Minnesota Higher Education Facilities Authority

1987 Annual Report

MINNESOTA HIGHER EDUCATION
Facilities Authority

November 1, 1987

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 1987.

Each fiscal year has a definable characteristic. Fiscal Year 1986 will long be remembered for tax revision. Fiscal Year 1987 will be remembered for the dramatic surge in the stock market. We already know what Black Monday has done for Fiscal 1988. These three dramatic economic events have had, and will continue to have, quite an impact on higher education. Tax revision has put a damper on college construction. The surging stock market has had a favorable, if only too brief, impact on the bond market. It remains to be seen what the recent market crash will do to college financing.

This past fiscal year has seen a growing interest for new construction and renovation. St. Mary's College in Winona requested and received $2,500,000 for a variety of projects, including the construction of a building to enclose an existing ice arena; an addition to Hoffman Science Hall; the remodeling of St. Mary's Griffin Hall; and the purchase of a computer system and a campus-wide telecommunications system.

The Authority also reviewed and approved the final application of Gustavus Adolphus College for $2,500,000 for financing the remodeling of the Johnson Student Union; the construction of a road connection and parking lot for Wahlstrom Hall and expansion of the parking lot south of the Fine Arts Complex; realignment and construction of South Campus Drive and the installation of a stone entrance sign; and the construction of an interpretive center in the Arboretum.

The Authority also moved along a project to finance the construction of a residence hall on the campus of Vermilion Community College in Ely, Minnesota.

Macalester College, The College of St. Thomas, St. Olaf College and William Mitchell College of Law have all entered into discussions to finance projects that likely will bear fruit in Fiscal Year 1988. The officials of Golden Valley Lutheran College have not been successful in selling their campus in order to pay off the Authority for defaulting on their bond payments. It is hoped that a satisfactory solution during Fiscal 1988 will put the problem behind us.

The Authority has had 44 bond issues (including the refunded and retired issued) totaling $142,860,000, of which $101,360,000 is outstanding as of June 30, 1987.

Judging from the early interest of quite a few colleges, the coming fiscal year will be most gratifying in improving and maintaining the many private college campuses in Minnesota. The Authority members look forward to serve well this higher educational community.

Respectfully submitted,

Earl R. Herring

Earl R. Herring
Chairman

FISCAL YEAR 1986 ANNUAL REPORT
TABLE OF CONTENTS

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate, a ninth member who is the Executive Director of the Minnesota Higher Education Coordinating Board and a tenth non-voting member who is President of the Minnesota Private College Council. 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 of which the aggregate outstanding principal amount at any time shall not exceed $150,000,000. The Authority has had 44 bond issues (including refunded and retired issues) totaling $142,860,000 of which $101,360,000 was outstanding as of June 30, 1987. 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. The Authority can issue tax-exempt revenue bonds to refinance debts incurred by Minnesota higher education institutions 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 day of redemption.

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 is financed solely from fees paid by the institutions; it has no taxing power. 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.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BOARD MEMBERS

Jack M. Amundson, Municipal Finance Expert,
Managing Partner, McMahon, Hartmann, Amundson & Company, St. Cloud.
Term Expires January, 1989

Carol A. Blomberg, General Member
Vice President and Cashier, Merchants and Miners Bank, Hibbing
Term Expires January, 1990

Earl R. Herring, Chair, Higher Education Expert
Vice President for Administrative Affairs, Moorhead State University (Retired)
Term Expires January, 1989

Kathryn D. Jarvinen, Vice Chair, 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

John A. McHugh, General Member
Attorney and Banker, Minneapolis
Term Expires January, 1988

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

Milton Radjenovich, General Member
Retired, Buhl, Minnesota
Mr. Radjenovich resigned effective 10/11/87 and was replaced by:

Steve Senich, General Member
Director of Physical Therapy, Leisure Hills Health Care Ctr., Hibbing
Term Expires January, 1991

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

John Young, Jr., Construction Expert
Olson Pool Co., Hawley, Minnesota
Term Expires January, 1991

STAFF

Joseph E. LaBelle, Executive Director
Elaine J. Yungerberg, Administrative Assistant

BOND COUNSEL:

Faegre and Benson (John S. Holten), Minneapolis

FISCAL ADVISORS:

Springsted, Incorporated (Osmon R. Springsted), St. Paul

LEGAL ADVISOR:

William Kuretsky, Special Assistant Attorney General, St. Paul

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, issued December, 1972. The proceeds were used for the construction of a student housing facility to house 312 students.

