Minnesota Higher Education Facilities Authority

1988 Annual Report

Minnesota Higher Education
Facilities Authority

October 1, 1988

Honorable Rudy Perpich, Governor
Members of the Legislature
State Capitol
St. Paul, Minnesota 55115

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 1988.

Fiscal Year 1988 started out with a bang. Several colleges had major projects that they wanted financed through the Authority. The stock market was at an all-time high; student enrollments were exceeding expectations; and most Minnesota colleges had healthy, positive balances beginning the new fiscal year. Then came the October 19, 1987, stock market crash! Most colleges experienced an immediate and painful drop in their investment portfolios and dire predictions were coming fourth daily from market analysts. However, the Minnesota colleges seemed to have weathered the storm and many have recovered most of what they lost in October 1987.

There were four major projects financed through the Authority in fiscal 1988. Gustavus Adolphus College went out with a $2,550,000 bond issue in August of 1987; the proceeds were used to remodel the Johnson Student Union, construct campus roads and expand parking, and construct an Interpretive Center in the Arboretum.

The College of St. Thomas went out with an $11,100,000 bond issue in May of 1988; the proceeds were used to build additions to and remodel Murray Hall and Brady Center, repair the roof and exterior of Grace and Cretin Residences, renovate the heating plant, acquire and install new computer hardware and software, and finally, acquire real property adjacent to the St. Paul campus.

The State Community College Board sought and received special legislation permitting it to seek financing ($1,300,000) to construct and furnish a residence hall on the Vermilion Community College campus in Ely, Minnesota. The total project cost was slightly in excess of $2,840,000; the State appropriated approximately $1,540,000 to make up the difference.

The College of St. Benedict embarked on an ambitious building program during the past year. The College requested and received $6,365,000 in May of 1988 to finance four projects: construction of a furnished student residence hall, renovation of St. Teresa Hall, the addition of central air conditioning to Claire Lynch Hall, and the construction of a storm sewer in the central part of the campus.

Several colleges have already made inquiries for possible financing projects during fiscal 1989. William Mitchell College of Law is expecting to receive $4,250,000 on October 19, 1988, to finance a new law library. Northwestern College of Chiropractic, St. John's University, the College of St. Scholastica, and the Minneapolis College of Art and Design are in preliminary stages of planning financing for new projects.

Some progress has been made to sell the former campus of the Golden Valley Lutheran College. A major part of the proceeds will be used to pay principal and interest due on the outstanding bonds. The Authority continues to make all timely payments to the bond holders from the General Bond Reserve Fund.

The Authority has had 48 bond issues totaling $164,175,000 of which $108,000,000 is outstanding as of June 30, 1988.

The Authority is proud to be part of the continuing contribution of Minnesota colleges and universities to the education of its citizenry.

Respectfully submitted,

Earl R. Herring

Earl R. Herring
Chairman

FISCAL YEAR 1988 ANNUAL REPORT
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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, Secretary
Vice President and Cashier, Merchants and Miners Bank, Hibbing
Term Expires January, 1990

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

Kathryn D. Jarvinen, General Member
Nurse Managers of Medical Services, Community Memorial Hospital, Winona
Term Expires January, 1989

Kathleen Kies, Ex-officio Member
Acting Executive Director, Minnesota Higher Education Coordinating Board

John A. McHugh, General Member
Attorney and Banker, Minneapolis
Term Expires January, 1992

David B. Laird, Jr., Ex-officio, Non-voting Member
President, Minnesota Private College Council

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

Catherine M. Warrick, Vice Chairperson
Instructor, Metropolitan State University, St. Paul
Term Expires January, 1992

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

STAFF/ADVISERS

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:
Gregory P. Huwe, Special Assistant Attorney General, St. Paul

THE AUTHORITY: Its purpose

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 48 bond issues (including refunded and retired issues) totaling $164,175,000 of which $108,000,000 was outstanding as of June 30, 1988. 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.

THE AUTHORITY: Its Role

Although the Authority retains broad powers to oversee planning and construction, its 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 purchase 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 issue 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.

