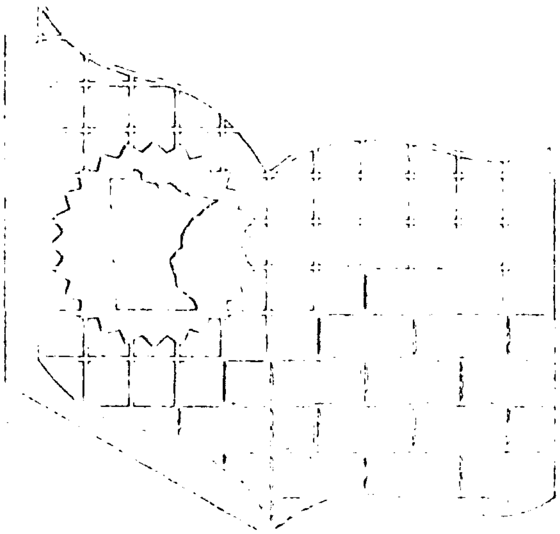
Minnesota Higher Education Facilities Authority



1989 Annual Report

Minnesota Higher Education
Facilities Authority

November 1, 1989

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 1989.

The state and national economies continue to grow and show surprising strength. Nearly all sectors of Minnesota higher education student enrollments continued to increase, as the dropout rates continued to decrease. The private sector of higher education reflected this growth, with the notable exception of the College of St. Teresa. The College closed its doors in May of 1989, thus ending eighty years of dedication to higher education. It is with deep regret we see the end of this dedication.

Most other Minnesota private colleges continue to thrive. The Authority issued bonds this past fiscal year for William Mitchell College of Law, the College of St. Thomas, and the College of St. Scholastica. William Mitchell College of Law received $4,250,000 to finance the construction of the William E. Burger Law Library. The College of St. Thomas received $4,415,000 to finance the renovation of several buildings it acquired from the Catholic Archdiocese of St. Paul. The College of St. Scholastica received $5,105,000 to finance the construction and equipping of a new student residence and a garage facility; the renovation and equipping of a classroom facility; and the acquisition and installation of a new campus telephone and computer system.

Many other colleges began the application process for new financing. The Authority has issued bonds for two more colleges since the end of Fiscal 1989. The College of St. Benedict received $1,680,000 for renovating a classroom building, and Gustavus Adolphus College received $1,440,000 for refinancing under more favorable terms, a physical education facility. The Authority is planning a $2,500,000 sale of bonds in December, 1989, for the construction of an art center for St. John's University.

The Authority has also received application for new financings from Northwestern College of Chiropractic and the College of St. Thomas. Five more colleges have contacted the Authority to indicate their desire to seek financing for new projects.

The Authority has had 51 bond issues totaling $177,945,000 of which $115,730,000 is outstanding as of June 30, 1989.

We remain optimistic for the future of Minnesota higher education. We have much to be proud of but also realize much remains to be done.

Respectfully submitted,

Catherine Warrick
Chairperson

FISCAL YEAR 1989 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, 1990

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

Earl R. Herring, Higher Education Expert
Vice President for Administrative Affairs, Moorhead State University (Retired)
Term Expires January, 1993

Kathryn D. Jarvinen, Secretary
Nurse Manager of Medical Services, Community Memorial Hospital, Winona
Term Expires January, 1993

David R. Powers, Ex-officio Member
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, Chairperson
Community Faculty Member, 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
Helen M. Savage, Secretary

Bond Counsel:

Faegre and Benson (John S. Holten), Minneapolis

Fiscal Advisors:

Springsted, Incorporated (J. Luther Anderson), 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 $250,000,000. The Authority has had 51 bond issues (including refunded and retired issues) totaling $177,945,000 of which $115,730,000 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 is 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.

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: $1,955,000
- 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: $760,000
- 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: $429,337

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: $1,020,000
- 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: $3,470,000
- 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: $1,750,000

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: $1,340,484

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: $870,000
- 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: $280,000
- 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: $755,000
- 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: $6,125,000

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: $405,000
- 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: $435,000
- 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: $1,055,000

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

Bond issues through the Authority include:

- Bond Series D for $520,000, 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: $255,000
- 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: $205,000
- 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: $670,000
- 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: $314,250
- 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: $955,000
- Bond Series Two-T for $5,105,000 issued June 1989. The proceeds were used to construct, furnish and equip student residence facilities; acquire, construct and equip garage stalls for campus grounds equipment; acquire, renovate and equip office and classroom space in Tower Hall; acquire and install new campus telephone and computer system. Principal outstanding: $5,105,000.