Bond Series I for $1,600,000, issued May, 1974. The proceeds were used for the construction of a two-rink artificial ice center.

Bond Series 1983-A (pooled issue), issued November, 1983. Augsburg's share of the issue was $772,563, which accounted for 4.91% of the total amount of the issue. These funds were 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, issued December, 1972. The proceeds were used to construct and furnish a student housing facility to accommodate 480 students.

Refunding Series 1975-1 for $6,460,000, issued December, 1975. 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, issued August, 1978. 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, issued November, 1975. 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, issued December, 1977. 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, issued December, 1982. 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), issued November, 1983. Carleton's share of this issue was $2,415,235, which accounted for 15.34% of the total issue amount. These funds were used for improvements to academic buildings, dormitories and athletic facilities, energy conservation projects and the 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, 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, issued March, 1973. 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, issued July, 1974. The proceeds were used for the construction, equipment, and furnishing of a campus center.

Bond Series N for $1,450,000, issued May, 1974. 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. The College campus covers more than 100 acres midway between downtown St. Paul and downtown Minneapolis. In 1986, the College of St. Catherine merged with St. Mary's Junior College which resulted in St. Mary's Junior College being a branch campus of the College of St. Catherine.

Bond issues through the Authority include:

Bond Series M for $690,000, issued May, 1974. 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, issued August, 1977. The proceeds were used to construct, furnish, and equip a student housing facility to accommodate 118 students.

Bond Series L for $2,280,000, issued April, 1975. The proceeds were used to construct an academic building with classrooms, offices, laboratories, and a library for the St. Mary's Campus.

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, issued March, 1973. 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, issued June, 1974. The proceeds were used to fund the Pine Apartment Building, which can house a total of 46 students.

Bond Series Two-B for $1,160,000, issued July, 1980. The proceeds were used to repay interim financing used for the construction of a multipurpose recreation building and related outdoor facilities.

Bond Series 1983-A (pooled issue), issued November, 1983. 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 the purchase of a computer.

Bond Series Two-L for $1,065,000, issued December, 1986. The proceeds of this issue were used for renovation and expansion of the College's library.

COLLEGE OF ST. TERESA

The College of St. Teresa is a nonprofit, 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, issued April, 1976. 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, issued December, 1974. The proceeds were used to construct, equip, and furnish a 23-bedroom faculty residence.

Bond Series U for $685,000, issued January, 1978. 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, issued September, 1978. The proceeds were used to construct a five-story dormitory to house approximately 140 students.

Bond Series Two-C for $5,980,000, issued November, 1980. Proceeds of this issue 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, issued July, 1982. 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, issued July, 1982. 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), issued November, 1983. 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, issued May, 1985. The proceeds were used to refund in advance of maturity Bond Series Two-D and Bond Series 1982-1.

Bond Series Two-L for $5,500,000, issued December, 1985. The proceeds of this issue funded the construction, equipping and furnishing of two additional stories on to Brady Hall and Dowling Hall, on-campus student residences; and the construction of additional campus parking facilities.

CONCORDIA COLLEGE (MOORHEAD)

Concordia College, founded in 1891, is a nonprofit, coeducational, four year, 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, issued May, 1976. 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, issued August, 1979. 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, issued March, 1983. The proceeds were used to make improvements to Brown Hall, a student residence for approximately 270 students.

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

GOLDEN VALLEY LUTHERAN COLLEGE

Golden Valley Lutheran College was a coeducational, two-year, liberal arts college. The College was established in 1967 by the Lutheran Bible Institute of Minneapolis (LBI), and ceased operations effective the fall term, 1985.

The bond issue through the Authority is:

Bond Series S for $2,070,000, issued April, 1977. 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, issued March, 1973. 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), issued November, 1983. Gustavus' share of the proceeds $3,223,178, or 20.48% of the total issue. These funds were used to construct a physical education/health facility.

