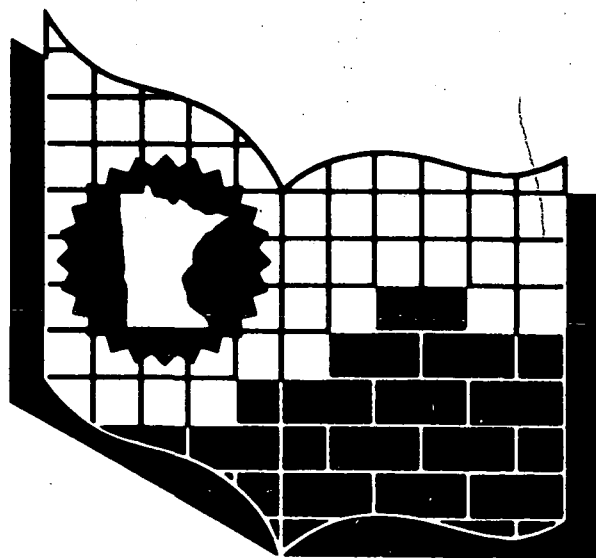


# **ANNUAL REPORT**

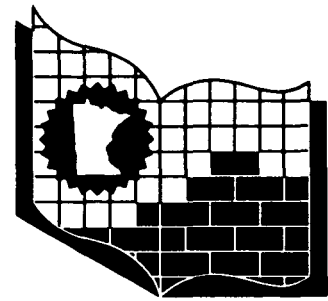
## **FISCAL YEAR 1985**

**MINNESOTA  
HIGHER  
EDUCATION  
FACILITIES  
AUTHORITY**





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



November 6, 1985

**MINNESOTA HIGHER EDUCATION  
Facilities Authority**

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 1985.

The Authority has financed projects in Fiscal 1985 for St. Mary's College and the College of St. Thomas. St. Mary's College is completing the construction of a theater/recital hall, partially funded with Authority Bonds (\$2,825,000). The College of St. Thomas received financing (\$8,055,000) for advanced refunding of two previous bond issues financed through the Authority.

The Authority has had 40 bond issues (including the refunded and retired issues) totaling \$127,890,000, of which \$94,520,000 is outstanding at June 30, 1985. So far this year, the Authority has approved formal applications from: 1) the College of St. Thomas to finance the addition of two new floors to each of two dormitories; 2) Macalester College to seek permanent financing for the remodeling of the student union and gymnasium and for the construction of a natatorium; 3) the Minneapolis College of Art and Design to finance the acquisition of land adjacent to the College and remodel existing facilities; 4) the College of St. Scholastica to finance the remodeling and expansion of the main library. The Authority has also approved the preliminary application of William Mitchell College of Law to finance the expansion and renovation of the library, the purchase of equipment and construction of a parking lot. The College of St. Benedict has withdrawn its approved formal application to finance the construction of a new library and a new gymnasium, as well as the purchase of a telephone system and an academic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 Authority has made major policy changes in the fees it charges participating colleges. No longer does it charge a bond issuance fee (previously .35 of 1% of the bond issue). The Authority also rebates to the college the \$1,000 application fee at the closing of a successful bond issue. Finally, the Authority, through a formula worked out by its auditors, rebates a pro rata share of any excess funds it has accumulated each year to all colleges with outstanding bond issues of the Authority.



November 6, 1985

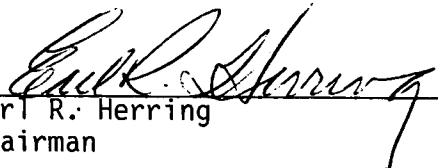
Page 2

The Authority regrets the closing of Golden Valley Luthern College at the end of the 1984-85 academic year. The College owes the Authority \$1.6 million on bonds outstanding and has defaulted on its April, 1985, principal and interest payments and on its October, 1985, interest payments. The College is actively seeking a buyer for the campus so as to pay off its various obligations.