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 College was closed in May of 1989.

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: $345,000
- 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. Principal outstanding: $495,000
- 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: $1,600,000
- 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: $5,425,000
- 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
- Bond Series Two-S for $4,415,000, issued May, 1989. The proceeds were used in the renovation of Grace and Cretin Residences, and in the construction of an addition and remodeling of Binz Refectory, an existing dining facility used primarily by students and faculty of the School of Divinity; however, the addition will be used by other students of the College.

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: $400,000
- 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: $5,725,000
- 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: $2,640,000
- 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: $1,137,146

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: $1,240,000

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 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: $340,000
- 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: $1,788,902
- 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: $2,460,000

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: $5,300,000
- 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: $1,700,000

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 non-profit 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: $223,612
- 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: $765,000

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: $465,114

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: $1,192,602

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: $330,000
- 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: $950,000
- 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: $322,002
- 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: $2,775,000
- 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 Lutheran 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: $440,000
- 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: $4,690,000

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

William Mitchell College of Law is a private, independent law school. It is accredited by the American Bar Association and is a member of the American Association of Law Schools. William Mitchell was created in 1958 through successive mergers of several Twin Cities Law schools. In 1976, the College moved its present campus at 875 Summit Avenue in St. Paul.

The bond issue through the Authority is:

- Bond Series Two-R for $4,250,000 issued November, 1988. The proceeds of this bond issue were used to finance the construction of The Warren E. Burger Law Library. Principal outstanding: $4,250,000

Series	Deposit	6/30/89 Fund Balance (Cost Basis)	Total Reserve Balance	Percentage Of Secured Issue Totals	Reduction for Removal of GVLC Loans	Adjusted 06/30/89 Fund Balance	Adjusted Total Reserve	Maximum Non-Limited GBR Balance
Secured Pool Issue								
A	31,743.83	95,350.60	127,094.43	4.05%	25,486.57	69,864.03	101,607.86	203,526.00
B	34,082.00	102,340.78	136,422.78	4.35%	27,357.21	74,983.57	109,065.57	153,922.00
C	9,000.00	26,991.95	35,991.95	1.15%	7,217.56	19,774.39	28,774.39	53,250.00
D	8,643.00	25,671.03	34,314.03	1.09%	6,881.08	18,789.95	27,432.95	43,426.00
E	19,308.00	57,388.50	76,696.50	2.44%	15,380.15	42,008.35	61,316.35	77,268.00
F	21,304.00	63,378.47	84,682.47	2.70%	16,981.59	46,396.88	67,700.88	156,284.00
H	6,000.00	15,579.93	21,579.93	0.69%	4,327.48	11,252.45	17,252.45	25,659.00
I	30,000.00	78,625.97	108,625.97	3.46%	21,783.05	56,842.92	86,842.92	120,000.00
J	7,000.00	18,015.84	25,015.84	0.80%	5,016.49	12,999.35	19,999.35	25,835.00
K	14,000.00	34,042.64	48,042.64	1.53%	9,634.11	24,408.53	38,408.53	64,000.00
M	12,000.00	28,025.23	40,025.23	1.27%	8,026.36	19,998.87	31,998.87	52,742.00
N	28,000.00	65,399.81	93,399.81	2.97%	18,729.71	46,670.10	74,670.10	98,975.00
O	80,000.00	176,565.73	256,565.73	8.17%	51,449.79	125,115.94	205,115.94	600,000.00
1976-2	22,800.00	44,102.10	66,902.10	2.13%	13,416.05	30,686.05	53,486.05	103,800.00
T	30,000.00	54,695.17	84,695.17	2.70%	16,984.14	37,711.03	67,711.03	357,750.00
U	11,200.00	20,268.48	31,468.48	1.00%	6,310.46	13,958.02	25,158.02	30,736.00
W	40,000.00	67,813.63	107,813.63	3.43%	21,620.15	46,193.48	86,193.48	114,000.00
X	28,000.00	46,569.84	74,569.84	2.38%	14,953.68	31,616.16	59,616.16	88,000.00
Y	84,000.00	126,892.05	210,892.05	6.72%	42,290.73	84,601.32	168,601.32	450,750.00
Z	120,000.00	177,892.89	297,892.89	9.49%	59,737.23	118,155.66	238,155.66	466,530.00
AA	100,000.00	143,577.75	243,577.75	7.76%	48,845.47	94,732.28	194,732.47	473,001.00
Subtotal	737,080.83	1,469,188.39	2,206,269.22	70.27%	442,428.87	1,026,759.52	1,763,840.35	
GVLC Issue								
S	39,000.00	76,182.57	115,182.57			0.00	0.00	
Unsecured Pool Issues (*GBR Contributions not from Bond Proceeds, so not subject to limit).								
FF	63,560.00	47,037.66	110,597.66			47,037.66	110,597.66	124,798.00
GG	42,500.00	28,393.69	70,893.69			28,393.69	70,893.69	1,808.00
Subtotal	106,060.00	75,431.35	181,491.35			75,431.35	181,491.35	
Pool Total	882,140.83	1,620,802.31	2,502,943.14			1,102,190.87	1,945,331.70	
Sub-Accounts								
L	47,667.00	110,268.17	157,935.17	5.03%	31,671.15	78,597.02	126,264.02	137,680.00
P	53,426.00	116,306.50	169,732.50	5.41%	34,036.90	82,269.60	135,695.60	130,013.00
Q	17,000.00	36,261.41	53,261.41	1.70%	10,680.65	25,580.76	42,580.76	49,000.00
1975-1	138,000.00	303,855.05	441,855.05	14.07%	88,606.33	215,248.72	353,248.72	387,000.00
R	15,000.00	27,083.24	42,083.24	1.34%	8,439.06	18,644.18	33,644.18	26,209.00
BB	32,000.00	36,398.28	68,398.28	2.18%	13,716.08	22,682.20	54,682.20	41,493.00
Subtotal	303,093.00	630,172.65	933,265.65	29.73%	187,150.17	443,022.48	746,115.48	
Total Secured Pool & Sub-Accounts	1,040,173.83	2,099,361.04	3,139,534.87	100.00%	629,579.04	1,469,782.00	2,509,955.83	
Grand Total	1,185,233.83	2,250,974.96	3,436,208.79			1,545,213.35	2,691,447.18	