WHO IS ELIGIBLE

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.

AUGSBURG COLLEGE is a private four-year liberal arts college located in Minneapolis at the center of the Twin Cities metropolitan area. The College was founded in 1869 and is affiliated with the Evangelical 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. Principal outstanding: $1,985,000

- Bond Series I for $1,600,000,issued May, 1974. The proceeds were used for the construction of a two-rink artificial ice center. Principal outstanding: $850,000

- 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. Principal outstanding: $550,942

BETHEL COLLEGE was founded in Chicago in 1871. The College 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. Principal outstanding: $1,115,000

- 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. Principal outstanding: $3,840,000

- 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. Principal outstanding: $1,825,000

CARLETON COLLEGE 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, 1986. 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. Principal outstanding: $4,000,000

- 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 the campus. Principal outstanding: $2,385,000

- 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. Principal outstanding: -0-

- 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. Principal outstanding: $1,723,283

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. Principal outstanding: $945,000

- Bond Series J for $370,000, issued July, 1974. The proceeds were used for the construction, equipment, and furnishing of a campus center. Principal outstanding: $290,000

- 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.

  Principal outstanding: $830,000

- Bond Series Two-Q for $6,365,000, issued May, 1988. The proceeds were used to construct a furnished student residence hall, renovate St. Teresa Hall, add central air conditioning to Claire Lynch Hall and construct a storm sewer system in the central part of the campus.

  Principal outstanding: $6,365,000

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. Principal outstanding: $435,000

- 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. Principal outstanding: $475,000

- 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. Principal outstanding: $1,195,000

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. Principal outstanding: $280,000

- 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. Principal outstanding: $220,000

- 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. Principal outstanding: $750,000

- 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. Principal outstanding: $403,990

- Bond Series Two-L for $1,065,000, issued December, 1985. The proceeds of this issue were used for renovation and expansion of the College's library. Principal outstanding: $995,000

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.

Principal outstanding: -0-

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 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. Principal outstanding: $390,000

- Bond Series U of $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. Principal outstanding: $520,000

- 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. Principal outstanding: $1,650,000

- 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. Principal outstanding: -0-

- 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 therof was not paid until November 20, 1983, which was the maturity date for the Series Two-C bonds. Principal outstanding: -0-

- 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. Principal outstanding: -0-

- 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. Principal outstanding: $1,958,624

- 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. Principal outstanding: $6,285,000

- Bond Series Two-I 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. Principal outstanding: $5,500,000

- Bond Series Two-O for $11,100,000, issued May, 1988. The proceeds were used to build additions to and remodel Murray Hall and Brady Center, repair the roof and exterior of Grace and Cretin Residences, renovate the heating plant, acquire and install computer hardware and software and acquire real property adjacent to the St. Paul campus. Principal outstanding: $11,100,000

CONCORDIA COLLEGE (MOORHEAD), founded in 1891, is a nonprofit, coeducational, four year, liberal arts college of the Evangelical Lutheran Church in America. 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.
  Principal outstanding: $450,000

- 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.
  Principal outstanding: $5,850,000

- 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. Principal outstanding: $2,730,000

- 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 improvement to student residence and food facility buildings. Principal outstanding: $1,461,878

GOLDEN VALLEY LUTHERAN COLLEGE was a coeducational, two-year, liberal 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. Principal outstanding: $1,340,000

GUSTAVUS ADOLPHUS COLLEGE is a private, coeducational, full 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 Evangelical 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.

  Principal outstanding: $410,000

- 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. Principal outstanding: $2,299,754

- Bond Series Two-N for $2,550,000, issued August, 1987. The proceeds were used to remodel the Johnson Student Union, construct campus roads and expand parking, and construct an Interpretative Center in the Arboretum. Principal outstanding: $2,550,000

HAMLINE UNIVERSITY, Minnesota's oldest college (founded in 1854) is a selective liberal arts college. Hamline is coeducational, affiliated with the United Methodist Church, and is comprised of an undergraduate college, the Hamline University School of Law, two graduate programs and a continuing professional studies division.

