MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

1993 ANNUAL REPORT

November 1, 1993

Honorable Arne Carlson, 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 Carlson, Members of the Legislature, Members of the Higher Education Coordinating Board:

The Minnesota Higher Education Facilities Authority is pleased to provide its Annual Report for Fiscal Year 1993.

The anticipated upturn in the national economy may have slowed to a crawl but the municipal bond market upturn has been nothing short of breathtaking. Many of the Minnesota private colleges have taken full advantage of this by refinancing their debt obligations in favor of new bond issues at much lower interest rates. Also, several colleges have taken this unique opportunity to finance major construction projects. The end result is much stronger private colleges. The campuses have never looked more attractive. In the past twelve months, five of the private colleges have received upgrades in their credit ratings from Moody's Investors Service. It was a very good year for Minnesota private colleges.

The following six colleges have received financing through the Authority this past fiscal year. Augsburg College received $1,560,000 to install a new AstroTurf surface and a portable air dome for their athletic field. Carleton College received $24,300,000 to finance several new construction, remodeling and equipment acquisition projects. The College of St. Catherine used the $9,205,000 bond issue for a new sports facility and for several remodeling and equipment projects. The College of St. Scholastica received $3,695,000 to finance the expansion of the campus steam plant and to construct a three-story addition to Somers Hall student residence. St. Mary's College used $12,535,000 of bond financing for a new recreational facility and for refinancing four outstanding bond issues. Finally, William Mitchell College of Law used $2,000,000 of bond proceeds to refinance a previous Authority bond issue.

The Authority has already completed six more financings during fiscal year 1994. Concordia College received $6,465,000 to refund two existing debt obligations. Gustavus Adolphus College did a $622,189 lease financing for various pieces of equipment. Minneapolis College of Art and Design used $225,000 to purchase a four-plex building and to refinance a mortgage on a second four-plex building. The University of St. Thomas received $46,000,000 to refinance a number of outstanding debt obligations. Vermilion Community College received $950,000 to construct a new student residence.

The Authority, as of June 30, 1993, has issued 77 offerings totaling $335,080,000 of which $209,259,071 was outstanding. The Authority has also completed an additional six offerings since June 30, 1993, bringing the total issued to $389,367,189 as of September 1, 1993.

Ever conscious of its mission to serve the Minnesota higher education community, the Authority requested the Private College Council to conduct an independent survey among chief financial officers reviewing the services and fees of the Authority's debt financing program. Mr. James Day, Senior Vice President of the Private College Council, conducted the survey and prepared a report. He concluded: the Authority members, their staff, bond counsel and fiscal consultant have performed an excellent service at a reasonable price. The Authority is heartened by this report and pledges continued service to the higher education community.

Respectfully submitted,

Jack Amundson

Jack M. Amundson
Chairperson

BOARD MEMBERS

Jack M. Amundson, Chairperson
Partner; McMahon, Hartmann, Amundson & Company; St. Cloud
Term Expires January, 1994

Kathryn Balstad Brewer, Vice Chairperson
Student, University of Minnesota, New Brighton
Term Expires January, 1995

Mollie N. Thibodeau, Secretary
CFRE, Fund Raising Consultant, Duluth
Term Expires January, 1996

Carol A. Blomberg
Personal Banking Officer, Norwest Bank Minnesota Mesabi, Hibbing
Term Expires January, 1994

Earl R. Herring
Vice President for Administrative Affairs, Moorhead State University (Retired)
Term Expires January, 1997

John S. Hoyt
CEO, Effective Golf Course Systems, Inc. (EGCS), Edina
Term Expires January, 1997

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

James R. Miller
Owner and CEO, Rollin & Associates, St. Paul
Term Expires January, 1996

David R. Powers, Ex-officio Member
Executive Director, Minnesota Higher Education Coordinating Board

Fred Shaw (Feng Hsiao)
Shaw-Lundquist Associates, Inc., St. Paul
Term Expires January, 1995

STAFF

Joseph E. LaBelle, Executive Director
Elaine J. Yungerberg, Assistant Executive Director
Helen M. Savage, Secretary

BOND COUNSEL

Faegre and Benson, Minneapolis

FISCAL ADVISORS

Springsted Incorporated, St. Paul

LEGAL ADVISOR

Special Assistant Attorney General, St. Paul

INDEPENDENT AUDITORS

Deloitte & Touche, 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: ITS ROLE

The Authority is authorized and empowered to issue revenue bonds of which the aggregate outstanding principal amount at any time shall not exceed $350,000,000. The Authority has had 77 bond issues (including refunded and retired issues) totaling $335,080,000 of which $209,259,071 was outstanding as of June 30, 1993. 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.

WHO IS ELIGIBLE?

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.

Participating Colleges and Their Projects

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: $1,815,000
- 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: -0-
- Bond Series 1983-A (pooled issue), issued November, 1983. Augsburg's share of the issue was $772,563, which accounted for 4.91 percent of the total amount of the issue. These funds were used for improvements to Memorial Hall and the Science Building. Principal outstanding: -0-
- Bond Series Two-Z, Revenue Notes for $900,000, issued August, 1990. The proceeds were used for the acquisition and installation of a new campus telecommunications system and a new administrative computer system and software. Principal outstanding: $614,071
- Bond Series Three-G for $9,645,000, issued May, 1992. The proceeds of this bond issue were used to partially finance the construction, equipping and furnishing of a new residence facility on the College's campus. A portion of the proceeds were used to refinance a note originally issued to finance a portion of the Foss, Lobeck, Miles Center. Principal outstanding: $9,645,000
- Series Three-P for $1,560,000, issued April, 1993. The proceeds of this lease financing were used to finance a replacement of the existing AstroTurf surface of the Anderson-Nelson Athletic Field with a new AstroTurf surface. In addition, the project includes an air structure to be used from November through March to enable the College to use the facility during the winter months. Principal outstanding: $1,560,000

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: $580,000
- 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: $1,650,000
- 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: $1,375,000

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, 1866. It is now nonsectarian 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: -0-
- 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-