Executive Director and Chairperson of the Board
Minnesota Higher Education Facilities Authority
Saint Paul, Minnesota

We have audited the accompanying balance sheets of the funds of the Minnesota Higher Education Facilities Authority as of June 30, 1989 and 1988, and the related statements of revenues and expenses and changes in fund balances and changes in financial position for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Minnesota Higher Education Facilities Authority as of June 30, 1989 and 1988, and the results of their operations and changes in financial position for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note H to the financial statements, payments due the Authority under the lease finance agreement covering the Series S bonds payable have ceased. 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.

As further discussed in Note H, the Authority has been named in a lawsuit in connection with the Series S lease finance agreement. The ultimate outcome of the lawsuit cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

Touche Ross & Co.

Certified Public Accountants
September 25, 1989

	GENERAL OPERATING FUND	
	Unrestricted	
	1989	1988
ASSETS		
Cash	$ 36,020	$ 44,925
Investments (Note C)	970,339	872,947
Series S rentals receivable (Note H)		
Accrued interest receivable		2,869
Financing agreements (Notes D and H):		
Rentals receivable, financing leases		
Loans receivable		
Reserve deposits to General Bond Reserve		
Furniture and equipment (less accumulated depreciation of $19,141 in 1989 and $13,170 in 1988)	38,006	39,477
Other	3,539	5,115
	$1,047,904	$965,333
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 32,767	$ 18,304
Unearned administrative fees	90,019	123,400
Revenue bonds payable (less unamortized discount of $1,218,578 in 1989 and $1,146,830 in 1988) (Note E)		
Accrued interest payable		
Deferred rent	18,278	17,683
Reserve deposits from colleges		
Reserve deposits from restricted assets of General Operating Fund		
	141,064	159,387
Fund balances:		
Unappropriated	906,840	805,946
Appropriated (Note A)		
	$1,047,904	$965,333

See notes to financial statements.