President Reagan and key members of Congress have proposed eliminating tax-exempt financing for college construction. It remains in doubt whether a bill will be forthcoming, much less passed, containing this provision, by the end of 1985. However, there still remains the possibility that a bill will emerge out of the House Ways and Means Committee and approved by the House with an enactment date of January 1, 1986. If a bill does emerge with such an enactment date, it would effectively stop tax-exempt financing for college construction, until at least the bill is, hopefully, defeated. This leaves the Authority in a precarious position. It would still be able to issue bonds that would be exempt from Minnesota taxes. It is not at all certain, at this time, if the Authority were to issue bonds exempt from Minnesota taxes but taxable for federal purposes, that they would be an effective tool for colleges to use to finance their capital improvements.

1986 may well prove to be a year of major change in federal support for higher education. Let us hope that the best interest of private higher education is thoughtfully and fairly dealt with. The Authority remains hopeful that it can continue to serve well the higher education community and the great State of Minnesota.

Respectfully submitted,

  
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Earl R. Herring  
Chairman



MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY  
1985 ANNUAL REPORT

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## MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Carol A. Blomberg, General Member.

Vice President and Cashier, Merchants and Miners Bank, Hibbing.

Term expires January, 1986.

Earl R. Herring, Chairman, Expert in Higher Education

Vice President for Administrative Affairs, Moorhead State University.

Term expires January, 1989.

Kathryn D. Jarvinen, General Member.

Nurse Manager of Medical Services, Community Memorial Hospital, Winona.

Term expires January, 1989.

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 G. 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.

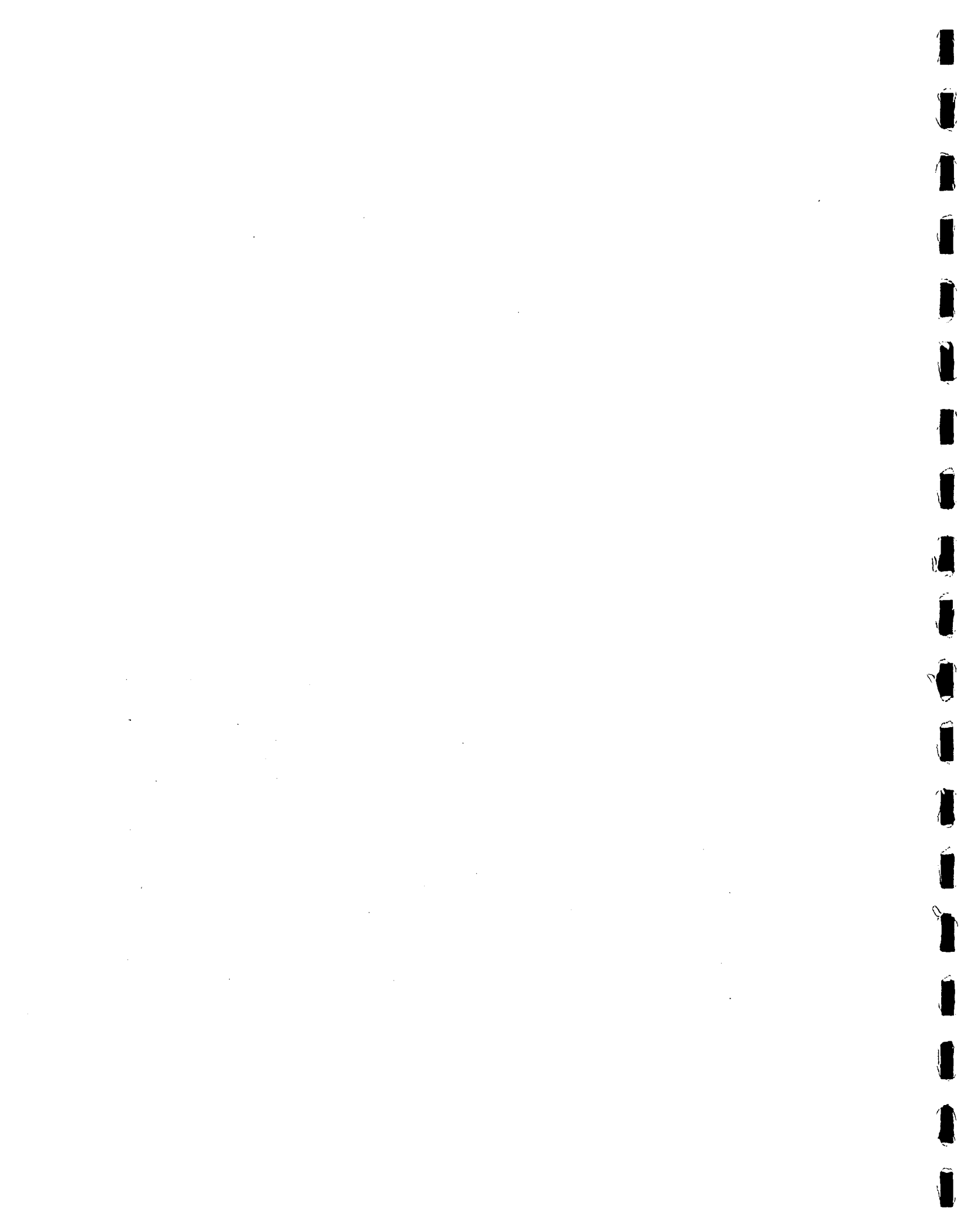
The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$150 million. The Authority has had 38 issues (including refunded and retired issues) totaling \$119,835,000 of which \$96,980,000 was outstanding as of May 31, 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 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.