Carleton *(continued on next page)*

Carleton *(continued)*

- Bond Series 1983-A (pooled issue), issued November, 1983. Carleton's share of this issue was $2,415,235, which accounted for 15.34 percent 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: -0-
- Bond Series Three-L1 for $10,000,000; Series Three-L2 for $10,300,000; and, Series Three-L3 for $4,000,000, issued October, 1992. The proceeds of these issues were used to finance a portion of several new construction, remodeling and equipment acquisition projects, including appurtenant site improvements and a new telecommunications system, which are a part of the College's comprehensive capital improvement plan. The Project will represent a major upgrade of the College's facilities. Principal outstanding: $24,300,000
- 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: $4,900,000
- Bond Series Two-U for $1,680,000, issued September, 1989. A portion of the proceeds were used to pay and redeem the outstanding Series N bonds. The remaining portion of the proceeds were used to finance the renovation of East Apartments and renovate the first and fourth floors of St. Gertrude Hall. Principal outstanding: $1,435,000
- Bond Series Three-D for $5,100,000, issued May, 1991. The proceeds of this bond issue were used for financing a portion of the acquisition, construction, furnishing and equipping of a new science building on the College's campus. Principal outstanding: $5,100,000

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: $525,000
- 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: $230,000
- 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: -0-

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: $250,000
- 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: $250,000
- 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: -0-

St. Catherine *(continued on next page)*

St. Catherine *(continued)*

- Bond Series Three-M1 for $5,725,000 and Series Three-M2 for $3,480,000, issued January, 1993. The proceeds of the bonds, together with other funds available to the College, were used to provide for the acquisition, construction, furnishing and equipping of a sports facility (including gym and pool) to be located on the St. Paul campus of the College; the acquisition and installation of air conditioning in the Art Building and replacement windows in Mendel Hall, and the remodeling, furnishing and equipping of the student lounge in St. Joseph Hall; and, the remodeling, furnishing and equipping of the Education Building and Old Main, both located on the Minneapolis campus of the College. Principal outstanding: $9,205,000

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: $145,000
- 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: $140,000
- 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: -0-
- Bond Series 1983-A (pooled issue), issued November, 1983. St. Scholastica's share of the pooled issue was 3.60 percent 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: -0-
- 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: -0-
- 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 $4,715,000
- Bond Series Three-E for $3,400,000, issued June, 1991. Proceeds of this bond issue were used for the following: expansion and renovation of the Auditorium and Student Union, construction of an addition to Tower Hall and renovation and expansion of the College's theater facility. Principal outstanding $3,310,000
- Bond Series Three-N for $3,695,000, issued March, 1993. Proceeds of this bond issue were used for the expansion and conversion of the campus steam plant and an approximate 25,000 square foot addition to Somers Hall, which will consist of a three-story wing, accommodating approximately 100 students in suite-style arrangements. Principal outstanding: $3,695,000

THE COLLEGE OF ST. TERESA

was 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, 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-

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: $165,000
- 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: $5,100,000
- 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: $2,200,000
- Bond Series 1983-A (pooled issue), issued November, 1983. Concordia's share of the proceeds was $2,048,867 or 13.02 percent of the total issue and was used for improvements to student residence and food facility buildings. Principal outstanding: -0-
- Bond Series Two-Y for $3,800,000, issued July, 1990. Proceeds of this bond issue were used for the following: 1) Remodeling the College's field house; 2) Construction of a bell tower and improvements to the central campus mall; 3) Remodel third and fourth floors of the Carl B. Ylvisiker Library; 4) Expand and upgrade the College's electrical system; 5) Install central air conditioning to service a large section of campus; and, 6) Construction of tennis courts and parking lots. Principal outstanding: $3,510,000

GOLDEN VALLEY LUTHERAN COLLEGE

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

The bond issue through the Authority is:

- Bond Series S for $2,070,000, issued April, 1977. The proceeds were used to construct, furnish, and equip a student residence that can accommodate up to 202 students, and also to refund part of an existing first lien mortgage on the campus. Principal outstanding: -0-

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: –0–
- Bond Series 1983-A (pooled issue), issued November, 1983. Gustavus' share of the proceeds $3,223,178, or 20.48 percent of the total issue. These funds were used to construct a physical education/health facility. Principal outstanding: -0-
- 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: $2,050,000
- Bond Issue Two-V for $1,440,000, issued November, 1989. Net proceeds of this bond issue will be used to refund, in advance of maturity, the outstanding principal of the Series 1983-A note which has a final maturity date of October 1, 1991. Principal outstanding: $1,400,000
- Bond Series Three-B for $3,000,000, issued October, 1990. The proceeds of this bond issue were used for the construction, furnishing and equipping of Confer Hall and the acquisition and installation of an air conditioning system that will serve five buildings on the campus. Principal outstanding: $2,945,000

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: -0-
- 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: -0-
- Bond Series Three-A for $4,430,000, issued August 1, 1991. A portion of the proceeds of this bond issue were used to refund in advance of maturity the Series Two-G bonds. The balance of the proceeds were used for several projects including: the renovation of Manor House, Sorin Hall and Drew Hall, the purchase and installation of campus-wide signage, and miscellaneous deferred maintenance projects. Principal outstanding: $4,355,000
- Bond Series Three-K for $4,565,000, issued May, 1992. The net proceeds of this issue were used to redeem the remaining bonds for Series Two-A. Principal outstanding: $4,565,000

MACALESTER COLLEGE

is a four-year, coeducational, liberal arts institution 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).

Bond issues through the Authority include:

- 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: -0-
- Bonds Series Three-J for $15,670,000, issued June, 1992. A portion of the net proceeds of the bonds were used to redeem the Series Two-J bonds. The remaining proceeds of the bonds were used to finance the following projects on the campus of the College: the remodeling, furnishing and equipping of the Humanities Wing of the Janet Wallace Fine Arts Center; interior renovation of Old Main; acquisition and construction of a telecommunications network; renovation and improvement of track and field facilities; and the acquisition and installation of a keyless identification system. Principal outstanding: $15,670,000

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 percent of the total, and was used to purchase equipment. Principal outstanding: -0-
- 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: $590,000

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.