GENERAL OPERATING FUND		GENERAL BOND RESERVE FUND	
Restricted			
1989	1988	1989	1988
$ 3,510,170	$ 3,393,777	$ 19,567	$ 17,697
26,475,418	29,488,281	2,653,799	2,636,247
		662,693	477,237
320,898	387,921	66,482	72,106
37,560,055	39,442,057		
47,744,133	34,938,280		
1,079,174	1,079,174		
$116,689,848	$108,729,490	$3,402,541	$3,203,287
$114,511,422	$106,853,170		
2,178,426	1,876,320		
		$117,995	$117,995
		1,079,174	1,079,174
116,689,848	108,729,490	1,197,169	1,197,169
		2,205,372	2,006,118
$116,689,848	$108,729,490	$3,402,541	$3,203,287

Minnesota Higher Education Facilities Authority/Statements of Revenues and Expenses and Changes in Fund Balances

	GENERAL OPERATING FUND	
	Unrestricted	
	1989	1988
REVENUES		
Annual administrative fees	$243,378	$243,082
Investment income	78,484	57,577
Revenues from institutions to finance interest expense and bond issuance costs (Note A)		
TOTAL REVENUES	321,862	300,659
EXPENSES		
Payroll, payroll taxes and employee benefits	114,673	104,492
Rent expense (Note F)	30,315	22,403
Legal, audit and consulting expense	39,614	39,856
Other general and administrative expenses	36,366	39,080
Interest expense		
Bond issuance costs		
TOTAL EXPENSES	220,968	205,831
EXCESS OF REVENUES OVER EXPENSES	100,894	94,828
FUND BALANCES, beginning of year	805,946	711,118
Distribution of pro rata share of fund earnings upon final redemption of Series EE bonds in fiscal 1988		
FUND BALANCES, end of year	$906,840	$805,946

See notes to financial statements.

GENERAL OPERATING FUND		GENERAL BOND RESERVE FUND	
Restricted			
1989	1988	1989	1988
$2,175,710	$1,785,175	$ 201,539	$ 227,227
5,896,176	5,350,323		
8,071,886	7,135,498	201,539	227,227
		2,285	2,615
8,044,016	7,052,886		
27,870	82,612		
8,071,886	7,135,498	2,285	2,615
—	—	199,254	224,612
		2,006,118	1,850,969
			(69,463)
$ —	$ —	$2,205,372	$2,006,118

	GENERAL OPERATING FUND	
	Unrestricted	
	1989	1988
SOURCES OF FUNDS		
Operations		
Excess of revenues over expenses	$ 100,894	$ 94,828
Items not affecting cash:		
Depreciation	5,971	4,570
Amoritization of unearned administrative fees	(33,381)	(35,703)
Amortization of bond discount		
Gain on sale of fixed assets		(613)
Changes in accounts:		
Interest receivable	2,869	5,842
Accounts payable	14,463	3,017
Interest payable		
Deferred rent	595	17,683
Cash provided from operations	91,411	89,624
Proceeds from sale of fixed assets		2,870
Proceeds from revenue bonds issued		
Collections of financing agreements receivable		
Other	1,576	(3,086)
TOTAL SOURCES OF CASH	92,987	89,408
USE OF FUNDS:		
Funds disbursed to institutions		
Repayment of revenue bonds		
Payment of Series S rentals		
Purchase of fixed assets	4,500	34,809
Distribution of pro rata share of fund earnings upon final redemption of bonds		
Reserve deposits and earnings to colleges		
TOTAL USE OF FUNDS	4,500	34,809
INCREASE (DECREASE) IN CASH AND INVESTMENTS	88,487	54,599
CASH AND INVESTMENTS, beginning of year	917,872	863,273
CASH AND INVESTMENTS, end of year	$ 1,006,359	$ 917,872

See notes to financial statements.

GENERAL OPERATING FUND Restricted 1989	GENERAL OPERATING FUND Restricted 1988	GENERAL BOND RESERVE FUND 1989	GENERAL BOND RESERVE FUND 1988
		$ 199,254	$ 224,612
$ 155,966	$ 168,860		
67,023	(99,373)	5,624	(20,289)
302,106	146,616		
525,095	216,103	204,878	204,323
13,542,286	21,077,711		
6,323,597	4,300,176		
20,390,978	25,593,990	204,878	204,323
17,247,448	3,815,930		
6,040,000	14,674,999		
		185,456	187,111
			69,463
			114,251
23,287,448	18,490,929	185,456	370,825
(2,896,470)	7,103,061	19,422	(166,502)
32,882,058	25,778,997	2,653,944	2,820,446
$29,985,588	$32,882,058	$2,673,366	$2,653,944

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 $250 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 annual administrative fees paid by the participating institutions of .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.

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.