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. Principal outstanding: $5,400,000

- 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. Principal outstanding: $1,775,000

MACALESTER COLLEGE is a four-year, coeducational, liberal arts institute located in St. Paul. 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 issue 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. Principal outstanding: $5,075,000

MINNEAPOLIS COLLEGE OF ART AND DESIGN is a fully accredited, coeducational four-year professional college. It was operated by the Minneapolis Society of Fine Arts, a nonprofit organization founded in 1883, which also operates the Minneapolis Institute of Arts. The College became a separate corporation on July 1, 1988.

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. Principal outstanding: -0-

- 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. Principal outstanding: $287,468

- 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. Principal outstanding: $800,000

NORTHWESTERN COLLEGE OF CHIROPRACTIC 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. Principal outstanding: $597,935

ST. JOHN'S UNIVERSITY, founded in 1857, is located in Collegeville, Minnesota, and is operated by the Benedictine monks of St. John's Abby. The University is in close cooperation with the College of St. Bendict, a Benadictine 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. Principal outstanding: $1,799,620

SAINT MARY'S COLLEGE of Minnesota is a non-sectarian institution of higher learning, founded in 1912 by the second bishop of Winona and administered by the Brothers of the Christian Schools since 1933. In addition to the original liberal arts undergraduate campus in

Winona, Saint Mary's maintains graduate school centers in Minneapolis and Rochester. The College, originally a men's school, has been coeducational since 1969, the same year in which the College became an independent corporation under an outside board of trustees.

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. Principal outstanding: $360,000

- 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. Principal outstanding: $995,000

- 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. Principal outstanding: $413,956

- Bond Series Two-H for $2,825,000, issued October, 1984. The proceeds were used to finance the construction of theater/recital hall. Principal outstanding: $2,800,000

- 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. Principal outstanding: $2,500,000

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 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 affiliated with the Evangelical Luterhan Church in America.

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. Principal outstanding: $660,000

- 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. Principal outstanding: $4,770,000

VERMILION COMMUNITY COLLEGE was established in 1922 as Ely Junior College and became part of the Minnesota state-wide system of community colleges in 1964. In 1982, the College became part of the new five campus Arrowhead Community College administrative unit. The College offers one- and two-year degrees in several programs. The College emphasizes career training in natural resource and environmental programs.

The bond issue through the Authority is:

- Bond Series Two-P for $1,300,000, issued November, 1987. The proceeds were used to construct and furnish a residence hall on the College campus. The residence hall will accommodate approximately 144 students. Principal outstanding: $1,300,000