Bond issues through the Authority include:

- Bond Series 1983-A (pooled issue), issued November, 1983. Northwestern's share was 5.32 percent of the total issue or $838,026, which was used for financing the down-payment for the purchase of and remodeling of an academic building. Principal outstanding: -0-
- Bond Series Two-X for $5,155,000, issued September, 1990. Proceeds of this bond issue were used to refinance a contract for deed for the land and buildings that now constitutes the main campus of the College; construction and furnishing the Center for Clinical Studies, refurbishing the College's auditorium and acquisition, improving, furnishing and equipping an outpatient teaching clinic. Principal outstanding: $4,965,000

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. Benedict, a Benedictine women's college located in St. Joseph, Minnesota. This cooperation has enabled both colleges to offer coeducational programs. St. John's offers a four-year liberal arts program leading to either a Bachelor of Arts degree or a Bachelor of Science degree.

Bond issues through the Authority include:

- Bond Series 1983-A (pooled issue), issued November, 1983. St. John's share of the proceeds was $2,148,785, or 13.65 percent of the total. It was used for improvements to the main auditorium on campus. Principal outstanding: -0-
- Bond Issue Two-W for $2,500,000, issued January, 1990. The proceeds were used to finance the construction and furnishing of a new art building with appurtenant equipment and site improvements. Principal outstanding: $1,935,000
- Bond Series Three-H for $5,000,000, issued June, 1992. The net proceeds of the bonds were used to finance the construction, furnishing and equipping of a new campus center and a new student residence facility, both to be located on the campus of the University. Principal outstanding: $5,000,000

ST. MARY'S COLLEGE

of Minnesota is a four-year, coeducational, private, liberal arts, residential college founded in 1912 by the second bishop of Winona and administered by the Christian Brothers. In addition to the original liberal arts undergraduate campus in Winona, St. 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: -0-
- 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: -0-
- Bond Series 1983-A (pooled issue), issued November, 1983. St. Mary's share of this issue was $580,172, or 3.69 percent of the total, which was used for improvement of campus buildings and energy conservation projects. Principal outstanding: -0-
- Bond Series Two-H for $2,825,000, issued October, 1984. The proceeds were used to finance the construction of a theater/recital hall. Principal outstanding: -0-
- 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. Mary's/Griffin Hall, the purchase of a computer system

St. Mary's *(continued on next page)*

St. Mary's *(continued)*

and a campus-wide telecommunications system. Principal outstanding: -0-

- Bond Series Three-F for $2,950,000, issued June, 1991. The proceeds of this bond issue were used to redeem the outstanding Series Two-H bonds. Principal outstanding: -0-
- Bond Series Three-Q for $12,535,000, issued June, 1993. A portion of the net proceeds of this bond issue were used to refund Series C, Series 1976-2, Series Two-M, and Series Three-F issued on behalf of the College. A portion of the net proceeds of the Series Three-Q bonds will finance the acquisition, construction, furnishing and equipping of a recreational facility on the College's campus which will link the existing field house and ice arena. Principal outstanding: $12,535,000

ST. MARY'S JUNIOR COLLEGE

ST. MARY'S JUNIOR COLLEGE is a two-year institution that was founded in 1964. It was established to meet the needs of the community in the area of health care personnel. It is located in Minneapolis and was operated by the Sisters of St. Joseph of Carondelet. It merged with the College of St. Catherine in 1986 and is now known as St. Mary's Campus, The College of St. Catherine.

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

ST. OLAF COLLEGE

ST. OLAF COLLEGE is a four-year liberal arts college located in Northfield, Minnesota. It was founded in 1874, but was operated as an academy until 1886. The name was changed to St. Olaf College in 1889. It is 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: -0-
- 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: $4,310,000

THE UNIVERSITY OF ST. THOMAS

THE UNIVERSITY 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 University 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: $125,000
- 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: $375,000
- 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: $1,200,000
- 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 thereof 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-

St. Thomas *(continued on next page)*

St. Thomas *(continued)*

- Bond Series 1983-A (pooled issue), issued November, 1983. St. Thomas' share of the pooled issue was $2,745,073, or 17.44 percent 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: -0-
- 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: $1,175,000
- 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 for Brady Hall and Dowling Hall, on-campus student residences, and the construction of additional campus parking facilities. Principal outstanding: $5,400,000
- 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: $9,900,000
- 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 University. Principal outstanding: $4,210,000
- Bond Series Three-C for $24,405,000, issued March, 1991. The proceeds of this bond issue were used for the acquisition of land and construction of an educational facility, which will be the principal structure of the University's downtown Minneapolis campus. Principal outstanding: $24,405,000
- Bond Series Three-I for $10,200,000, issued April, 1992. The net proceeds of the bond issue were used for the purchase and installation of a new telecommunication system, the purchase, replacement and upgrading of two of the three boilers at the St. Paul campus, and an expansion of the physical plant headquarters facility on the St. Paul campus. Principal outstanding: $10,200,000

VERMILION COMMUNITY COLLEGE

was established in 1922 as Ely Junior College and became a 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: $1,150,000

THE 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 to its present campus at 875 Summit Avenue in St. Paul.

The bond issues through the Authority include:

- 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: -0-
- Bond Series Three-O for $2,000,000 issued June, 1993. The net proceeds of the bonds, together with funds on deposit in the Series Two-R Bond and Reserve Accounts were used to refinance the Series Two-R bonds. Principal outstanding: $2,000,000

GENERAL BOND RESERVE BALANCES as of June 30, 1993

SERIES	DEPOSIT	06/30/93 FUND BALANCE	TOTAL RESERVE BALANCE
SECURED POOL ISSUE			
A	31,743.83	129,831.84	161,575.67
B	34,082.00	144,176.84	178,258.84
C			
D	8,643.00	34,977.79	43,620.79
E			
F	21,304.00	86,343.52	107,647.52
H	6,000.00	21,439.68	27,439.68
I			
J	7,000.00	24,347.57	31,347.57
K	14,000.00	47,076.63	61,076.63
L			
M	12,000.00	38,878.48	50,878.48
O			
1975-1	138,000.00	437,350.11	575,350.11
1976-2			
Q	17,000.00	52,336.85	69,336.85
R	15,000.00	36,496.69	51,496.69
T	30,000.00	77,661.38	107,661.38
U	11,200.00	28,195.91	39,395.91
W	40,000.00	97,496.66	137,496.66
X	28,000.00	66,788.79	94,788.79
Y	84,000.00	184,110.80	268,110.80
Z	120,000.00	258,797.42	378,797.42
UNSECURED POOL ISSUE			
FF	63,560.00	77,056.01	140,616.01
GRAND TOTAL	681,532.83	1,843,362.96	2,524,895.79