HAMLINE UNIVERSITY

Founded in 1854, Hamline University, located in St. Paul, was the first college in Minnesota. It is operated by the Trustees of 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, issued November, 1979. The proceeds were used to construct a two and one-half story law building.

Bond Series Two-G for $1,970,000, issued August, 1983. The proceeds were used for renovating, refurbishing, and repairing Sorin Hall dining room and kitchen and four residences on campus.

MACALESTER COLLEGE

Macalester College is a four-year, co-educational, liberal arts institute located in St. Paul, Minnesota. The College offers a variety of four year programs leading to a Bachelor of Arts degree. The College was established in 1885 and is associated with the Presbyterian Church (USA).

The bond issues through the Authority is:

Bond Series Two-J for $5,075,000, issued December 1985. Proceeds of the bond issue were used to remodel the student union, renovate the gymnasium and construct and equip a natatorium.

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, issued August, 1973. The proceeds were used for the construction of a new technical academic building with appurtenant equipment, furnishings, utilities and site improvement.

Bond Series 1983-A (pooled issue), issued November 1983. The College's share of the pooled issue was $402,897 or 2.56% of the total, and was used to purchase equipment.

Bond Series Two-K for $830,000, issued December, 1985. The proceeds were used for acquiring, constructing, furnishing and equipping a bookstore, student gallery and artist work space. The project also included remodeling the main College building and purchasing equipment for the computer lab.

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), issued November, 1983. Northwestern's share was 5.32% of the total issue 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 Abby. 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), issued November, 1983. 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 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, issued January, 1973. 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, issued April, 1977. 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), issued November, 1983. St. Mary's share of this issue was $580,172, or 3.69% of the total, which was used for improvement of campus buildings and energy conservation projects.

Bond Series Two-H for $2,825,000, issued October, 1984. The proceeds were used to finance the construction of theater/recital hall.

Bond Series Two-M for $2,500,000, issued May, 1987. The proceeds were used for a variety of projects including the construction of a building to enclose an existing ice arena, an addition to Hoffman Science Hall, remodeling of St. Marys/Griffin Hall, the purchase of a computer system and a campus-wide telecommunications system.

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 was operated by the Sisters of St. Joseph of Carondelet. It merged with the College of St. Catherine in 1986 and is now known as St. Mary's Campus, The College of St. Catherine.

Bond Series L. (See The College of St. Catherine)

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, issued October, 1975. The proceeds were used to help pay for a 63,200 square foot music hall.

Bond Series Y for $5,245,000, issued June, 1979. The proceeds were used to construct a three-story student residence which houses 232 students.