GENERAL RESERVE ANALYSIS
RESERVE EARNINGS ALLOCATION REPORT*

Status as of: 6/30/88

							At Cost		At Market	
Bond Issue	Original Contribution	Earnings Through 6/30/87	Contribution Plus Earnings	Current Year Days Invested	Weighted Total	Weighted Percent	Share of Earnings	Invested & Earned 6/30/88	Share of Earnings	Invested & Earned 6/30/88
A	31,743.83	78,075.60	109,819.43	365	109,819.43	5.08%	8,196.53	118,015.96	7,857.09	117,676.52
B	34,082.00	83,807.55	117,889.55	365	117,889.55	5.45%	8,793.53	126,683.08	8,429.35	126,318.90
C	9,000.00	22,095.09	31,095.09	365	31,095.09	1.44%	2,323.43	33,418.52	2,227.21	33,322.30
D	8,643.00	21,012.22	29,655.22	365	29,655.22	1.37%	2,210.48	31,865.70	2,118.94	31,774.16
E	19,308.00	46,982.69	66,290.69	365	66,290.69	3.06%	4,937.28	71,227.97	4,732.81	71,023.50
F	21,304.00	51,884.47	73,118.47	365	73,188.47	3.38%	5,453.60	78,642.07	5,227.75	78,416.22
H	6,000.00	12,655.42	18,655.42	365	18,655.42	0.86%	1,387.60	20,043.02	1,330.14	19,985.56
I	30,000.00	63,867.30	93,867.30	365	93,867.30	4.34%	7,002.55	100,869.85	6,712.55	100,579.85
J	7,000.00	14,615.25	21,615.25	365	21,615.42	1.00%	1,613.49	23,228.74	1,546.67	23,161.92
K	14,000.00	27,513.51	41,513.51	365	41,513.51	1.92%	3,097.90	44,611.41	2,969.61	44,483.12
M	12,000.00	22,584.28	34,584.28	365	34,584.28	1.60%	2,581.59	37,165.87	2,474.67	37,058.95
N	28,000.00	52,715.60	80,715.60	365	80,715.60	3.73%	6,018.32	86,733.92	5,769.08	86,484.68
O	80,00.00	141,709.17	221,709.17	365	221,709.17	10.25%	16,538.28	238,247.45	15,853.37	237,562.54
S	39,000.00	60,539.85	99,539.85	365	99,539.85	4.60%	7,422.06	106,961.91	7,114.68	106,654.53
1976-2	22,800.00	35,022.52	57,822.52	365	57,822.52	2.67%	4,308.02	62,130.54	4,129.61	61,952.13
T	30,000.00	43,201.17	73,201.17	365	73,201.17	3.38%	5,453.60	78,654.77	5,227.75	78,428.92
U	11,200.00	15,983.73	27,183.73	365	27,183.73	1.26%	2,033.00	29,216.73	1,948.80	29,132.53
W	40,000.00	53,157.08	93,157.08	365	93,157.08	4.31%	6,954.15	100,111.23	6,666.15	99,823.23
X	28,000.00	36,436.08	64,436.08	365	64,436.08	2.98%	4,808.20	69,224.28	4,609.08	69,045.16
Y	84,000.00	98,225.06	182,225.06	365	182,225.06	8.43%	13,601.73	195,826.79	13,038.43	195,263.49
Z	120,000.00	137,391.86	257,391.86	365	257,391.86	11.90%	19,216.67	276,608.53	18,420.83	275,812.69
AA	100,000.00	110,489.99	210,489.99	365	210,489.99	9.73%	15,699.27	226,189.26	15,049.10	225,539.09
FF	63,560.00	32,007.04	95,567.04	365	95,567.04	4.42%	7,131.63	102,698.67	6,836.28	102,403.32
GG	42,500.00	18,770.01	61,270.01	365	61,270.01	2.83%	4,566.18	65,836.19	4,377.08	65,647.09
TOTALS	882,140.83	1,280,742.54	2,162,883.37		2,162,883.37	1.00	161,349.09	2,324,232.46	154,667.03	2,317,550.40

* 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: 6/30/88

							At Cost		At Market	
Bond Issue	Original Contri-bution	Earnings Through 6/30/87	Contribution Plus Earnings	Current Year Days Invested	Weighted Total	Weighted Percent	Share of Earnings	Invested & Earned 6/30/88	Share of Earnings	Invested & Earned 6/30/88
P	53,426.00	93,723.57	147,149.57	365	147,149.57	100%	11,030.11	158,179.68	10,436.65	157,586.22
BB	32,000.00	28,628.53	60,628.53	365	60,628.53	100%	3,392.36	64,020.89	3,134.55	63,763.08
R	15,000.00	22,389.58	37,389.52	365	37,389.52	100%	2,119.37	39,508.89	19,955.31	39,344.83
1975-1	138,000.00	242,456.95	380,456.98	365	380,456.98	100%	28,344.78	408,801.76	27,431.24	407,888.22
Q	17,000.00	28,840.15	45,840.15	365	45,840.15	100%	3,401.99	49,242.14	3,300.27	49,140.42
L	47,667.00	89,757.86	137,424.86	365	137,424.86	100%	9,741.31	147,166.17	8,964.25	146,389.11

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Report on Examination of Financial Statements.

Years ended June 30, 1988 and 1987

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

Touche Ross

September 13, 1988

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, 1988 and 1987, 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.