Prepared
by Springsted Incorporated

INDEPENDENT AUDITORS' REPORT

Executive Director and Members of the
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 (the Authority) as of June 30, 1993 and 1992, and the related statements of revenues, expenses and changes in fund balances, and cash flows 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, such financial statements present fairly, in all material respects, the financial position of the funds of the Minnesota Higher Education Facilities Authority as of June 30, 1993 and 1992, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Deloitte & Touche

Saint Paul, Minnesota
August 24, 1993

BALANCE SHEETS

ASSETS

Cash and cash equivalents (Note 3)

Investments (Note 3)

Accrued interest receivable

Financing agreements (Note 4):

- Rentals receivable, financing leases
- Loans receivable

Reserve deposits to General Bond Reserve

Furniture and equipment (less accumulated depreciation of $40,522 in 1993 and $37,886 in 1992)

Other

LIABILITIES AND FUND BALANCES

Liabilities:

- Accounts payable and other accrued liabilities
- Unearned administrative fees
- Revenue bonds payable and other debt obligations (less unamortized discount of $2,045,539 in 1993 and $1,927,920 in 1992) (Note 5)
- Accrued interest payable
- Deferred rent
- Reserve deposits from colleges
- Reserve deposits from restricted assets of General Operating Fund

Fund balances:

- Unappropriated
- Appropriated (Note 1)

See notes to financial statements.

General Operating Fund Unrestricted		General Operating Fund Restricted		General Bond Reserve Fund (Note 5)	
1993	**1992**	**1993**	**1992**	**1993**	**1992**
$ 1,433,290	$ 1,323,687	$ 29,477,362	$ 33,491,991	$ 1,392,276	$ 1,540,289
		23,388,184	18,885,290	1,126,689	1,737,123
		268,478	295,173	5,931	11,800
		18,930,733	25,087,272		
		137,368,908	98,975,082		
		617,973	826,748		
33,769	35,953				
17,550	5,060				
$ 1,484,609	$ 1,364,700	$ 210,051,638	$ 177,561,556	$ 2,524,896	$ 3,289,212
$ 54,563	$ 50,169				
3,000	2,000				
		$ 207,213,532	$ 175,056,847		
		2,838,106	2,504,709		
	2,496				
				$ 63,560	$ 63,560
				617,973	826,748
57,563	54,665	210,051,638	177,561,556	681,533	890,308
1,427,046	1,310,035				
				1,843,363	2,398,904
$ 1,484,609	$ 1,364,700	$ 210,051,638	$ 177,561,556	$ 2,524,896	$ 3,289,212

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

REVENUES:

Annual administrative fees

Investment income

Revenues from institutions to finance interest expense (Note 1)

Gain on sale of investment

Total revenues

EXPENSES:

Payroll, payroll taxes and employee benefits

Rent expense (Note 6)

Legal, audit and consulting expense

Other general and administrative expenses

Interest expense and bond discount amortization

Total expenses

EXCESS OF REVENUES OVER EXPENSES

FUND BALANCES AT BEGINNING OF THE YEAR

Distribution of pro rata share of fund earnings upon final redemption of Series L and Series E, Series I, Series O, Series C, and Series 1976-2 Bonds in Fiscal 1993 and Series AA and Series GG bonds in Fiscal 1992

FUND BALANCES AT END OF THE YEAR

See notes to financial statements.

General Operating Fund Unrestricted		General Operating Fund Restricted		General Bond Reserve Fund (Note 5)	
1993	1992	1993	1992	1993	1992
$ 356,925	$ 372,678				
42,516	89,285	$ 2,120,219	$ 2,163,016	$ 125,058	$ 198,199
		10,168,585	8,501,257		
		85,098	177,375		
399,441	491,963	12,373,902	10,841,648	125,058	198,199
150,929	149,890				
37,100	37,979				
43,084	38,572			5,869	6,515
51,317	48,323				
		12,373,902	10,841,648		
282,430	274,764	12,373,902	10,841,648	5,869	6,515
117,011	187,199	—	—	119,189	191,684
1,310,035	1,122,836			2,398,905	2,445,181
				(674,731)	(237,961)
$ 1,427,046	$ 1,310,035	$ —	$ —	$ 1,843,363	$ 2,398,904

STATEMENT OF CASH FLOWS — YEAR ENDED JUNE 30, 1993

	General Operating Fund Unrestricted	General Operating Fund Restricted	General Bond Reserve Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	$ 117,011		$ 119,189
Adjustments to reconcile excess of revenues over expenses to net cash flows provided by (used in) operating activities:			
Noncash items:			
Depreciation	8,305		
Amortization of bond discount		$ 338,857	
Gain on sale of investment		(85,098)	
Changes in assets and liabilities:			
Other assets	(12,490)		
Accounts payable and other accrued liabilities	4,394		
Unearned administrative fees	1,000		
Deferred rent	(2,496)		
Nonoperating items:			
Investment income	(42,516)	(2,120,219)	(125,058)
Interest expense		12,035,045	
Other operating cash flows:			
Repayment of General Bond Reserve deposit		208,775	(208,775)
Collection of financing agreements receivable		16,945,827	
Funds disbursed to institutions		(49,183,114)	
Net cash flows from (used in) operating activities	73,208	(21,859,927)	(214,644)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Investments in fixed assets	(6,121)		
Proceeds from revenue bonds and other debt issues		52,838,524	
Repayment of revenue bonds and other debt principal		(21,020,696)	
Interest payments		(11,701,648)	
Net cash flows from (used in) capital and related financing activities	(6,121)	20,116,180	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		20,101,099	1,290,000
Purchase of investments		(24,518,894)	(679,565)
Distribution of pro-rata share of fund earnings upon final redemption of bonds			(674,731)
Investment income	42,516	2,146,913	130,927
Net cash flows from (used in) investing activities	42,516	(2,270,882)	66,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	109,603	(4,014,629)	(148,013)
CASH AND CASH EQUIVALENTS, June 30, 1992	1,323,687	33,491,991	1,540,289
CASH AND CASH EQUIVALENTS, June 30, 1993	$ 1,433,290	$ 29,477,362	$ 1,392,276

See notes to financial statements.