GENERAL RESERVE ANALYSIS STATUS AS OF: 6/30/87

RESERVE EARNINGS ALLOCATION REPORT*

BOND ISSUE	ORIGINAL CONTRI-BUTION	EARNINGS THROUGH 6/30/86	CONTRIBUTION PLUS EARNINGS	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	---------AT COST------- SHARE OF EARNINGS	INVESTED & EARNED 6/30/87	-------AT MARKET------- SHARE OF EARNINGS	INVESTED & EARNED 6/30/87
A	31,743.83	69,734.75	101,478.58	365	101,478.58	3.78%	8,340.85	109,819.43	8,424.61	109,903.19
B	34,082.00	74,848.86	108,930.86	365	108,930.86	4.06%	8,958.69	117,889.55	9,048.65	117,979.51
C	9,000.00	19,734.06	28,734.06	365	28,734.06	1.07%	2,361.03	31,095.09	2,384.74	31,118.80
D	8,643.00	18,761.52	27,404.52	365	27,404.52	1.02%	2,250.70	29,655.22	2,273.31	29,677.83
E	19,308.00	41,951.70	61,259.70	365	61,259.70	2.28%	5,030.99	66,290.69	5,081.51	66,341.21
F	21,304.00	46,323.91	67,627.91	365	67,627.91	2.52%	5,560.56	73,188.47	5,616.41	73,244.32
H	6,000.00	11,243.21	17,243.21	365	17,243.21	0.64%	1,412.21	18,655.42	1,426.39	18,669.60
I	30,000.00	56,740.07	86,740.07	365	86,740.07	3.23%	7,127.23	93,867.30	7,198.81	93,938.88
J	7,000.00	12,982.39	19,982.39	365	19,982.39	0.74%	1,632.86	21,615.25	1,649.26	21,631.65
K	14,000.00	24,358.11	38,358.11	365	38,358.11	1.43%	3,155.40	41,513.51	3,187.09	41,545.20
L	47,667.00	79,320.77	126,987.77	365	126,987.77	4.73%	10,437.09	137,424.86	10,541.91	137,529.68
M	12,000.00	19,958.46	31,958.46	365	31,958.46	1.19%	2,625.82	34,584.28	2,652.19	34,610.65
N	28,000.00	46,581.33	74,581.33	365	74,581.33	2.78%	6,134.27	80,715.60	6,195.88	80,777.21
O	80,000.00	124,873.01	204,873.01	365	204,873.01	7.63%	16,836.16	221,709.17	17,005.23	221,878.24
Q	17,000.00	25,353.76	42,353.76	365	42,353.76	1.58%	3,486.39	45,840.15	3,521.40	45,875.16
1975-1	138,000.00	213,572.93	351,572.93	365	351,572.93	13.10%	28,884.05	380,456.98	29,174.10	380,747.03
S	39,000.00	52,971.30	91,971.30	365	91,971.30	3.43%	7,568.55	99,539.85	7,644.55	99,615.85
1976-2	22,800.00	30,631.44	53,431.44	365	53,431.44	1.99%	4,391.08	57,822.52	4,435.18	57,866.62
T	30,000.00	37,640.61	67,640.61	365	67,640.61	2.52%	5,560.56	73,201.17	5,616.41	73,257.02
U	11,200.00	13,909.55	25,109.55	365	25,109.55	0.94%	2,074.18	27,183.73	2,095.01	27,204.56
W	40,000.00	46,073.98	86,073.98	365	86,073.98	3.21%	7,083.10	93,157.08	7,154.23	93,228.21
X	28,000.00	31,537.49	59,537.49	365	59,537.49	2.22%	4,898.59	64,436.08	4,947.79	64,485.28
Y	84,000.00	84,389.84	168,389.84	365	168,389.84	6.27%	13,835.22	182,225.06	13,974.15	182,363.99
Z	120,000.00	117,841.62	237,841.62	365	237,841.62	8.86%	19,550.24	257,391.86	19,746.57	257,588.19
AA	100,000.00	94,492.33	194,492.33	365	194,492.33	7.25%	15,997.66	210,489.99	16,158.31	210,650.64
EE	115,000.00	49,695.20	164,695.20	365	164,695.20	6.14%	13,548.36	178,243.56	13,684.42	178,379.62
FF	63,560.00	24,747.41	88,307.41	365	88,307.41	3.29%	7,259.63	95,567.04	7,332.53	95,639.94
GG	42,500.00	14,114.14	56,614.14	365	56,614.14	2.11%	4,655.87	61,270.01	4,702.63	61,316.77
TOTALS	1,199,807.83	1,484,383.75	2,684,191.58		2,684,191.58	100.01%	220,657.34	2,904,848.92	222,873.27	2,907,064.85

*Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. This secures certain Bonds of the Authority for which a deposit has been made into this reserve account in compliance with the General Bond Resolution. The Authority, at the June 5, 1984, meeting repealed the ruling that required colleges to contribute to the General Bond Reserve. The above information is an analysis and a breakdown of the funds in the Reserve.