Reclassifications:

Certain reclassifications have been made to the June 30, 1988 financial statements to conform to the classifications used in the June 30, 1989 financial statements. The reclassifications had no effect on the excess of revenues over expenses or 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 a federal agency. 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, 1989 consists of:

	General Operating Fund		General Bond
	Unrestricted	Restricted	Reserve Fund
U.S. Government and agencies		$17,308,307	$2,695,900
Federated trust accounts	$970,339	5,187,656	
Investment agreement		2,778,000	
Deposits		1,079,291	
	970,339	26,353,254	2,695,900
Unamortized discount			(42,101)
Unamortized premium		122,164	
	$970,339	$26,475,418	$2,653,799
Approximate market value at June 30, 1989	$970,339	$26,556,285	$2,658,751

The carrying value of investments at June 30, 1988 consists of:

	General Operating Fund		General Bond
	Unrestricted	Restricted	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	
	882,849	29,492,458	2,649,755
Unamortized discount	(9,902)	(4,177)	(17,160)
Unamortized premium			3,652
	$872,947	$29,488,281	$2,636,247
Approximate market value at June 30, 1988	$879,849	$29,692,107	$2,626,757

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 in the Authority's name.

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, QQ, RR, SS and TT which are recorded as loans receivable.

The Authority's net investment in financing agreements consists of the following at June 30, 1989 with comparative totals at June 30, 1988:

	Financing leases	Loans receivable	Total	June 30, 1988
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	$74,786,517	$125,316,614	$200,103,131	$ 185,969,899
Net assets held in trust	(7,204,945)	(23,220,867)	(30,425,812)	(33,619,663)
Unearned income	(30,021,517)	(54,351,614)	(84,373,131)	(77,969,899)
	$37,560,055	$ 47,744,133	$ 85,304,188	$ 74,380,337

At June 30, 1989 future minimum payments to be received under financing agreements to support aggregate bond payments approximates:

	Principal	Interest	Total
1990	$ 7,055,000	$ 8,156,138	$ 15,211,138
1991	7,455,000	7,586,082	15,041,082
1992	10,755,000	6,457,519	17,212,519
1993	5,715,000	6,334,747	12,049,747
1994	5,575,000	5,884,013	11,459,013
Thereafter	79,175,000	49,954,632	129,129,632
	$115,730,000	$ 84,373,131	$200,103,131

E. Revenue bonds payable:

Revenue bonds payable at June 30, 1989 consist of the following serial and term bonds:

Original principal amount		Interest rates
$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%
1,935,000	Series B (Bethel College)	4.0% to 5.6%
595,000	Series C (St. Mary's College)	4.2% to 5.6%
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%
1,600,000	Series I (Augsburg College)	5.75% to 6.2%
370,000	Series J (College of St. Benedict)	6.3% to 6.8%
800,000	Series K (College of St. Thomas)	5.5% to 6.9%
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%
690,000	Series M (College of St. Catherine)	7.4% to 8.0%
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%
4,000,000	Series O (Carleton College)	7.0%
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%
800,000	Series Q (Concordia College)	4.0% to 6.375%
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%
795,000	Series R (College of St. Catherine)	4.0% to 6.625%
2,070,000	Series S (Golden Valley Lutheran College)	6.5%
2,385,000	Series T (Carleton College)	5.625%
685,000	Series U (College of St. Thomas)	4.4% to 5.9%
2,360,000	Series W (Bethel College)	6.4% to 7.0%
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%
6,500,000	Series Z (Concordia College)	6.0% to 6.7%
6,000,000	Series AA (Hamline University)	7.25% to 7.75%
1,160,000	Series BB (College of St. Scholastica)	6.0% to 7.5%
3,055,000	Series FF (Concordia College)	5.0% to 8.8%
1,970,000	Series GG (Hamline University)	6.5% to 10.25%
2,825,000	Series HH (College of St. Mary's)	Variable
8,055,000	Series 1985-1 (College of St. Thomas)	5.25% to 8.2%
5,500,000	Series II (College of St. Thomas)	6.5% to 7.5%
5,075,000	Series JJ (Macalester College)	6.75% to 8.7%
830,000	Series KK (Minneapolis College of Art/Design)	6.5% to 8.75%
1,065,000	Series LL (College of St. Scholastica)	6.0% to 8.9%
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%
2,500,000	Series MM (St. Mary's College)	7.0% to 8.375%
2,550,000	Series NN (Gustavus Adolphus College)	5.0% to 7.5%
11,100,000	Series OO (College of St. Thomas)	6.5% to 7.6%
1,300,000	Series PP (Vermilion Community College)	6.75% to 9.0%
6,365,000	Series QQ (College of St. Benedict)	5.0% to 8.1%
4,250,000	Series RR (William Mitchell College of Law)	7.375%
4,415,000	Series SS (College of St. Thomas)	7.10% to 7.30%
5,105,000	Series TT (College of St. Scholastica)	6.60% to 7.25%