As discussed further in Note H, payments due the Authority under the lease finance agreement covering the Series S bonds payable have ceased, and principal and interest payments on this bond issue are being made from the assets of the General Bond Reserve Fund. The eventual recoverability of payments made by the General Bond Reserve Fund and amounts receivable under the lease finance agreement is uncertain at this time.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, 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, 1988 and 1987, 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, 1988 AND 1987

	General Operating Fund – Unrestricted 1988	General Operating Fund – Unrestricted 1987	General Operating Fund – Restricted 1988	General Operating Fund – Restricted 1987	General Bond Reserve Fund (Note E) 1988	General Bond Reserve Fund (Note E) 1987
ASSETS						
Cash	$ 44,925	$ 24,753	$ 3,393,777	$ 3,756,838	$ 17,697	$ 24,420
Investments (Notes C and H)	872,947	838,520	29,488,281	22,022,159	3,113,484	3,086,152
Accrued interest receivable	2,869	8,711	387,921	288,548	72,106	51,817
Financing agreements (Notes D and H):						
Rentals receivable, financing leases			39,442,057	40,643,439		
Loans receivable			34,938,280	34,221,144		
Reserve deposits to General Bond Reserve			1,079,174	1,079,174		
Furniture and equipment (less accumulated depreciation of $13,170 in 1988 and $14,970 in 1987)	39,477	11,495				
Other	5,115	2,029				
	$965,333	$885,508	$108,729,490	$102,011,302	$3,203,287	$3,162,389
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 18,304	$ 15,287				
Unearned administrative fees	123,400	159,103				
Revenue bonds payable (less unamortized discount of $1,146,830 in 1988 and $1,078,402 in 1987) (Note E)			$106,853,170	$100,281,598		
Accrued interest payable			1,876,320	1,729,704		
Deferred rent	17,683					
Reserve deposits from colleges					$ 117,995	$ 232,246
Reserve deposits from restricted assets of General Operating Fund					1,079,174	1,079,174
	159,387	174,390	108,729,490	102,011,302	1,197,169	1,311,420
Fund balances:						
Unappropriated	805,946	711,118				
Appropriated (Note A)					2,006,118	1,850,969
	$965,333	$885,508	$108,729,490	$102,011,302	$3,203,287	$3,162,389

See notes to financial statements.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 1988 AND 1987

	General Operating Fund				General Bond Reserve Fund (Note E)	
	Unrestricted		Restricted			
	1988	1987	1988	1987	1988	1987
REVENUES:						
Annual administrative fees	$243,082	$204,128				
Investment income	57,577	59,103	$1,785,175	$2,282,269	$ 227,227	$ 248,566
Revenues from institutions to finance interest expense and bond issuance costs (Note A)			5,350,323	5,204,740		
TOTAL REVENUES	300,659	263,231	7,135,498	7,487,009	227,227	248,566
EXPENSES:						
Payroll, payroll taxes and employee benefits	104,492	92,686				
Rent expense (Note F)	22,403	11,258				
Legal, audit and consulting expense	39,856	33,213			2,615	2,508
Other general and administrative expenses	39,080	29,176				
Interest expense			7,052,886	7,457,924		
Bond issuance costs			82,612	29,085		
TOTAL EXPENSES	205,831	166,333	7,135,498	7,487,009	2,615	2,508
EXCESS OF REVENUES OVER EXPENSES	94,828	96,898	-	-	224,612	246,058
FUND BALANCES, beginning of year	711,118	614,220			1,850,969	1,672,087
Distribution of pro rata share of fund earnings upon final redemption of Series 1976-1 bonds in fiscal 1987 and Series EE bonds in fiscal 1988					(69,463)	(67,176)
FUND BALANCES, end of year	$805,946	$711,118	$ -	$ -	$2,006,118	$1,850,969

See notes to financial statements.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED JUNE 30, 1988 AND 1987