GENERAL RESERVE ANALYSIS
SUB-ACCOUNTS
RESERVE EARNINGS ALLOCATION REPORT

STATUS AS OF: 6/30/87

BOND ISSUE	ORIGINAL CONTRI-BUTION	EARNINGS THROUGH 6/30/86	CONTRIBUTION PLUS EARNINGS	CURRENT YEAR DAYS INVESTED	WEIGHTED TOTAL	WEIGHTED PERCENT	---------AT COST-------		-------AT MARKET-------	
							SHARE OF EARNINGS	INVESTED & EARNED 6/30/87	SHARE OF EARNINGS	INVESTED & EARNED 6/30/87
P	53,426.00	82.940.23	136.366.23	365	136,366.23	100%	10,783.34	147,149.57	11,509.20	147,875.43
BB	32,000.00	24,731.76	56,731.76	365	56,731.76	100%	3,896.77	60,628.53	3.123.33	59,855.09
R	15,000.00	20,027.11	35,027.11	365	35,027.11	100%	2,362.41	37,389.52	1,870.22	36.897.33

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Report on Examination of Financial Statements

Years Ended June 30, 1987 and 1986

Touche Ross & Co.
1600 Amhoist Tower
Saint Paul, MN 55102-1656
Telephone: 612 222-2514

Touche Ross

September 15, 1987

Executive Director and Chairman of the Board
Minnesota Higher Education Facilities Authority
St. Paul, Minnesota

We have examined the balance sheets of the funds of the Minnesota Higher Education Facilities Authority as of June 30, 1987 and 1986, and the related statements of revenues and expenses and changes in fund balances 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 funds of the Minnesota Higher Education Facilities Authority as of June 30, 1987 and 1986, 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.

Touche Ross & Co.

Certified Public Accountants

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

BALANCE SHEETS

JUNE 30, 1987 AND 1986

	General Operating Fund				General Bond Reserve Fund (Note E)	
	Unrestricted		Restricted			
	1987	1986	1987	1986	1987	1986
ASSETS						
Cash	$ 24,753	$ 23,318	$ 3,756,838	$ 2,387,678	$ 24,420	$ 13,242
Investments (Notes C and H)	838,520	770,354	22,022,159	26,649,238	3,086,152	2,958,052
Accrued interest receivable	8,711	11,851	288,548	362,234	51,817	41,027
Financing agreements (Notes D and H):						
Rentals receivable, financing leases			40,643,439	43,239,542		
Loans receivable			34,221,144	31,412,100		
Reserve deposits to General Bond Reserve			1,079,174	1,119,174		
Furniture and equipment (less accumulated depreciation of $14,970 in 1987 and $11,838 in 1986)	11,495	11,716				
Other	2,029	2,663				
	$885,508	$819,902	$102,011,302	$105,169,966	$3,162,389	$3,012,321
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 15,287	$ 9,878				
Unearned administrative fees	159,103	195,804				
Revenue bonds payable (less unamortized discount of $1,078,402 in 1987 and $1,237,234 in 1986) (Note E)			$100,281,598	$103,447,766		
Accrued interest payable			1,729,704	1,722,200		
Reserve deposits from colleges					$ 232,246	$ 221,060
Reserve deposits from restricted assets of General Operating Fund					1,079,174	1,119,174
	174,390	205,682	102,011,302	105,169,966	1,311,420	1,340,234
Fund balances:						
Unappropriated	711,118	614,220				
Appropriated (Note A)					1,850,969	1,672,087
	$885,508	$819,902	$102,011,302	$105,169,966	$3,162,389	$3,012,321

See notes to financial statements.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 1987 AND 1986

	General Operating Fund				General Bond Reserve Fund (Note E)	
	Unrestricted		Restricted			
	1987	1986	1987	1986	1987	1986
REVENUES:						
Annual administrative fees	$204,128	$190,085				
Investment income	59,103	68,828	$2,282,269	$2,674,338	$ 248,566	$ 276,406
Revenues from institutions to finance interest expense and bond issuance costs (Note A)			5,204,740	4,577,560		
Total revenues	263,231	258,913	7,487,009	7,251,898	248,566	276,406
EXPENSES:						
Payroll, payroll taxes and employee benefits (Note F)	92,686	85,708				
Rent expense	11,258	11,226				
Legal, audit and consulting expense	33,213	19,793			2,508	3,786
Other general and administrative expenses	29,176	26,080				
Interest expense			7,457,924	6,996,483		
Bond issuance costs			29,085	255,415		
Total expenses	166,333	142,807	7,487,009	7,251,898	2,508	3,786
EXCESS OF REVENUES OVER EXPENSES	96,898	116,106	-	-	246,058	272,620
FUND BALANCES, BEGINNING OF YEAR	614,220	498,114			1,672,087	1,399,467
Distribution of pro rata share of fund earnings upon final redemption of Series 1976-1 bonds in 1987					(67,176)	
FUND BALANCES, END OF YEAR	$711,118	$614,220	$ -	$ -	$1,850,969	$1,672,087