Maturity dates	Principal Oustanding	Unamortized discount	Principal less Unamortized discount
Dec 1, 1975 to Dec 1, 2012	$ 1,955,000	($ 15,251)	$ 1,939,749
Jun 1, 1974 to Jun 1, 1997	1,020,000	(6,176)	1,013,824
Jan 1, 1976 to Jan 1, 1998	330,000	(1,945)	328,055
Mar 1, 1974 to Mar 1, 1997	255,000	(1,525)	253,475
Mar 1, 1975 to Mar 1, 1993	340,000	(1,215)	338,785
Mar 1, 1974 to Mar 1, 1998	870,000	(5,066)	864,934
Jun 1, 1975 to Jun 1, 1999	205,000	(1,993)	203,007
May 1, 1976 to May 1, 1995	760,000	(4,112)	755,888
Jul 1, 1976 to Jul 1, 2002	280,000	(3,532)	276,468
Sep 1, 1975 to Sep 1, 1994	345,000	(946)	344,054
Jan 1, 1977 to Jan 1, 1994	1,055,000	(10,222)	1,044,778
Nov 1, 1976 to Nov 1, 1996	405,000	(3,454)	401,546
Nov 1, 1976 to Nov 1, 1994	755,000	(6,267)	748,733
Nov 1, 2000	4,000,000	(34,453)	3,965,547
Apr 1, 1976 to Oct 1, 1989	440,000	(847)	439,153
Apr 1, 1978 to Apr 1, 1994	400,000	(2,800)	397,200
Oct 1, 1976 to Oct 1, 1994	3,470,000	(27,846)	3,442,154
Apr 1, 1979 to Apr 1, 2002	950,000		950,000
May 1, 1977 to May 1, 1997	435,000	(4,208)	430,792
Apr 1, 1979 to Apr 1, 1997	1,240,000	(11,663)	1,228,337
Mar 1, 2007	2,385,000		2,385,000
Apr 1, 1980 to Apr 1, 2000	495,000	(5,025)	489,975
Apr 1, 1979 to Apr 1, 2001	1,750,000		1,750,000
Apr 1, 1980 to Apr 1, 1999	1,600,000	(9,580)	1,590,420
Apr 1, 1981 to Apr 1, 2010	4,690,000	(58,835)	4,631,165
Apr 1, 1983 to Apr 1, 2006	5,725,000	(99,247)	5,625,753
Jun 1, 1982 to Jun 1, 2008	5,300,000	(100,165)	5,199,835
May 1, 1982 to May 1, 1993	670,000	(5,660)	664,340
Oct 1, 1984 to Oct 1, 2003	2,640,000	(47,904)	2,592,096
May 1, 1985 to May 1, 1996	1,700,000	(26,836)	1,673,164
Oct 1, 1987 to Oct 1, 2004	2,775,000	(16,157)	2,758,843
Jul 1, 1985 to Jul 1, 1993	5,425,000	(29,645)	5,395,355
Nov 1, 1995 to Nov 1, 2015	5,500,000	(36,208)	5,463,792
Mar 1, 1991 to Mar 1, 2006	5,075,000	(79,272)	4,995,728
Feb 1, 1988 to Feb 1, 2001	765,000	(12,015)	752,985
Dec 1, 1986 to Dec 1, 2001	955,000	(13,540)	941,460
Oct 1, 1986 to Oct 1, 1991	11,515,000	(59,662)	11,455,338
May 1, 1995 to May 1, 2017	2,500,000	(41,096)	2,458,904
Oct 1, 1988 to Oct 1, 2003	2,460,000	(34,855)	2,425,145
Oct 1, 1989 to Oct 1, 2007	11,100,000	(149,061)	10,950,939
Jan 1, 1990 to Jan 1, 2007	1,300,000	(28,168)	1,271,832
Sep 1, 1988 to Mar 1, 2003	6,125,000		6,125,000
Aug 1, 1998	4,250,000	(71,990)	4,178,010
Nov 1, 1990 to Nov 1, 2014	4,415,000	(65,320)	4,349,680
Dec 1, 1990 to Dec 1, 2014	5,105,000	(84,816)	5,020,184
	$115,730,000	($1,218,578)	$114,511,422

Revenue bonds payable at June 30, 1988 consisted of the following serial and term bonds:

Original principal amount		**Interest rates**
$ 2,200,000	Series A (Augsburg College)	4.0% to 5.6%
1,935,000	Series B (Bethel College)	4.0% to 5.6%
595,000	Series C (St. Mary's College)	4.2% to 5.6%
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%
1,030,000	Series E (Gustavus Adolphus College)	4.0% to 5.5%
1,610,000	Series F (College of St. Benedict)	4.9% to 5.8%
340,000	Series H (College of St. Scholastica)	6.0% to 6.4%
1,600,000	Series I (Augsburg College)	5.75% to 6.2%
370,000	Series J (College of St. Benedict)	6.3% to 6.8%
800,000	Series K (College of St. Thomas)	5.5% to 6.9%
2,280,000	Series L (St. Mary's Junior College)	7.0% to 8.25%
690,000	Series M (College of St. Catherine)	7.4% to 8.0%
1,450,000	Series N (College of St. Benedict)	8.0% to 8.25%
4,000,000	Series O (Carleton College)	7.0%
2,350,000	Series P (St. Olaf College)	6.0% to 7.0%
800,000	Series Q (Concordia College)	4.0% to 6.375%
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%
1,300,000	Series 1976-2 (St. Mary's College)	6.0% to 6.5%
795,000	Series R (College of St. Catherine)	4.0% to 6.625%
2,070,000	Series S (Golden Valley Lutheran College)	6.5%
2,385,000	Series T (Carleton College)	5.625%
685,000	Series U (College of St. Thomas)	4.4% to 5.9%
2,360,000	Series W (Bethel College)	6.4% to 7.0%
1,800,000	Series X (College of St. Thomas)	6.0% to 7.0%
5,245,000	Series Y (St. Olaf College)	6.25% to 6.75%
6,500,000	Series Z (Concordia College)	6.0% to 6.7%
6,000,000	Series AA (Hamline University)	7.25% to 7.75%
1,160,000	Series BB (College of St. Scholastica)	6.0% to 7.5%
3,055,000	Series FF (Concordia College)	5.0% to 8.8%
1,970,000	Series GG (Hamline University)	6.5% to 10.25%
2,825,000	Series HH (College of St. Mary's)	Variable
8,055,000	Series 1985-1 (College of St. Thomas)	5.25% to 8.2%
5,500,000	Series II (College of St. Thomas)	6.5% to 7.5%
5,075,000	Series JJ (Macalester College)	6.75% to 8.7%
830,000	Series KK (Minneapolis College of Art/Design)	6.5% to 8.75%
1,065,000	Series LL (College of St. Scholastica)	6.0% to 8.9%
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%
2,500,000	Series MM (St. Mary's College)	7.0% to 8.375%
2,550,000	Series NN (Gustavus Adolphus College)	5.0% to 7.5%
11,100,000	Series OO (College of St. Thomas)	6.5% to 7.6%
1,300,000	Series PP (Vermilion Community College)	6.75% to 9.0%
6,365,000	Series QQ (College of St. Benedict)	5.0% to 8.1%