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 Benovolent 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 multipurpose 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.

Bond Series 1985-1 for \$8,055,000. The proceeds were used to refund in advance of maturity Bond Series Two-D and Bond Series 1982-1.



## 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 College 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.

#### **HAMLIN 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-one-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 Chirpractic 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 down-payment 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.

Bond Series Two-H for \$2,825,000. The proceeds were used to finance the construction of a theater/recital hall.



#### 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 1985

BOND SERIES AND COLLEGE	AMOUNT OF ISSUE	NET INTEREST COST	DATE	FINAL MATURITY
Series Two-H St. Mary's College	2,825,000	variable	10/2/84	2004
Series 1985-1 College of St. Thomas	8,055,000	7.83800%	5/1/85	1993
TOTAL AMOUNT OF NEW BOND ISSUES:	10,880,000			





BOND ISSUES  
1972 - 1985

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	5,245,000	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	9,400,00	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
Series Two-H St. Mary's College	2,825,000	variable	10/02/84	2004
Series 1985-1 Refunding College of St. Thomas	8,055,000	7.838000%	05/01/85	1993
TOTAL	127,890,000			

## 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, 1985

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 G, Mpls. Society of Fine Arts	8,450,000	220,000	09/13/73
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 R, St. Catherine	795,000	15,000	09/02/76
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 Two-B, St. Scholastica	1,160,000	32,000	07/18/80
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 ORIGINAL INVESTMENTS		1,844,355	
Less Contributions and Earnings returned to Mpls. Society of Fine Arts when Series G was discharged on 8/23/83		(472,361)	
Less Contributions and Earnings returned to College of St. Thomas for Refunding of Series 1985-1 and Series Two-D on 5/7/85		(375,155)	
Total Accumulated Earnings		1,799,312	
TOTAL GENERAL BOND RESERVE		2,796,151	