	General Operating Fund				General Bond Reserve Fund	
	Unrestricted		Restricted			
	1988	1987	1988	1987	1988	1987
SOURCE OF FUNDS:						
Operations:						
Excess of revenues over expenses	$ 94,828	$ 96,898			$ 224,612	$ 246,058
Items not affecting cash:						
Depreciation	4,570	3,132				
Amortization of unearned administrative fees	(35,703)	(36,701)				
Amortization of bond discount			$ 168,860	$ 203,832		
Gain on sale of fixed assets	(613)					
Changes in accounts:						
Interest receivable	5,842	3,140	(99,373)	73,686	(20,289)	(10,790)
Accounts payable	3,017	5,409				
Interest payable			146,616	7,504		
Deferred rent	17,683					
Deposits to General Bond Reserve				40,000		
Cash provided from operations	89,624	71,878	216,103	325,022	204,323	235,268
Proceeds from sale of fixed assets	2,870					
Proceeds from revenue bonds issued			21,077,711	2,455,000		
Collections of financing agreements receivable			4,300,176	5,714,528		
Other	(3,086)	634				
TOTAL SOURCES OF CASH	89,408	72,512	25,593,990	8,494,550	204,323	235,268
USE OF FUNDS:						
Funds disbursed to institutions			3,815,930	5,927,469		
Repayment of revenue bonds			14,674,999	5,825,000		
Purchase of fixed assets	34,809	2,911				
Distribution of pro rata share of fund earnings upon final redemption of bonds					69,463	67,176
Reserve deposits and earnings to colleges					114,251	28,814
TOTAL USE OF FUNDS	34,809	2,911	18,490,929	11,752,469	183,714	95,990
INCREASE (DECREASE) IN CASH AND INVESTMENTS	54,599	69,601	7,103,061	(3,257,919)	20,609	139,278
CASH AND INVESTMENTS, beginning of year	863,273	793,672	25,778,997	29,036,916	3,110,572	2,971,294
CASH AND INVESTMENTS, end of year	$917,872	$863,273	$32,882,058	$25,778,997	$3,131,181	$3,110,572

See notes to financial statements.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1988 AND 1987

A. Authorizing legislation and funds:

AUTHORIZING LEGISLATION:

The Minnesota Higher Education Facilities Authority (the 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. The Authority functions as a custodian for general bond reserve fund deposits; the institutions involved retain the right to reimbursement of deposits and interest thereon (provided all terms of the rental or loan agreement have been met) as well as responsibility for losses resulting from collateral payments made.

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.

Income taxes:

The Authority is an agency of the State of Minnesota and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

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, 1988 consists of:

	General Operating Fund Unrestricted	General Operating Fund Restricted	General Bond Reserve Fund
U.S. Government and agencies	$600,000	$20,114,431	$2,649,755
Federated trust accounts	282,849	1,406,902	
Reverse repurchase agreements		4,023,796	
Investment agreement		2,778,000	
Deposits		1,169,329	
Other (Note H)			477,237
	882,849	29,492,458	3,126,992
Unamortized discount	(9,902)	(4,177)	(17,160)
Unamortized premium			3,652
	$872,947	$29,488,281	$3,113,484
Approximate market value at June 30, 1988	$879,849	$29,692,107	$3,103,994

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 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. Reverse repurchase agreements at June 30, 1988 are collateralized by U.S. Government obligations.

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, MM, NN, OO, PP and QQ which are recorded as loans receivable.

The Authority's net investment in finance agreements consists of the following at June 30, 1988:

	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	$80,772,953	$105,196,946	$185,969,899
Net assets held in trust	(7,502,943)	(26,116,720)	(33,619,663)
Unearned income	(33,827,953)	(44,141,946)	(77,969,899)
	$39,442,057	$ 34,938,280	$ 74,380,337

At June 30, 1988 future minimum payments to be received under financing agreements to support aggregate bond payments approximates:

	Principal	Interest	Total
1989	$ 6,040,000	$ 7,654,458	$ 13,694,458
1990	7,055,000	7,165,477	14,220,477
1991	7,275,000	6,602,881	13,877,881
1992	10,555,000	5,487,356	16,042,356
1993	5,500,000	5,378,756	10,878,756
Thereafter	71,575,000	45,680,971	117,255,971
	$108,000,000	$77,969,899	$185,969,899