See notes to financial statements.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED JUNE 30, 1987 AND 1986

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
	1987	1986	1987	1986	1987	1986
SOURCE OF FUNDS:						
Operations:						
Excess of revenues over expenses	$ 96,898	$116,106			$ 246,058	$ 272,620
Items not affecting cash:						
Depreciation	3,132	1,520				
Amortization of unearned administrative fees	(36,701)	(36,701)				
Amortization of bond discount			$ 203,832	$ 202,591		
Changes in accounts:						
Interest receivable	3,140	4,266	73,686	9,161	(10,790)	42,186
Accounts payable	5,409	380				(3,884)
Interest payable			7,504	253,486		
Deposits to General Bond Reserve			40,000			
Cash provided from operations	71,878	85,571	325,022	465,238	235,268	310,922
Proceeds from revenue bonds issued			2,455,000	12,288,223		
Collections of financing agreements receivable			5,714,528	1,924,881		
Other	634	1,052				
Total sources of cash	72,512	86,623	8,494,550	14,678,342	235,268	310,922
USE OF FUNDS:						
Funds disbursed to institutions			5,927,469	13,300,032		
Repayment of revenue bonds			5,825,000	2,305,000		
Purchase of fixed assets	2,911	7,797				
Distribution of pro rata share of fund earnings upon final redemption of bonds					67,176	
Reserve deposits and earnings to colleges					28,814	
Total uses of cash	2,911	7,797	11,752,469	15,605,032	95,990	
INCREASE (DECREASE) IN CASH AND INVESTMENTS	69,601	78,826	(3,257,919)	(926,690)	139,278	310,922
CASH AND INVESTMENTS, BEGINNING OF YEAR	793,672	714,846	29,036,916	29,963,606	2,971,294	2,660,372
CASH AND INVESTMENTS, END OF YEAR	$863,273	$793,672	$25,778,997	$29,036,916	$3,110,572	$2,971,294

See notes to financial statements.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1987 AND 1986

A. 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% (.125% of the original bond principal for applications received prior to August 12, 1975) of original bond principal until repayment.

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 loans 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.

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 distributed 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 receives a distribution of 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. The distribution is shown as a reduction in fund balance.

B. 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.

INVESTMENTS:

Investments are carried at amortized cost. In those instances where market values are below amortized cost, no provision for loss has been provided since it is the Authority's intention to hold the securities to maturity.

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 $500, 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.

RECLASSIFICATIONS:

Certain reclassifications have been made in the 1986 financial statements to conform to the classifications used in 1987. These reclassifications have no effect on fund balances as previously reported.

C. Investments:

Investments consist of those permitted by the various bond indentures. They are comprised primarily of government bonds, notes, bills, mortgages, and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

In addition, for colleges meeting certain criteria, the proceeds may be invested in general obligation or revenue bonds of any state or any political subdivisions provided the general obligation bonds are rated AA or better for states and AAA or better for political subdivisions and revenue bonds are rated AAA or better for both. Savings accounts, time deposits and certificates of deposits with commercial banks, savings and loans and mutual savings banks are allowed provided they are fully insured by the FDIC. In some cases, investment agreements with corporations rated AA by Standard and Poor or Aa by Moody's are allowed as well as repurchase agreements fully collateralized by United States government securities.