STATEMENT OF CASH FLOWS — YEAR ENDED JUNE 30, 1992

	General Operating Fund		General Bond
	Unrestricted	Restricted	Reserve Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	$ 187,199		$ 199,684
Adjustments to reconcile excess of revenues over expenses to net cash flows provided by (used in) operating activities:			
Noncash items:			
Depreciation	8,134		
Amortization of unearned administrative fees	(12,295)		
Amortization of bond discount		$ 300,100	
Gain on sale of investments		(177,375)	
Changes in assets and liabilities:			
Other assets	9,793		
Accounts payable and other accrued liabilities	4,769		(200)
Unearned administrative fees	1,000		
Deferred rent	(6,016)		
Nonoperating items:			
Investment income	(89,285)	(2,163,016)	(198,199)
Interest expense		10,541,548	
Other operating cash flows:			
Repayment of General Bond Reserve deposit		100,000	(100,000)
Collection of financing agreements receivable		7,822,491	
Funds disbursed to institutions		(27,886,868)	(42,500)
Net cash flows from (used in) operating activities	103,299	(11,463,120)	(149,215)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Investments in fixed assets	(7,685)		
Proceeds from revenue bond and other debt issues		49,136,157	
Repayment of revenue bonds and other debt principal		(22,074,466)	
Interest payments		(10,515,420)	
Net cash flows from (used in) capital and related financing activities	(7,685)	16,546,271	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments		34,025,280	1,414,000
Purchase of investments		(27,189,782)	(1,088,878)
Distribution of pro-rata share of fund earnings upon final redemption of bonds			(237,961)
Investment income	89,285	2,316,303	197,411
Net cash flows from investing activities	89,285	9,151,801	284,572
NET INCREASE IN CASH AND CASH EQUIVALENTS	184,899	14,234,952	135,357
CASH AND CASH EQUIVALENTS, June 30, 1991	1,138,788	19,257,039	1,404,932
CASH AND CASH EQUIVALENTS, June 30, 1992	$ 1,323,687	$ 33,491,991	$ 1,540,289

See notes to financial statements.

1. 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 $350 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 .125% of the outstanding bond principal (.125% of the original bond principal for applications received prior to August 12, 1975 and .2% of the original bond principal balance for applications received subsequent to August 11, 1975 and bonds issued prior to December 19, 1989).

General and administrative expenses of the Authority are paid from unrestricted assets. Assets arising from 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 trustees 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 principally in United States obligations and Federated Trust accounts. 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.

2. Accounting policies

The following is a summary of the significant accounting policies applied in the preparation of these financial statements.

Basis of Accounting

The Authority follows the accrual basis of accounting.

Investments

Investments are carried at amortized cost. Based upon the intention and ability to hold the securities to maturity, no provision for loss has been provided in those instances where market values are below amortized cost.

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, generally five and ten years.

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 on the related bonds payable. 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.

Statement of Cash Flows

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Arbitrage Regulations

The tax-exempt bonds issued by the Authority are subject to the 1986 Tax Reform Act regulations relating to arbitrage reporting and rebate. Any earnings in excess of the bond yield must be remitted to the United States Government not more than five years following the issue date of the bonds. These regulations relate only to bonds issued subsequent to December 31, 1985. At June 30, 1993 and 1992 amounts rebatable relating to such excess earnings were not significant.

New Accounting Standard

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No: 115, *Accounting for Certain Investments in Debt and Equity Securities*, in May 1993. This Statement addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities.

Those investments are to be classified in three categories and accounted for as follows:

- Debt securities that the Authority has the positive intent and ability to hold to maturity are classified as *held-to-maturity* securities and reported at amortized cost.
- Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as *trading securities* and reported at fair value, with unrealized gains and losses included in earnings.
- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as *available-for-sale* securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

SFAS No. 115 is effective for fiscal years beginning after December 15, 1993. The Authority has not yet evaluated the impact of the new standard on the financial statements.

3. Investments

Investments consist of those permitted by the various bond indentures or by Authority policy. Investments include 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 bond proceeds may be invested in general obligation or revenue bonds of any state or any political subdivision 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 deposit 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's or Aa by Moody's are allowed as well as repurchase agreements fully collateralized by United States Government securities. Also allowed is commercial paper maturing in 365 days or less and rated within the top two categories without gradation by either Standard and Poor's or by Moody's.

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 deposit 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 are held by independent trustees in the Authority's name (GASB No. 3 Credit Risk Category 1).

The carrying value of cash and cash equivalents and investments at June 30, 1993 consisted of:

	General Operating Fund		General Bond
	Unrestricted	Restricted	Reserve Fund
U.S. Government and agencies		$ 39,910,968	$ 1,135,000
Federated trust accounts	$ 1,396,337	5,176,175	1,240,330
Deposits	36,953	2,950,044	151,946
Commercial paper		5,000,000	
	1,433,290	53,037,187	2,527,276
Unamortized discount		(171,641)	(8,311)
	$ 1,433,290	$ 52,865,546	$ 2,518,965
Approximate market value at June 30, 1993	$ 1,433,290	$ 53,958,000	$ 2,527,000

The carrying value of cash and cash equivalents and investments at June 30, 1992 consisted of:

	General Operating Fund		General Bond
	Unrestricted	Restricted	Reserve Fund
U.S. Government and agencies		$ 18,529,141	$ 1,740,000
Federated trust accounts	$ 1,272,634	24,840,050	1,433,093
Investment agreements		2,805,000	
Deposits	51,053	678,800	107,196
Commercial paper		5,370,000	
	1,323,687	52,222,991	3,280,289
Unamortized discount			(2,877)
Unamortized premium		154,290	
	$ 1,323,687	$ 52,377,281	$ 3,277,412
Approximate market value at June 30, 1992	$ 1,323,687	$ 53,087,000	$ 3,297,000

4. 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 through Series FF are recorded as financing leases. Agreements commencing with Series 1985-1 have been recorded as loans receivable, except for Series PPP which is a financing lease.