GENERAL BOND RESERVE FUND  
SECURITY ANALYSIS  
CURRENT VALUE 6/30/85

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%	03/10/85	1,069.44	85.00000	42,500.00	43,569.44
FNMA	09/10/86	70,000	13.250%	03/10/85	2,834.03	105.21875	73,653.13	76,487.16
FNMA	03/10/87	80,000	11.550%	03/10/85	2,823.33	103.90625	83,125.00	85,948.33
FFCB	06/02/86	50,000	15.100%	06/02/85	587.22	106.12500	53,062.50	53,649.72
FFCB	03/02/87	140,000	12.400%	03/02/85	5,690.22	105.37500	147,525.00	153,215.22
FFCB	07/20/87	35,000	10.625%	01/20/85	1,652.78	102.65625	35,929.69	37,582.47
FFCB	12/01/87	200,000	10.300%	06/01/85	1,659.44	102.25000	204,500.00	206,159.44
FFCB	01/20/86	157,000	10.900%	01/20/85	7,605.78	101.62500	159,551.25	167,157.03
FFCB	03/01/88	247,000	11.350%	03/01/85	9,266.96	104.78125	258,809.69	268,076.65
FFCB	08/01/85	235,000	10.200%	11/01/84	15,913.42	100.15625	235,367.19	251,280.61
FFCB	09/03/85	295,000	9.300%	12/03/84	15,775.13	100.18750	295,553.13	311,328.26
FFCB	12/02/85	105,000	9.250%	03/04/85	3,129.58	100.53125	105,557.81	108,687.39
T-NOTE	05/15/86	135,000	9.375%	05/15/85	1,582.03	101.31250	136,771.88	138,353.91
T-NOTE	12/31/85	75,000	10.875%	06/30/85	0.00	101.65625	76,242.19	76,242.19
T-NOTE	02/15/87	45,000	10.875%	02/15/85	1,825.02	103.37500	46,518.75	48,343.77
T-NOTE	03/31/86	110,000	11.500%	03/31/85	3,145.22	102.65625	112,921.88	116,067.10
T-NOTE	06/30/86	75,000	13.000%	06/30/85	0.00	104.81250	78,609.38	78,609.38
T-NOTE	08/15/87	65,000	12.375%	02/15/85	2,999.74	106.50000	69,225.00	72,224.74
T-NOTE	03/31/87	80,000	10.750%	04/01/85	2,114.75	103.37500	82,700.00	84,814.75
T-BILL	09/19/85	150,000	0.000%	0/ 0/ 0	0.00	98.4700	147,705.00	147,705.00
TOTALS		\$2,399,000			\$79,674.09		\$2,445,828.47	\$2,525,502.56



GENERAL BOND RESERVE FUND - SUB-ACCOUNTS  
SECURITY ANALYSIS  
CURRENT VALUE 6/30/85

TYPE	MATURITY DATE	FACE AMOUNT	COUPON	PRIOR INTEREST PAYMENT	CURRENT ACCRUED INTEREST	CURRENT BID PRICE	CURRENT MARKET VALUE	TOTAL
<u>SERIES 1976-1 SUB-ACCOUNT</u>								
T-NOTE	03/31/89	83,000	11.250%	04/01/85	2,296.11	105.43750	87,513.13	89,809.24
SLG	03/31/86	3,300	8.080%	05/29/85	23.31	100.00000	3,300.00	3,323.31
TOTALS		\$86,300			\$2,319.42		\$90,813.13	\$93,132.55
<u>SERIES R SUB-ACCOUNT</u>								
T-NOTE	11/30/86	25,000	10.375%	05/31/85	212.60	102.56250	25,640.63	25,853.23
SLG	11/30/85	5,100	7.280%	11/30/84	216.07	100.00000	5,100.00	5,316.07
SLG	11/30/86	1,500	7.280%	05/31/85	8.95	100.00000	1,500.00	1,508.95
TOTALS		\$31,600			\$437.62		\$32,240.63	\$32,678.25
<u>SERIES BB SUB-ACCOUNT</u>								
T-NOTE	11/30/86	40,000	10.375%	05/31/85	340.16	102.56250	41,025.00	41,365.16
SLG	11/30/85	8,600	8.500%	11/30/84	425.42	100.00000	8,600.00	9,025.42
SLG	11/30/86	2,300	8.500%	05/31/85	16.02	100.00000	2,300.00	2,316.02
TOTALS		\$50,900			\$781.60		\$51,925.00	\$52,706.60
TOTALS FOR SUB-ACCOUNTS		\$168,800			\$3,538.64		\$174,978.76	\$178,514.40
TOTALS FOR GENERAL BOND RESERVE		\$2,399,000			\$79,674.09		\$2,445,828.47	\$2,525,502.56
GRAND TOTALS		\$2,567,800			\$83,212.73		\$2,620,807.23	\$2,704,019.96