The carrying value of investments at June 30, 1987 consists of:

	General Operating Fund Unrestricted	General Operating Fund Restricted	General Bond Reserve Fund
U.S. Government and agencies	$845,000	$15,628,974	$2,822,400
Federated trust accounts		3,487,624	
Investment agreement		2,778,000	
Deposits		34,504	
Other (Note H)			290,126
	845,000	21,929,102	3,112,526
Unamortized discount	(6,480)		(27,831)
Unamortized premium		93,057	1,457
	$838,520	$22,022,159	$3,086,152
Approximate market value at June 30, 1987	$837,186	$22,368,906	$3,100,828

The carrying value of investments at June 30, 1986 consists of:

	General Operating Fund Unrestricted	General Operating Fund Restricted	General Bond Reserve Fund
U.S. Government and agencies	$775,000	$20,468,259	$2,888,900
Federated trust accounts		3,037,725	
Investment agreement		2,778,000	
Deposits		223,479	
Other (Note H)			102,294
	775,000	26,507,463	2,991,194
Unamortized discount	(4,646)		(35,167)
Unamortized premium		141,775	2,025
	$770,354	$26,649,238	$2,958,052

The federated trust accounts are diversified investment funds which offer daily liquidity and invest primarily in U.S. Treasury and agency securities. Federated trust account funds and deposits consisting of certificates of deposits and minor demand deposits are carried at cost which approximates market value. U.S. Government securities are carried at cost net of unamortized discounts and premiums. Investments of the restricted operating fund are held by independent trustees.

D. 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, HH, 1985-1, II, JJ, KK, LL, 1983-A and MM which are recorded as loans receivable.

The Authority's net investment in finance agreements consist of the following at June 30, 1987:

	Financing leases	Loans receivable	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	$95,844,583	$69,119,854	$164,964,437
Net assets held in trust	(17,726,561)	(8,768,856)	(26,495,417)
Unearned income	(37,474,583)	(26,129,854)	(63,604,437)
	$40,643,439	$34,221,144	$ 74,864,583

At June 30, 1987 future minimum payments to be received under financing agreements to support aggregate bond payments approximates:

	Principal	Interest	Total
1988	$ 14,675,000	$ 6,643,602	$ 21,318,602
1989	5,710,000	5,975,433	11,685,433
1990	6,400,000	5,519,310	11,919,310
1991	6,540,000	5,000,162	11,540,162
1992	9,785,000	3,932,057	13,717,057
Thereafter	58,250,000	36,533,873	94,783,873
	$101,360,000	$63,604,437	$164,964,437