The Authority's net investment in financing agreements consists of the following at June 30, 1993 (with comparative totals at June 30, 1992):

	June 30, 1993			
	Financing leases	Loans receivable	Total	June 30, 1992
Total minimum payments to be received	$ 42,017,659	$ 323,754,783	$ 365,772,442	$ 321,928,184
Assets held in trust	(5,449,267)	(47,510,163)	(52,959,430)	(52,922,413)
Unearned income	(17,637,659)	(138,875,712)	(156,513,371)	(144,943,417)
	$ 18,930,733	$ 137,368,908	$ 156,299,641	$ 124,062,354

Assets held in trust consist primarily of bond proceeds used to fund debt service reserves and construction accounts and are reported as cash and cash equivalents and investments.

Total minimum payments to be received consist of those from the participating institutions and from income earned on the investments in the required reserves and sinking funds as stipulated in the trust indentures.

At June 30, 1993 future minimum payments to be received under financing agreements to support aggregate bond payments approximates:

	Principal	Interest	Total
1994	$ 7,864,881	$ 12,923,905	$ 20,788,786
1995	8,704,763	12,357,858	21,062,621
1996	8,181,818	11,777,184	19,959,002
1997	9,071,455	12,288,681	21,360,136
1998	9,031,160	11,892,452	20,923,612
Thereafter	166,404,994	95,273,291	261,678,285
	$ 209,259,071	$156,513,371	$ 365,772,442

5. Revenue bonds payable and other debt obligations

Revenue bonds payable at June 30, 1993 consist of the following serial and term bonds (the Series ZZ obligation is payable pursuant to a capital lease agreement and the Series PPP obligation is payable pursuant to a capital lease agreement):

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%
520,000	Series D (College of St. Scholastica)	5.3% to 6.0%
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%
370,000	Series J (College of St. Benedict)	6.3% to 6.8%
800,000	Series K (University of St. Thomas)	5.5% to 6.9%
690,000	Series M (College of St. Catherine)	7.4% to 8.0%
800,000	Series Q (Concordia College)	4.0% to 6.375%
6,460,000	Series 1975-1 (Bethel College)	7.7% to 8.3%
795,000	Series R (College of St. Catherine)	4.0% to 6.625%
2,385,000	Series T (Carleton College)	5.625%
685,000	Series U (University 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 (University 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%
3,055,000	Series FF (Concordia College)	5.0% to 8.8%
8,055,000	Series 1985-1 (University of St. Thomas)	5.25% to 8.2%
5,500,000	Series II (University of St. Thomas)	6.5% to 7.5%
830,000	Series KK (Minneapolis College of Art and Design)	6.5% to 8.75%
2,550,000	Series NN (Gustavus Adolphus College)	5.0% to 7.5%
11,100,000	Series OO (University 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%
4,415,000	Series SS (University of St. Thomas)	7.1% to 7.3%
5,105,000	Series TT (College of St. Scholastica)	6.6% to 7.25%
1,680,000	Series UU (College of St. Benedict)	6.1% to 6.9%
1,440,000	Series VV (Gustavus Adolphus College)	6.5% to 7.4%
2,500,000	Series WW (St. John's University)	6.2% to 7.0%
5,155,000	Series XX (Northwestern College of Chiropractic)	7.0% to 8.5%
3,800,000	Series YY (Concordia College)	6.4% to 7.1%
900,000	Series ZZ (Augsburg College)	7.44% to 7.54%
4,430,000	Series AAA (Hamline University)	6.375% to 7.0%
3,000,000	Series BBB (Gustavus Adolphus College)	6.7% to 8.05%
24,405,000	Series CCC (University of St. Thomas)	5.50% to 7.125%
5,100,000	Series DDD (College of St. Benedict)	Variable
3,400,000	Series EEE (College of St. Scholastica)	5.2% to 7.2%
9,645,000	Series GGG (Augsburg College)	5.0% to 6.5%
5,000,000	Series HHH (St. John's University)	4.0% to 6.1%
10,200,000	Series III (University of St. Thomas)	5.4% to 6.2%
15,670,000	Series JJJ (Macalester College)	5.1% to 6.4%
4,565,000	Series KKK (Hamline University)	5.3% to 6.6%
24,300,000	Series LLL (Carleton College)	2.6% to 5.5%
9,205,000	Series MMM (College of St. Catherine)	2.8% to 6.0%
3,695,000	Series NNN (College of St. Scholastica)	3.25% to 6.2%
2,000,000	Series OOO (William Mitchell College of Law)	Variable
1,560,000	Series PPP (Augsburg College)	6.08%
12,535,000	Series QQQ (St. Mary's College)	3.25% to 6.15%
$ 237,955,000		