GENERAL BOND RESERVE  
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/85

BOND ISSUE	CONTRIBUTION PLUS EARNINGS THROUGH 6/30/84	-----AT COST-----		-----AT MARKET-----	
		SHARE OF EARNINGS	INVESTED AND EARNED 6/30/85	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/85
A	83,205.80	9,160.36	92,366.16	10,947.20	94,153.00
B	89,321.42	9,821.94	99,143.36	11,737.83	101,059.25
C	23,559.20	2,595.43	26,154.63	3,101.71	26,660.91
D	22,477.44	2,468.21	24,945.65	2,949.66	25,427.10
E	50,241.75	5,521.66	55,763.41	6,598.73	56,840.48
F	55,446.02	6,106.90	61,552.92	7,298.13	62,744.15
H	14,148.30	1,552.17	15,700.47	1,854.94	16,003.24
I	71,141.85	7,811.75	78,953.60	9,335.53	80,477.38
J	16,392.02	1,806.63	18,198.65	2,159.03	18,551.05
K	31,450.19	3,460.58	34,910.77	4,135.61	35,585.80
L	104,134.76	11,450.45	115,585.21	13,684.00	117,818.76
M	26,214.44	2,875.33	29,089.77	3,436.20	29,650.64
N	61,161.95	6,717.60	67,879.55	8,027.95	69,189.90
O	168,006.10	18,473.39	186,479.49	22,076.85	190,082.95
P	112,837.10	12,417.37	125,254.47	14,839.53	127,676.63
Q	34,727.96	3,816.82	38,544.78	4,561.33	39,289.29
1975-1	288,337.66	31,679.56	320,017.22	37,859.05	326,196.71
S	75,407.25	8,295.21	83,702.46	9,913.30	85,320.55
1976-2	43,825.00	4,809.19	48,634.19	5,747.28	49,572.28
T	55,458.74	6,106.90	61,565.64	7,298.13	62,756.87
U	20,578.67	2,264.64	22,843.31	2,706.39	23,285.06
W	70,574.65	7,760.86	78,335.51	9,274.71	79,849.36
X	48,816.68	5,368.99	54,185.67	6,416.27	55,232.95
Y	138,083.97	15,190.93	153,274.90	18,154.10	156,238.07
Z	195,032.37	21,450.50	216,482.87	25,634.69	220,667.06
AA	159,482.71	17,531.91	177,014.62	20,951.72	180,434.43
EE	135,033.20	14,860.13	149,893.33	17,758.79	152,791.99
FF	72,411.79	7,964.42	80,376.21	9,517.98	81,929.77
GG	46,412.98	5,114.53	51,527.51	6,112.19	52,525.17
TOTALS	2,313,921.97	254,454.36	2,568,376.33	304,088.83	2,618,010.80