E. Revenue bonds payable:

Revenue bonds payable at June 30, 1988 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	$ 1,985,000	($ 16,252)	$ 1,968,748
1,935,000	Series B (Bethel College)	4.0% to 5.6%	Jun 1, 1974 to Jun 1, 1997	1,115,000	(7,562)	1,107,438
595,000	Series C (St. Mary's College)	4.2% to 5.6%	Jan 1, 1976 to Jan 1, 1998	360,000	(2,371)	357,629
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%	Mar 1, 1974 to Mar 1, 1997	280,000	(1,882)	278,118
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%	Mar 1, 1975 to Mar 1, 1993	410,000	(1,816)	408,184
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%	Mar 1, 1974 to Mar 1, 1998	945,000	(6,149)	938,851
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%	Jun 1, 1975 to Jun 1, 1999	220,000	(2,345)	217,655
1,600,000	Series I (Augsburg College)	5.75% to 6.2%	May 1, 1976 to May 1, 1995	850,000	(5,315)	844,685
370,000	Series J (College of St. Benedict)	6.3% to 6.8%	Jul 1, 1976 to Jul 1, 2002	290,000	(3,958)	286,042
800,000	Series K (College of St. Thomas)	5.5% to 6.9%	Sep 1, 1975 to Sep 1, 1994	390,000	(1,286)	388,714
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%	Jan 1, 1977 to Jan 1, 1994	1,195,000	(13,872)	1,181,128
690,000	Series M (College of St. Catherine)	7.4% to 8.0%	Nov 1, 1976 to Nov 1, 1996	435,000	(4,226)	430,774
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%	Nov 1, 1976 to Nov 1, 1994	830,000	(8,048)	821,952
4,000,000	Series O (Carleton College)	7.0%	Nov 1, 2000	4,000,000	(37,493)	3,962,507
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%	Apr 1, 1976 to Oct 1, 1989	660,000	(2,384)	657,616
800,000	Series Q (Concordia College)	4.0% to 6.375%	Apr 1, 1978 to Apr 1, 1994	450,000	(3,715)	446,285
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%	Oct 1, 1976 to Oct 1, 1994	3,840,000	(36,486)	3,803,514
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%	Apr 1, 1979 to Apr 1, 2002	995,000		995,000
795,000	Series R (College of St. Catherine)	4.0% to 6.625%	May 1, 1977 to May 1, 1997	475,000	(5,155)	469,845
2,070,000	Series S (Golden Valley Lutheran College)	6.5%	Apr 1, 1979 to Apr 1, 1997	1,340,000	(14,111)	1,325,889
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	520,000	(5,747)	514,253
2,360,000	Series W (Bethel College)	6.4% to 7.0%	Apr 1, 1979 to Apr 1, 2001	1,825,000		1,825,000
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%	Apr 1, 1980 to Apr 1, 1999	1,650,000	(11,106)	1,638,894
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%	Apr 1, 1981 to Apr 1, 2010	4,770,000	(62,954)	4,707,046
6,500,000	Series Z (Concordia College)	6.0% to 6.7%	Apr 1, 1983 to Apr 1, 2006	5,850,000	(107,788)	5,742,212
6,000,000	Series AA (Hamline University)	7.25% to 7.75%	Jun 1, 1982 to Jun 1, 2008	5,400,000	(107,923)	5,292,077
1,160,000	Series BB (College of St. Scholastica)	6.0% to 7.5%	May 1, 1982 to May 1, 1993	750,000	(7,742)	742,258
3,055,000	Series FF (Concordia College)	5.0% to 8.8%	Oct 1, 1984 to Oct 1, 2003	2,730,000	(53,281)	2,676,719
1,970,000	Series GG (Hamline University)	6.5% to 10.25%	May 1, 1985 to May 1, 1996	1,775,000	(30,122)	1,744,878
2,825,000	Series HH (College of St. Mary's)	Variable	Oct 1, 1987 to Oct 1, 2004	2,800,000	(17,216)	2,782,784
8,055,000	Series 1985-1 (College of St. Thomas)	5.25% to 8.2%	Jul 1, 1985 to Jul 1, 1993	6,285,000	(43,110)	6,241,890
5,500,000	Series II (College of St. Thomas)	6.5% to 7.5%	Nov 1, 1995 to Nov 1, 2015	5,500,000	(37,583)	5,462,417
5,075,000	Series JJ (Macalester College)	6.75% to 8.7%	Mar 1, 1991 to Mar 1, 2006	5,075,000	(85,464)	4,989,536
830,000	Series KK (Minneapolis College of Art/Design)	6.5% to 8.75%	Feb 1, 1988 to Feb 1, 2001	800,000	(13,713)	786,287
1,065,000	Series LL (College of St. Scholastica)	6.0% to 8.9%	Dec 1, 1986 to Dec 1, 2001	995,000	(15,471)	979,529
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)	6.75% to 8.5%	Oct 1, 1986 to Oct 1, 1991	14,010,000	(100,057)	13,909,943
2,500,000	Series MM (Saint Mary's College)	7.0% to 8.375%	May 1, 1995 to May 1, 2017	2,500,000	(42,898)	2,457,102
2,550,000	Series NN (Gustavus Adolphus College)	5.0% to 7.5%	Oct 1, 1988 to Oct 1, 2003	2,550,000	(38,598)	2,511,402
11,100,000	Series OO (College of St. Thomas)	6.5% to 7.6%	Oct 1, 1989 to Oct 1, 2007	11,100,000	(161,098)	10,938,902
1,300,000	Series PP (Vermillion Community College)	6.75% to 9.0%	Jan 1, 1990 to Jan 1, 2007	1,300,000	(30,533)	1,269,467
6,365,000	Series QQ (College of St. Benedict)	5.0% to 8.1%	Sep 1, 1988 to Mar 1, 2003	6,365,000		6,365,000
				$108,000,000	($1,146,830)	$106,853,170