Maturity dates	Principal outstanding	Unamortized discount	Principal less unamortized discount
Dec 1, 1975 to Dec 1, 2012	$ 1,815,000	$ (11,409)	$ 1,803,591
Jun 1, 1974 to Jun 1, 1997	580,000	(2,254)	577,746
Mar 1, 1974 to Mar 1, 1997	145,000	(429)	144,571
Mar 1, 1974 to Mar 1, 1998	525,000	(1,664)	523,336
Jun 1, 1975 to Jun 1, 1999	140,000	(818)	139,182
Jul 1, 1976 to Jul 1, 2002	230,000	(1,996)	228,004
Sep 1, 1975 to Sep 1, 1994	125,000	(84)	124,916
Nov 1, 1976 to Nov 1, 1996	250,000	(1,032)	248,968
Apr 1, 1978 to Apr 1, 1994	165,000	(260)	164,740
Oct 1, 1976 to Oct 1, 1994	1,650,000	(3,660)	1,646,340
May 1, 1977 to May 1, 1997	250,000	(1,252)	248,748
Mar 1, 2007	2,385,000		2,385,000
Apr 1, 1980 to Apr 1, 2000	375,000	(2,489)	372,511
Apr 1, 1979 to Apr 1, 2001	1,375,000		1,375,000
Apr 1, 1980 to Apr 1, 1999	1,200,000	(4,208)	1,195,792
Apr 1, 1981 to Apr 1, 2010	4,310,000	(43,135)	4,266,865
Apr 1, 1983 to Apr 1, 2006	5,100,000	(67,032)	5,032,968
Oct 1, 1984 to Oct 1, 2003	2,200,000	(28,171)	2,171,829
Jul 1, 1985 to Jul 1, 1993	1,175,000		1,175,000
Nov 1, 1995 to Nov 1, 2015	5,400,000	(30,272)	5,369,728
Feb 1, 1988 to Feb 1, 2001	590,000	(5,998)	584,002
Oct 1, 1988 to Oct 1, 2003	2,050,000	(21,044)	2,028,956
Oct 1, 1989 to Oct 1, 2007	9,900,000	(103,475)	9,796,525
Jan 1, 1990 to Jan 1, 2008	1,150,000	(19,137)	1,130,863
Sep 1, 1988 to Mar 1, 2003	4,900,000		4,900,000
Nov 1, 1990 to Nov 1, 2014	4,210,000	(50,241)	4,159,759
Dec 1, 1990 to Dec 1, 2014	4,715,000	(64,383)	4,650,617
Sep 1, 1990 to Sep 1, 1999	1,435,000	(11,141)	1,423,859
Oct 1, 1991 to Oct 1, 2004	1,400,000	(14,354)	1,385,646
Oct 1, 1990 to Oct 1, 1999	1,935,000	(20,225)	1,914,775
Oct 1, 1992 to Oct 1, 2005	4,965,000		4,965,000
Oct 1, 1992 to Oct 1, 2000	3,510,000	(28,859)	3,481,141
Feb 1, 1991 to Aug 1, 2000	614,071		614,071
Oct 1, 1992 to Oct 1, 2010	4,355,000		4,355,000
Oct 1, 1992 to Oct 1, 2010	2,945,000		2,945,000
Sep 1, 1993 to Sep 1, 2016	24,405,000	(649,424)	23,755,576
Feb 1, 2016	5,100,000	(30,549)	5,069,451
Dec 1, 1992 to Dec 1, 2011	3,310,000	(50,392)	3,259,608
Jan 1, 1995 to Jan 1, 2017	9,645,000	(50,832)	9,594,168
Oct 1, 1993 to Oct 1, 2002	5,000,000	(7,018)	4,992,982
Oct 1, 1993 to Oct 1, 2003	10,200,000	(99,728)	10,100,272
Mar 1, 1997 to Mar 1, 2022	15,670,000	(116,545)	15,553,446
Jun 1, 1994 to Jun 1, 2009	4,565,000	(67,370)	4,503,630
Nov 1, 1993 to Nov 1, 2012	24,300,000	(94,709)	24,205,291
Oct 1, 1993 to Oct 1, 2010	9,205,000	(90,374)	9,114,626
Dec 1, 1994 to dec 1, 2012	3,695,000	(53,454)	3,641,546
Aug 1, 2003	2,000,000	(14,864)	1,985,136
Dec 1, 1994 to Dec 1, 2002	1,560,000		1,560,000
Oct 1, 1994 to Oct 1, 2023	12,535,000	(187,249)	12,347,751
	$ 209,259,071	$ (2,045,539)	$ 207,213,532

Revenue bonds payable at June 30, 1992 consist of the following serial and term bonds (the Series ZZ obligation is payable pursuant to a promissory note):

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 (University 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%
4,000,000	Series O (Carleton College)	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%
2,385,000	Series T (Carleton College)	5.625%
685,000	Series U (University 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 (University 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%
3,055,000	Series FF (Concordia College)	5.0% to 8.8%
8,055,000	Series 1985-1 (University of St. Thomas)	5.25% to 8.2%
5,500,000	Series II (University of St. Thomas)	6.5% to 7.5%
830,000	Series KK (Minneapolis College of Art/Design)	6.5% to 8.75%
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 (University 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 (University of St. Thomas)	7.10% to 7.30%
5,105,000	Series TT (College of St. Scholastica)	6.60% to 7.25%
1,680,000	Series UU (College of St. Benedict)	6.10% to 6.90%
1,440,000	Series VV (Gustavus Adolphus College)	6.50% to 7.40%
2,500,000	Series WW (St. John's University)	6.20% to 7.00%
5,155,000	Series XX (Northwestern College of Chiropractic)	7.00% to 8.50%
3,800,000	Series YY (Concordia College)	6.40% to 7.10%
900,000	Series ZZ (Augsburg College)	7.44% to 7.54%
4,430,000	Series AAA (Hamline University)	6.375% to 7.0 %
3,000,000	Series BBB (Gustavus Adolphus College)	6.70% to 8.050%
24,405,000	Series CCC (University of St. Thomas)	5.50% to 7.125%
5,100,000	Series DDD (College of St. Benedict)	Variable
3,400,000	Series EEE (College of St. Scholastica)	5.20% to 7.20%
2,950,000	Series FFF (St. Mary's College)	5.25% to 7.625%
9,645,000	Series GGG (Augsburg College)	5.0% to 6.5%
5,000,000	Series HHH (St. John's University)	4.0% to 6.1%
10,200,00	Series III (University of St. Thomas)	5.4% to 6.2%
15,670,000	Series JJJ (Macalester College)	5.1% to 6.4%
4,565,000	Series KKK (Hamline University)	5.3% to 6.6%
$ 205,165,000		