GENERAL BOND RESERVE - SUB-ACCOUNTS  
RESERVE EARNINGS ALLOCATION REPORT AS OF 6/30/85

BOND ISSUE	CONTRIBUTIONS PLUS EARNINGS THROUGH 6/30/84	-----AT COST-----		-----AT MARKET-----	
		SHARE OF EARNINGS	INVESTED AND EARNED 6/30/85	SHARE OF EARNINGS	INVESTED AND EARNED 6/30/85
R	29,094.48	2,801.30	31,895.78	3,441.93	32,536.41
1976-1	82,219.83	8,766.35	90,986.18	10,845.77	93,065.60
BB	46,918.88	4,594.41	51,513.29	5,619.41	52,538.29
TOTALS FOR SUB-ACCOUNTS					
	158,233.19	16,162.06	174,395.25	19,907.11	178,140.30
TOTALS FOR GENERAL BOND RESERVE					
	2,313,921.97	254,454.36	2,568,376.33	304,088.83	2,618,010.80
GRAND TOTALS					
	2,472,155.16	270,616.42	2,742,771.58	323,995.94	2,796,151.10

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

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REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS  
for the years ended June 30, 1985 and 1984

## C O N T E N T S

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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		General Bond Reserve Fund (Note 4)	
	1985	1984	1985	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		
	<u>740,117</u>	<u>580,279</u>		
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	<u>1,119,174</u>	<u>1,119,174</u>		
	<u>94,730,666</u>	<u>94,193,903</u>		
Total assets	<u>\$95,470,783</u>	<u>\$94,774,182</u>	<u>\$2,743,585</u>	<u>\$2,817,289</u>

Continued



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MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS, June 30, 1985 and 1984, Continued

LIABILITIES AND FUND BALANCE	General Operating Fund		General Bond Reserve Fund (Note 4)	
	1985	1984	1985	1984
Accounts payable, operations	\$ 9,498	\$ 8,701		
Unearned annual administrative fees	232,505	170,844		
	<u>242,003</u>	<u>179,545</u>		
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			<u>1,119,174</u>	<u>1,119,174</u>
	<u>94,730,666</u>	<u>94,193,903</u>	<u>1,344,118</u>	<u>1,627,419</u>
Total liabilities	<u>94,972,669</u>	<u>94,373,448</u>	<u>1,344,118</u>	<u>1,627,419</u>
Fund balance:				
Unappropriated	498,114	400,734		
Appropriated (Note 1)			<u>1,399,467</u>	<u>1,189,870</u>
Total fund balance	<u>498,114</u>	<u>400,734</u>	<u>1,399,467</u>	<u>1,189,870</u>
Total liabilities and fund balance	<u>\$95,470,783</u>	<u>\$94,774,182</u>	<u>\$2,743,585</u>	<u>\$2,817,289</u>

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	<u>253,016</u>	<u>294,492</u>	<u>7,601,489</u>	<u>7,606,111</u>	<u>273,905</u>	<u>282,182</u>
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	<u>155,636</u>	<u>142,108</u>	<u>7,601,489</u>	<u>7,606,111</u>	<u>3,679</u>	<u>3,337</u>
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	<u>\$498,114</u>	<u>\$400,734</u>	<u>-</u>	<u>-</u>	<u>\$1,399,467</u>	<u>\$1,189,870</u>

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

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### 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 (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

## NOTES TO FINANCIAL STATEMENTS, 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

## NOTES TO FINANCIAL STATEMENTS, Continued

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### 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





# NOTES TO FINANCIAL STATEMENTS, Continued

## 3. Financing Agreements, continued:

The Authority's net investment in finance agreements consists of the following at June 30, 1985:

	<u>Financing Leases</u>	<u>Promissory Notes</u>	<u>Total</u>
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)
	<u>\$ 44,882,159</u>	<u>\$ 18,394,332</u>	<u>\$ 63,276,491</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>59,605,000</u>	<u>30,611,845</u>	<u>90,216,845</u>
	<u>\$94,520,000</u>	<u>\$58,905,704</u>	<u>\$153,425,704</u>

Continued



NOTES TO FINANCIAL STATEMENTS, 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
<u>\$104,850,000</u>				<u>\$94,520,000</u>	<u>\$(1,258,048)</u>	<u>\$93,261,952</u>