Revenue bonds payable at June 30, 1987 consisted 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)	6.75% to 8.5%	Oct 1, 1986 to Oct 1, 1991	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 due on the revenue bonds are 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 FF, GG, 1983-A, HH, 1985-1, II, JJ, KK, LL, MM, NN, OO, PP and QQ.

- 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, 1988, as follows:

Series O	$4,858,986
Series T	2,907,862
Series GG	1,403,339
Series 1983-A	2,463,774
Series KK	938,427
Series LL	300,658

- Irrevocable letters of credit for series 1983-A and HH of $1,191,957 and $2,800,000, respectively.

F. Lease commitment:

The Authority has a lease commitment of $2,972 per month for office space through November 1992. Rent expense for the years ended June 30, 1988 and 1987 was $22,403 and $11,258, 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, 1988

$6,309,517 was escrowed with the trustee for the payment of the outstanding defeased principal of $6,080,000. The last payment on the defeased debt is due July 1, 1994.

H. Collectibility 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 payment. The April 1, 1986, 1987 and 1988 principal and interest payments and the October 1, 1986 and 1987 interest payments were made from the General Bond Reserve Fund. Such advances are accounted for in the General Bond Reserve Fund as investments at June 30, 1988 and 1987. The total amount due to the Authority at June 30, 1988 related to Series S consists of rentals receivable of $1,309,669, General Bond Reserve Fund advances of $477,237 plus accrued interest at 8% of $48,400 and approximately $25,000 of out-of-pocket expenses and unpaid annual administrative fees. The principal balance and accumulated interest thereon of the original Series S deposit to the General Bond Reserve Fund (Note A) was approximately $90,000 at April 1, 1986 and is included in advances made on behalf of Series S through June 30, 1988 of $477,237. This amount will only be refunded to Golden Valley Lutheran College if funds received upon disposition of the subject property are sufficient to repay all advances made and fees and expenses incurred. The related revenue bond principal outstanding is $1,340,000 at June 30, 1988. The fund balance in the General Bond Reserve Fund is adequate at this time to cover the College's rental obligations which are used for debt service of the bonds. Recovery of advances made by the General Bond Reserve Fund and amounts receivable under the Series S lease finance agreement are, however, subject to the ultimate sales price of the property securing the bonds.