Maturity dates	Principal outstanding	Unamortized discount	Principal less unamortized discount
Dec 1, 1975 to Dec 1, 2012	$ 1,855,000	$ (12,343)	$ 1,842,657
Jun 1, 1974 to Jun 1, 1997	700,000	(3,017)	696,983
Jan 1, 1976 to Jan 1, 1998	235,000	(886)	234,114
Mar 1, 1974 to Mar 1, 1997	175,000	(648)	174,352
Mar 1, 1975 to Mar 1, 1993	100,000	(105)	99,895
Mar 1, 1974 to Mar 1, 1998	620,000	(2,364)	617,636
Jun 1, 1975 to Jun 1, 1999	160,000	(1,076)	158,924
May 1, 1976 to May 1, 1995	450,000	(1,317)	448,683
Jul 1, 1976 to Jul 1, 2002	245,000	(2,349)	242,651
Sep 1, 1975 to Sep 1, 1994	185,000	(217)	184,783
Jan 1, 1977 to Jan 1, 1994	570,000	(2,180)	567,820
Nov 1, 1976 to Nov 1, 1996	290,000	(1,527)	288,473
Nov 1, 2000	4,000,000	(25,333)	3,974,667
Apr 1, 1978 to Apr 1, 1994	230,000	(711)	229,289
Oct 1, 1976 to Oct 1, 1994	2,160,000	(7,970)	2,152,030
Apr 1, 1979 to Apr 1, 2002	800,000		800,000
May 1, 1977 to May 1, 1997	300,000	(1,850)	298,150
Mar 1, 2007	2,385,000		2,385,000
Apr 1, 1980 to Apr 1, 2000	410,000	(3,063)	406,937
Apr 1, 1979 to Apr 1, 2001	1,475,000		1,475,000
Apr 1, 1980 to Apr 1, 1999	1,310,000	(5,416)	1,304,584
Apr 1, 1981 to Apr 1, 2010	4,415,000	(46,931)	4,368,069
Apr 1, 1983 to Apr 1, 2006	5,275,000	(74,767)	5,200,233
Oct 1, 1984 to Oct 1, 2003	2,320,000	(32,800)	2,287,200
Jul 1, 1985 to Jul 1, 1993	2,375,000	(700)	3,374,300
Nov 1, 1995 to Nov 1, 2015	5,450,000	(31,865)	5,418,135
Feb 1, 1988 to Feb 1, 2001	640,000	(7,372)	632,628
May 1, 1995 to May 1, 2017	2,500,000	(35,690)	2,464,310
Oct 1, 1988 to Oct 1, 2003	2,160,000	(24,301)	2,135,699
Oct 1, 1989 to Oct 1, 2007	10,225,000	(114,400)	10,110,000
Jan 1, 1990 to Jan 1, 2007	1,190,000	(21,307)	1,168,693
Sep 1, 1988 to Mar 1, 2003	5,250,000		5,250,000
Aug 1, 1998	4,250,000	(51,695)	4,198,305
Nov 1, 1990 to Nov 1, 2014	4,255,000	(53,927)	4,231,073
Dec 1, 1990 to Dec 1, 2014	4,855,000	(69,315)	4,785,685
Sep 1, 1990 to Sep 1, 1999	1,505,000	(13,742)	1,491,258
Oct 1, 1991 to Oct 1, 2004	1,430,000	(16,407)	1,413,593
Oct 1, 1990 to Oct 1, 1999	2,150,000	(23,206)	2,126,794
Oct 1, 1992 to Oct 1, 2005	5,155,000		5,155,000
Oct 1, 1992 to Oct 1, 2000	3,800,000	(35,372)	3,764,628
Feb 1, 1991 to Aug 1, 2000	734,767		734,767
Oct 1, 1992 to Oct 1, 2010	4,430,000		4,430,000
Oct 1, 1992 to Oct 1, 2010	3,000,000		3,000,000
Sep 1, 1993 to Sep 1, 2016	24,405,000	(694,734)	23,710,266
Feb 1, 2016	5,100,000	(31,902)	5,068,098
Dec 1, 1992 to Dec 1, 2011	3,400,000	(54,737)	3,345,263
Oct 1, 1992 to Oct 1, 2016	2,950,000	(52,673)	2,897,327
Jan 1, 1995 to Jan 1, 2017	9,645,000	(54,126)	9,590,874
Oct 1, 1993 to Oct 1, 2002	5,000,000	(8,188)	4,991,812
Oct 1, 1993 to Oct 1, 2003	10,200,000	(115,886)	10,084,114
Mar 1, 1997 to Mar 1, 2022	15,670,000	(122,320)	15,547,680
Jun 1, 1994 to Jun 1, 2009	4,565,000	(67,185)	4,497,815
	$ 176,984,767	$ (1,927,920)	$ 175,065,847

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 4. 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 which is 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 for all bonds through Series Z.
- Restricted assets in the General Operating Fund pertaining to each issue, including a debt service reserve for all issues except Series 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, 1993, as follows:

Series T	$ 3,229,180
Series KK	762,153

- Irrevocable letter of credit for Series DDD of $5,208,987.

In June 1991, the College of St. Scholastica deposited funds with a trustee with instructions to purchase certain investments such that the principal amount and accrued interest thereon will be sufficient to pay the principal and interest of Series LL bonds upon redemption. The last payments on the defeased debt are due December 1, 2001. At June 30, 1993, outstanding principal on the bonds was $765,000.

During the year ended June 30, 1992, the Authority issued bond Series AAA, Series JJJ, and Series KKK for the purpose of refunding Series GG, Series JJ, and Series AA, respectively. A portion of the proceeds of each refunding issue was deposited with a trustee to be used to pay the principal and interest on the refunded bonds which were subsequently redeemed.

During the year ended June 30, 1993, the Authority issued bond Series QQQ for the purpose of refunding Series C, Series 1976-2, Series MM, and Series FFF and issued Series OOO for the purpose of refunding Series RR. A portion of the proceeds of the refunding bond issues was deposited with a trustee to pay the principal and interest on redemption of Series C, Series 1976-2, and Series RR with call dates July 1, 1993 through October 1, 1993. At June 30, 1993, outstanding principal on the bonds was $200,000, $740,000, and $4,250,000, respectively. The remaining proceeds were deposited with a trustee with instructions to purchase certain investments such that the principal amount and accrued interest thereon will be sufficient to pay the principal and interest of Series MM and Series FFF upon redemption. The last payments on the defeased debt are due May 1, 1999 and October 1, 2001, respectively. At June 30, 1993, outstanding principal on the bonds was $2,500,000 for Series MM and $2,910,000 for Series FFF.

During the year ended June 30, 1993, Series D, Series L, and Series O bonds were called and redeemed.

In July 1993, the Authority issued bond Series RRR in the aggregate amount of $46,000,000 for the purpose of refunding portions of Series U, Series X, Series II, Series OO, Series SS, and Series CCC. The proceeds of the refunding bond issue were deposited with a trustee to pay the principal and interest upon redemption. Bonds will be called for redemption October 1, 1993 through September 1, 2000.

6. Lease commitment

The Authority has a lease commitment for office space of $3,038 per month through November 1997 with remaining aggregate payments of $161,001 at June 30, 1993. Rent expense was $37,100 and $37,979 for the years ended June 30, 1993 and 1992, respectively.

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