Continued



## NOTES TO FINANCIAL STATEMENTS, 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.

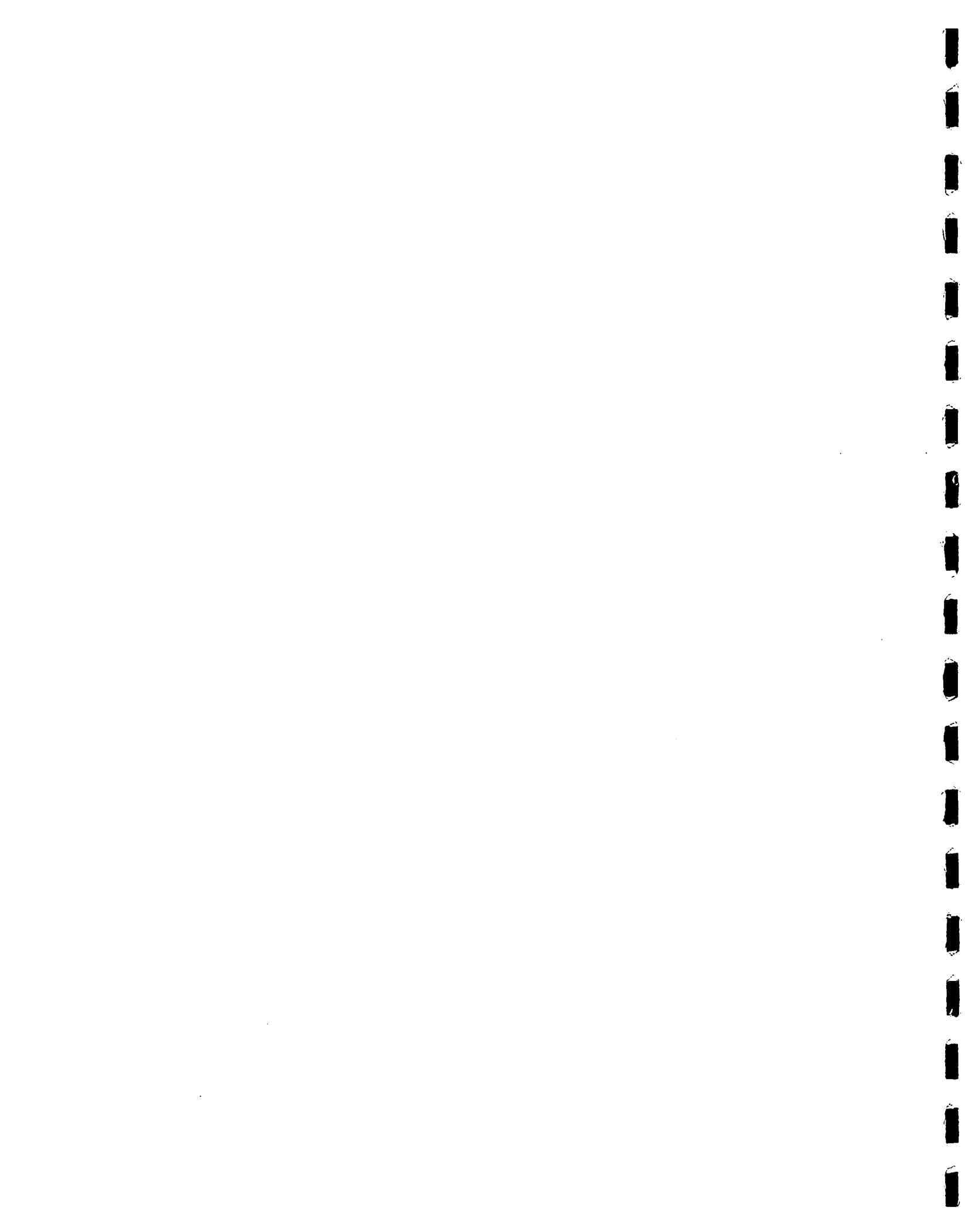
### 5. Commitments:

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

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## NOTES TO FINANCIAL STATEMENTS, Continued

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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.