E. Revenue bonds payable:

Revenue bonds payable at June 30, 1987 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	$ 2,010,000	($ 17,266)	$ 1,992,734
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,205,000	(9,057)	1,195,943
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jan 1, 1976 to Jan 1, 1998	385,000	(2,830)	382,170
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	305,000	(2,271)	302,729
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	475,000	(2,518)	472,482
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	1,015,000	(7,313)	1,007,687
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	235,000	(2,720)	232,280
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	930,000	(6,632)	923,368
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	300,000	(4,398)	295,602
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	435,000	(1,666)	433,334
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	1,325,000	(17,942)	1,307,058
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	465,000	(5,051)	459,949
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	900,000	(9,993)	890,007
4,000,000	Series O (Carleton College)	7.0%	Nov 1, 2000	4,000,000	(40,533)	3,959,467
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%	Apr 1, 1976 to Oct 1, 1989	870,000	(4,526)	865,474
800,000	Series Q (Concordia College)	4.0% to 6.375%	Apr 1, 1978 to Apr 1, 1994	495,000	(4,722)	490,278
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%	Oct 1, 1976 to Oct 1, 1994	4,180,000	(45,998)	4,134,002
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%	Apr 1, 1979 to Apr 1, 2002	1,035,000		1,035,000
795,000	Series R (College of St. Catherine)	4.0% to 6.625%	May 1, 1977 to May 1, 1997	510,000	(6,169)	503,831
2,070,000	Series S (Golden Valley Lutheran College)	6.5%	Apr 1, 1979 to Apr 1, 1997	1,435,000	(16,740)	1,418,260
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	545,000	(6,500)	538,500
2,360,000	Series W (Bethel College)	6.4% to 7.0%	Apr 1, 1979 to Apr 1, 2001	1,900,000		1,900,000
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%	Apr 1, 1980 to Apr 1, 1999	1,670,000	(12,656)	1,657,344
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%	Apr 1, 1981 to Apr 1, 2010	4,845,000	(67,146)	4,777,854
6,500,000	Series Z (Concordia College)	6.0% to 6.7%	Apr 1, 1983 to Apr 1, 2006	5,975,000	(116,500)	5,858,500
6,000,000	Series AA (Hamline University)	7.25% to 7.75%	Jun 1, 1982 to Jun 1, 2008	5,500,000	(115,807)	5,384,193
1,160,000	Series BB (College of St. Scholastica)	6.0% to 7.5%	May 1, 1982 to May 1, 1993	820,000	(10,016)	809,984
9,400,000	Series EE (Carleton College)	7.0%	Dec 7, 1987	9,400,000	(16,443)	9,383,557
3,055,000	Series FF (Concordia College)	5.0% to 8.8%	Oct 1, 1984 to Oct 1, 2003	2,820,000	(58,802)	2,761,198
1,970,000	Series GG (Hamline University)	6.5% to 10.25%	May 1, 1985 to May 1, 1996	1,825,000	(33,488)	1,791,512
2,825,000	Series HH (College of St. Mary's)	Variable	Oct 1, 1987 to Oct 1, 2004	2,825,000	(18,275)	2,806,725
8,055,000	Series 1985-1 (College of St. Thomas)	5.25% to 8.2%	Jul 1, 1985 to Jul 1, 1993	7,065,000	(58,450)	7,006,550
5,500,000	Series II (College of St. Thomas)	6.5% to 7.5%	Nov 1, 1995 to Nov 1, 2015	5,500,000	(38,958)	5,461,042
5,075,000	Series JJ (Macalester College)	6.75% to 8.7%	Mar 1, 1991 to Mar 1, 2006	5,075,000	(91,655)	4,983,345
830,000	Series KK (Minneapolis College of Art/Design)	6.5% to 8.75%	Feb 1, 1988 to Feb 1, 2001	830,000	(15,466)	814,534
1,065,000	Series LL (College of St. Scholastica)	6.0% to 8.9%	Dec 1, 1986 to Dec 1, 2001	1,030,000	(17,465)	1,012,535
18,520,000	Series 1983-A (Pooled Revenue Bonds: 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, and St. Mary's College)			16,340,000	(147,730)	16,192,270
2,500,000	Series MM (Saint Mary's College)	7.0% to 8.375%	May 1, 1995 to May 1,2017	2,500,000	(44,700)	2,455,300
				$101,360,000	($1,078,402)	$100,281,598

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 D. Under the terms of the related trust indentures, each bond issue is collateralized as follows:

- All assets financed by the bond issue except Series 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 EE, FF, GG, 1983-A, HH, 1985-1, II, JJ, KK, LL and MM.
- 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, 1987, as follows:

Series O	$4,319,967
Series T	2,698,437
Series GG	1,974,420
Series 1983-A	2,526,198
Series EE	9,980,333
Series KK	901,065
Series LL	303,107

- Irrevocable letters of credit for series 1983-A and HH of $1,555,372 and $2,825,000, respectively.

F. Lease commitment:

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 1987 and 1986 amounted to $11,258 and $11,226, respectively.

G. 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 were deposited with a trustee with instructions to purchase certain 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, 1987

$7,057,600 was escrowed with the trustee for the payment of the outstanding defeased principal of $6,795,000. The last payment on the defeased debt is due July 1, 1994.

H. Collectability of Series S rentals receivable:

The Board of Regents of Golden Valley Lutheran College have made a decision to close the school and campus and have ceased making payments under their lease financing agreement. Restricted Series S reserves in the general operating fund were used to meet the Series S April 1, 1985 principal and interest payments and the October 1, 1985 interest payments. The April 1, 1986 and 1987 principal and interest payments and the October 1, 1986 interest payment were made with the remaining funds in the Series S reserves and advances by the Authority from the General Bond Reserve Fund (included in General Bond Reserve Fund investments at June 30, 1987 and 1986). The total amount due to the Authority at June 30, 1987 related to Series S consists of rentals receivable of $1,403,615, General Bond Reserve Fund advances of $290,126 plus accrued interest at 8% of $17,714 and approximately $14,000 of out-of-pocket expenses. The related revenue bond principal outstanding is $1,435,000 at June 30, 1987. Management of the Authority believes that no losses will be incurred related to Series S.