Maturity dates	Principal Oustanding	Unamortized discount	Principal less Unamortized discount
Dec 1, 1975 to Dec 1, 2012	$ 1,985,000	($ 16,252)	$ 1,968,748
Jun 1, 1974 to Jun 1, 1997	1,115,000	(7,562)	1,107,438
Jan 1, 1976 to Jan 1, 1998	360,000	(2,371)	357,629
Mar 1, 1974 to Mar 1, 1997	280,000	(1,882)	278,118
Mar 1, 1975 to Mar 1, 1993	410,000	(1,816)	408,184
Mar 1, 1974 to Mar 1, 1998	945,000	(6,149)	938,851
Jun 1, 1975 to Jun 1, 1999	220,000	(2,345)	217,655
May 1, 1976 to May 1, 1995	850,000	(5,315)	844,685
Jul 1, 1976 to Jul 1, 2002	290,000	(3,958)	286,042
Sep 1, 1975 to Sep 1, 1994	390,000	(1,286)	388,714
Jan 1, 1977 to Jan 1, 1994	1,195,000	(13,872)	1,181,128
Nov 1, 1976 to Nov 1, 1996	435,000	(4,226)	430,774
Nov 1, 1976 to Nov 1, 1994	830,000	(8,048)	821,952
Nov 1, 2000	4,000,000	(37,493)	3,962,507
Apr 1, 1976 to Oct 1, 1989	660,000	(2,384)	657,616
Apr 1, 1978 to Apr 1, 1994	450,000	(3,715)	446,285
Oct 1, 1976 to Oct 1, 1994	3,840,000	(36,486)	3,803,514
Apr 1, 1979 to Apr 1, 2002	995,000		995,000
May 1, 1977 to May 1, 1997	475,000	(5,155)	469,845
Apr 1, 1979 to Apr 1, 1997	1,340,000	(14,111)	1,325,889
Mar 1, 2007	2,385,000		2,385,000
Apr 1, 1980 to Apr 1, 2000	520,000	(5,747)	514,253
Apr 1, 1979 to Apr 1, 2001	1,825,000		1,825,000
Apr 1, 1980 to Apr 1, 1999	1,650,000	(11,106)	1,638,894
Apr 1, 1981 to Apr 1, 2010	4,770,000	(62,954)	4,707,046
Apr 1, 1983 to Apr 1, 2006	5,850,000	(107,788)	5,742,212
Jun 1, 1982 to Jun 1, 2008	5,400,000	(107,923)	5,292,077
May 1, 1982 to May 1, 1993	750,000	(7,742)	742,258
Oct 1, 1984 to Oct 1, 2003	2,730,000	(53,281)	2,676,719
May 1, 1985 to May 1, 1996	1,775,000	(30,122)	1,744,878
Oct 1, 1987 to Oct 1, 2004	2,800,000	(17,216)	2,782,784
Jul 1, 1985 to Jul 1, 1993	6,285,000	(43,110)	6,241,890
Nov 1, 1995 to Nov 1, 2015	5,500,000	(37,583)	5,462,417
Mar 1, 1991 to Mar 1, 2006	5,075,000	(85,464)	4,989,536
Feb 1, 1988 to Feb 1, 2001	800,000	(13,713)	786,287
Dec 1, 1986 to Dec 1, 2001	995,000	(15,471)	979,529
Oct 1, 1986 to Oct 1, 1991	14,010,000	(100,057)	13,909,943
May 1, 1995 to May 1, 2017	2,500,000	(42,898)	2,457,102
Oct 1, 1988 to Oct 1, 2003	2,550,000	(38,598)	2,511,402
Oct 1, 1989 to Oct 1, 2007	11,100,000	(161,098)	10,938,902
Jan 1, 1990 to Jan 1, 2007	1,300,000	(30,533)	1,269,467
Sep 1, 1988 to Mar 1, 2003	6,365,000		6,365,000
	$108,000,000	($1,146,830)	$106,853,170

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, QQ, RR, SS and TT.
- 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, 1989, as follows:

Series O	$ 5,112,925
Series T	3,011,986
Series GG	2,069,910
Series 1983-A	1,515,965
Series KK	985,088
Series LL	309,730

- Irrevocable letters of credit for series 1983-A and HH of $1,069,952 and $2,825,000, respectively.

F. Lease commitment:

The Authority has a lease commitment of $3,666 per month for office space through November 1992, which aggregates $150,306. Rent expense for the years ended June 30, 1989 and 1988 was $30,315 and $22,403, 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. These funds were used to pay the principal, interest and call premium on the refunded bonds which were called on July 1, 1988.

H. Collectibility of Series S rentals receivable:

The Board of Regents of Golden Valley Lutheran College (the College) have closed 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, 1988 and 1989 principal and interest payments and the October 1, 1986, 1987 and 1988 interest payments were made from the General Bond Reserve Fund. Such advances are accounted for in the General Bond Reserve Fund. The total amount due to the Authority at June 30, 1989 related to Series S consists of rentals receivable of $1,209,708, General Bond Reserve Fund advances of $662,693 plus accrued interest at 8% of $48,400 and approximately $33,000 of out-of-pocket expenses and unpaid annual administrative fees. Accrued interest of approximately $45,600 subsequent to June 30, 1988 has not been recorded in the financial statements. 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, 1989 of $662,693. This amount will only be refunded to Golden Valley Lutheran College if funds received upon disposition or rental of the subject property are sufficient to repay all advances made and fees and expenses incurred.

Subsequent to June 30, 1989 the subject property was leased to the State Arts High School Board under a lease with the Trustee for the bonds. Rental payments received under this lease will be applied to current and certain prior expenses incurred by the Trustee before any payment of indebtedness on the bond principal outstanding. The related revenue bond principal outstanding is $1,240,000 at June 30, 1989. 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.

On May 12, 1989 the Authority was named along with two other defendants in a lawsuit filed by Golden Valley Lutheran College. The lawsuit alleges damages resulting from actions taken by the defendants subsequent to the default by the College under the Series S lease financing agreement. The ultimate outcome of the lawsuit cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the financial statements.