. The General Operating Unrestricted Fund Balance increased from $400,734 to $498,114 in Fiscal Year 1985, an increase of 24 percent compared to a 61 percent increase in Fiscal Year 1984.

The audit report shows that the Appropriated Fund balance of the General Bond Reserve Fund increased from $1,189,870 at the start of Fiscal Year 1985 to $1,399,467 by the end of Fiscal Year 1985, an increase of 18 percent. During Fiscal Year 1985, the pro rata portion of $60,629 was distributed from the General Bond Reserve Fund for the final redemption of the College of St. Thomas Bond Series DD, which constructed an addition to, and remodeled the Daniel C. Gainey Conference Center in Owatonna Minnesota ($2,500,000) and Refunding Series 1982-1, which advance refunded Bond Series Two-C ($6,110,000).

CHAPTER III. COMMENT ON THE AUTHORITY'S ANNUAL REPORT AND CURRENT ISSUES IN THE USE OF TAX EXEMPT FINANCING FOR EDUCATIONAL FACILITIES

The Authority's report provides a comprehensive overview of its activities and its financial status for Fiscal Year 1985. An analysis of the financial report shows that the Authority is fiscally sound. The accumulated unrestricted funds in the General Operating Fund increased from $400,734 at the end of Fiscal Year 1984 to $498,114 at the end of Fiscal Year 1985. During 1984, the Authority contracted with its auditors to study and analyze administrative fiscal requirements and, make recommendations on the appropriate balance of unrestricted funds in the General Operating Fund and, changing the method of assessing fees.

In response to the auditor's study, the Authority changed its method of charging fees. It will no longer charge a bond issuance fee and will rebate to the college the $1,000 application fee at the closing of a successful bond issue. The Authority also is working to establish a formula with its auditors which will rebate a pro-rata share of any excess funds that it has accumulated each year to all the colleges with outstanding bond issues of the Authority. In Fiscal Year 1985, eliminating the bond issuance fee resulted in a savings of approximately $28,200 to the College of St. Thomas on its bond issue. The St. Mary's College issue was completed prior to adopting the policy to eliminate bond issuance fees. No application fees were rebated in 1985, nor were any excess funds were rebated during 1985. Such rebates normally will occur in the subsequent year, based on excess accumulations as of June 30.

We noted with some concern that approximately $1,464,000, or 61%, of the securities held in the General Bond Reserve Fund were invested in Federal Farm Credit Bank (FFCB), notes, as of June 30, 1985. This is worth noting because of the potential vulnerability of FFCB loans in the current depressed farm economy. Since that time, however, $792,000 of these FFCB securities matured without loss to the Authority.

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CONCLUSION

In Fiscal Year 1985, the Authority responded well to a number of issues.

Although the Authority experienced its first default, it responded well in working to resolve the default of principal and interest payment of Golden Valley Lutheran College. This will demand continuing effort to resolve the situation without loss to the General Reserve Fund and to accommodate other debtors of Golden Valley Lutheran College. Final resolution of this issue should occur in Fiscal Year 1986, although legal action could force final resolution into Fiscal Year 1987.

The Authority continued to issue revenue bonds in face of restrictive federal tax-exempt bonding legislation. Currently, proposed federal legislation has significantly restricted the Authority's ability to issue debt in 1986 and could greatly alter the extent and nature of future tax-exempt bonding by the Authority.